



The Cost Shift from the Uninsured

American Family Health Care Premiums Cost \$1,100 More Because Our System Doesn't Provide Continuous Coverage for All

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Introduction

America's patchy health care system is leaving millions of people without continuous, affordable, and effective health insurance, and we're all paying the price.

The Center for American Progress has updated a 2005 analysis by Kenneth Thorpe for Families USA and found that, on average, 8 percent of families' 2009 health care premiums—approximately \$1,100 a year—is due to our broken system that fails to cover the uninsured.

The best way to address this burden on health insurance is to create a more efficient system that offers continuous, quality coverage for all. We can't afford our broken system any more.

Discussion

Approximately 87 million people—one in three Americans—went without health insurance for some period during 2007 and 2008,¹ while rising unemployment and job losses caused an estimated 14,000 people to lose their health insurance every day in December 2008 and January 2009 alone.²

Some mistakenly believe that the plight of the uninsured, and America's failure to provide continuous quality health insurance for everyone, only affects those who are unable to find health insurance. But this is wrong.

The uninsured pay more for care—and get less—than those with insurance. But when the uninsured cannot pay, health care providers shift those costs to those who can pay—those who have insurance coverage.³ This leads to higher premiums for those who buy their insurance on the individual market, as well as workers who get insurance for themselves and their families through their job.

This “hidden tax” on health insurance arises from a failure to continuously cover all Americans and accounts for roughly 8 percent of the average health insurance premium. This cost-shift amounts to \$1,100 per average family premium in 2009 and \$410 per average individual premium. By 2013, assuming the cost shift remains the same percentage of premium costs, the cost shift will be approximately \$480 for an individual policy and \$1,300 for a family policy.

The table on the right shows this “cost-shift” markup for health care plans in every state.

Methodology

Thorpe performed an analysis for Families USA in 2005 that quantified “the dollar impact on private health insurance premiums when doctors and hospitals provide health care to uninsured people.”⁴

We maintained the same percentage increase in premiums due to care for the uninsured—the so-called “cost-shift” markup—that existed in every state in 2005 under Thorpe’s analysis. We then applied these percentages to projected 2009 premiums, which were determined by taking the most recent state-by-state premium data (2006, released in 2008) as reported by the Medical Expenditure Panel Survey, and grow them by the change in national private health expenditures recorded and projected by Centers for Medicare and Medicaid Services from 2006 to 2009.⁵

Cost-Shift From Uninsured Increases Premiums in Every State

Our broken systems means that health providers shift costs that can't be paid from those without insurance to those who have it.

	Cost-Shift Per Premium		Average Premium (2009)	
	Individual	Family	Individual	Family
United States	\$410	\$1,100	\$4,800	\$13,200
Alabama	\$210	\$600	\$4,600	\$12,200
Alaska	\$710	\$1,900	\$5,300	\$14,100
Arizona	\$610	\$1,700	\$5,000	\$13,400
Arkansas	\$520	\$1,500	\$4,100	\$11,500
California	\$500	\$1,400	\$4,700	\$13,300
Colorado	\$380	\$1,100	\$4,700	\$13,000
Connecticut	\$260	\$700	\$5,100	\$14,400
Delaware	\$370	\$1,000	\$5,500	\$14,600
Florida	\$510	\$1,400	\$4,600	\$12,800
Georgia	\$330	\$900	\$4,500	\$12,500
Hawaii	\$270	\$700	\$4,100	\$10,900
Idaho	\$550	\$1,700	\$4,100	\$12,500
Illinois	\$440	\$1,200	\$4,900	\$13,600
Indiana	\$420	\$1,200	\$4,600	\$13,300
Iowa	\$230	\$600	\$4,500	\$12,200
Kansas	\$300	\$900	\$4,400	\$12,800
Kentucky	\$430	\$1,100	\$4,400	\$11,400
Louisiana	\$320	\$900	\$4,600	\$12,500
Maine	\$310	\$800	\$5,400	\$14,300
Maryland	\$370	\$1,100	\$4,500	\$13,000
Massachusetts	\$180	\$500	\$5,100	\$14,200
Michigan	\$330	\$900	\$5,100	\$13,300
Minnesota	\$150	\$400	\$4,600	\$13,200
Mississippi	\$320	\$800	\$4,300	\$11,300
Missouri	\$130	\$400	\$4,600	\$12,900
Montana	\$800	\$2,100	\$4,800	\$12,800
Nebraska	\$360	\$1,000	\$4,500	\$12,500
Nevada	\$480	\$1,300	\$4,100	\$11,300
New Hampshire	\$320	\$900	\$5,300	\$14,700
New Jersey	\$350	\$1,000	\$5,200	\$14,200
New Mexico	\$830	\$2,300	\$4,700	\$13,100
New York	\$310	\$800	\$5,300	\$14,000
North Carolina	\$500	\$1,400	\$4,700	\$12,700
North Dakota	\$370	\$1,000	\$4,400	\$11,600
Ohio	\$360	\$1,000	\$4,700	\$12,700
Oklahoma	\$710	\$1,900	\$4,600	\$12,300
Oregon	\$490	\$1,400	\$4,800	\$13,400
Pennsylvania	\$320	\$900	\$5,000	\$13,600
Rhode Island	\$30	\$100	\$5,300	\$13,800
South Carolina	\$240	\$600	\$4,600	\$12,700
South Dakota	\$420	\$1,100	\$4,600	\$11,400
Tennessee	\$320	\$900	\$4,300	\$11,600
Texas	\$630	\$1,800	\$4,800	\$13,500
Utah	\$320	\$900	\$4,500	\$12,700
Vermont	\$170	\$500	\$5,000	\$13,500
Virginia	\$360	\$1,000	\$4,700	\$13,300
Washington	\$470	\$1,300	\$4,700	\$13,200
West Virginia	\$760	\$2,000	\$5,000	\$13,100
Wisconsin	\$320	\$900	\$4,900	\$13,500
Wyoming	\$510	\$1,300	\$5,300	\$14,000

Note: These figures are based directly on an analysis performed by Families USA in 2005. In order to update the figures for 2009, we maintain the same percentage increase in premiums due to care for the uninsured as existed in 2005. We then apply these percentages to projected 2009 premiums, determined by taking the most recent premium data (2006) as reported by the Medical Expenditure Panel Survey and growing it by the growth in private health expenditures recorded and projected by CMS from 2006 to 2009.

Source: Center for American Progress Action Fund update of research performed by Kenneth Thorpe for Families USA; CMS; MEPS

Endnotes

- 1 Families USA, "Americans At Risk: One in Three Uninsured," (2009), available at <http://www.familiesusa.org/assets/pdfs/americans-at-risk.pdf>
- 2 Center for American Progress Action, "Health Care in Crisis: 14,000 Losing Coverage Each Day," (2009), available at http://www.americanprogressaction.org/issues/2009/02/health_in_crisis.html
- 3 Peter Harbage and Len Nichols, "A Premium Price," (Washington: New America Foundation, 2006); Ken Thorpe, "Paying a Premium," (Washington: Families USA, 2005), available at <http://www.familiesusa.org/resources/publications/reports/paying-a-premium.html>
- 4 Ibid.
- 5 Centers for Medicare and Medicaid Services, "National Health Expenditure Data," available at <http://www.cms.hhs.gov/nationalhealthexpenddata/>