



THE KAISER COMMISSION ON  
**Medicaid and the Uninsured**

# HEALTH AFFAIRS

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Wednesday, Feb. 12, 2003, 9:30 a.m. EST

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## **U.S. Spent \$35 Billion in 2001 to Care for the Uninsured With Government Picking Up Most of the Tab**

*Health Affairs Article Shows That a Substantial Amount of Public Money Is Potentially Available for a Program to Expand Insurance Coverage*

WASHINGTON—Uninsured Americans received about \$35 billion in uncompensated health care treatment in 2001, with federal, state and local governments covering potentially as much as 85 percent, according to a new report for the Kaiser Commission on Medicaid and the Uninsured (KCMU) published today by *Health Affairs*.

Urban Institute researchers Jack Hadley and John Holahan conclude that because some \$31 billion in government money is already being spent to support care to the uninsured each year, “it should be possible to transfer a large share of these funds to a new program to subsidize the cost of providing insurance coverage for the uninsured...”

“Our analysis demonstrates that a fair amount of money is already in the system and that a substantial portion of the cost of covering the uninsured is potentially available from existing government programs,” the authors write.

“This report demonstrates that we are already paying a substantial amount to care for a large uninsured population without a guarantee of coverage. The implication is that we pay for care in the least efficient way possible – after people get sick and need emergency or hospital care,” said Diane Rowland, executive director of KCMU.

“This shows why covering the uninsured should be a top priority for policymakers,” said John Iglehart, founding editor of *Health Affairs*. “These costs affect us as consumers and taxpayers, and are stretching the limits of the health care safety net.”

The authors also report that even though the data show that uninsured people are receiving care, they receive less than people who are fully insured. Including out-of-pocket payments and uncompensated care, Americans uninsured for a full year averaged \$1,253 per person in medical care costs, about half of what people with full-year private insurance received. Their out-of-pocket payments covered 35% of the cost of the care they received. In contrast, people with private insurance pay for 21% of their care out-of-pocket. Many studies have also shown that the uninsured delay care and end up sicker and as more costly cases in the end.

“Thus, uncompensated care is not a substitute for insurance,” said the authors.

The beneficiaries of expanded insurance coverage would be:

- Newly insured people, who currently receive much less care than the insured and would have their coverage follow them through the system, rather than having it buried in subsidies to a limited number of healthcare providers;
- Hospitals, which deliver two-thirds of uncompensated care;
- Private practice physicians, who account for more than half of the private subsidies that underwrite the cost of uncompensated care;
- State and local governments, which face increased financial pressure from uncompensated care during recessions, when tax revenues shrink and the number of uninsured people rises because of unemployment;
- The federal government, which would be able to both better target its payments for the uninsured and rationalize its payments to providers by Medicare and Medicaid.

The authors base their estimates of the cost of treating the uninsured on data collected separately by the federal government and by providers. The federal survey data on the uninsured resulted in an estimate of \$34.5 billion in uncompensated care in 2001, while the provider data produced an estimate of \$35.8 billion. The authors conclude that \$35 billion is a reasonable estimate of total uncompensated care. The study examines costs to the health system and did not examine the indirect costs of our uninsured population, such as work days lost and impact on family budgets.

The *Health Affairs* article is available at [http://www.healthaffairs.org/WebExclusives/Hadley\\_Web\\_Excl\\_021203.htm](http://www.healthaffairs.org/WebExclusives/Hadley_Web_Excl_021203.htm). The research was supported by a grant from the Henry J. Kaiser Family Foundation's Cost of Not Covering the Uninsured project. The Foundation convened an expert advisory group to work on developing new information and analyses on the uninsured problem in America. Work will continue on the financial toll on the uninsured when seeking care, the economic benefits of a fully insured population, and the implications of insurance expansions to the near-elderly.

A webcast of today's policy briefing releasing the article in Washington, D.C., can be viewed after 5 p.m. EST at the following link <http://www.kaisernetwork.org/healthcast/kff/12feb03>.

*Health Affairs*, published by Project HOPE, is a bimonthly multidisciplinary journal devoted to publishing the leading edge in health policy thought and research.

*The Kaiser Commission on Medicaid and the Uninsured (KCMU) serves as a policy institute and forum for analyzing health care coverage and access for the low-income population and assessing options for reform. The Commission is a major initiative of the Henry J. Kaiser Family Foundation and is based at the Foundation's Washington, DC office. The Henry J. Kaiser Family Foundation is a non-profit, independent national health care philanthropy dedicated to providing information and analysis on health issues to policymakers, the media and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.*