THE HENRY J. KAISER FAMILY FOUNDATION

FOCUS *on* *Health Reform*

HEALTH CARE AND THE MIDDLE CLASS:

MORE COSTS AND LESS COVERAGE

JULY 2009

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prepared by

Diane Rowland, Catherine Hoffman,

and Molly McGinn-Shapiro

Executive Summary

The rising costs of health care services are taking a mounting toll on family budgets, the nation's businesses, and the costs of private and public insurance. While the majority of non-elderly Americans receive health care coverage through their employer today, the availability and affordability of job-based coverage has been gradually eroding, putting more low- and middle-income working families at risk of being uninsured without any coverage for their health needs. For those with health insurance, the value of that coverage has also begun to erode as limits on the scope of coverage leave more of those with insurance to face increased out-of-pocket costs when they seek care.

This report focuses on health insurance coverage among those with middle incomes—its availability, affordability, and stability. It also addresses the growing burden of health care costs for the middle class, the adequacy of today's health insurance plans to protect them from large medical bills, and the difference both make as individuals and families make health care decisions for themselves.

In order to focus on the middle class, an income range needed to be defined since there are no standard income boundaries used to categorize the American middle class. Because many datasets analyze income using multiples of the federal poverty level, middle class in this report, in most instances, is defined as having incomes between 200 and 400 percent of the federal poverty level—about $44,000 to $88,000 for a family of four in 2009. (Median household incomes with two to four members also fall in this range). This is an income range where health insurance affordability is a key issue and many would be eligible for subsidized coverage under the bills currently being considered by Congress.

The key conclusions are these:

- The large majority of uninsured (66%) are from low-income families, but 11 million come from the middle class, accounting for almost a quarter of the nation's non-elderly uninsured. Seventy percent of the growth in the uninsured between 2004 and 2007 came from middle-class (28%) or low-income families (42%—some of whom might consider themselves middle class).
- With the U.S. economy now in a recession, maintaining health coverage is a concern for many in the middle class. Nearly three out of four from middle-income families are insured through their employers—coverage that is in jeopardy as unemployment levels have climbed from 4.9% in December 2007 to 9.5% in June 2009.
- The rapid growth in health premiums makes insurance less affordable for millions, including the middle class. Between 2000 and 2008, the cumulative increase in health insurance premiums grew over three times as fast as wage increases. The average annual family contribution for employer-sponsored coverage had risen to $3,354. For a family earning $50,000, that amount alone would consume 7% of their pre-tax income.

- Not only are health insurance premiums increasing, but so are the cost-sharing requirements of health policies. Half of employees enrolled in PPOs were in plans with a family deductible of $1,000 or more in 2008. The move to consumer-driven health plans, where the majority of family deductibles are at least $2,500, has been slow but steady.
- 45 million of the non-elderly incurred a significant financial burden for health care costs in 2004 (out-of-pocket expenses for premiums and services consumed more than ten percent of their family's income) and 15.5 million of them were from middle-income families—or one in five in the middle class.
- The recession is making the situation even worse for many families. A June 2009 survey finds that many middle-class working-age adults are having financial problems that they say have been caused by the recession. One in six reports they or someone in their family lost a job; 10 percent lost health insurance. A quarter report problems paying medical bills in the past year and this has impacted their access to health care. Over half say that they or another family member have postponed, cut back, or skipped needed health care altogether in the past year because of its cost.

Health insurance provides individuals and families with an important source of financial security. Although the majority of non-elderly Americans receive health care coverage through their employer today, the availability and affordability of employer-based insurance is declining, putting not just those with low incomes, but also middle-income working families at risk of being without coverage for their health needs. For those with health insurance, the value of that coverage has begun to erode as limits on the scope of coverage leave more insured Americans to face increased out-of-pocket costs when they seek care.

As the nation undertakes a major health reform effort, one of the critical elements Congress and the Administration face is how to make coverage affordable for low- and middle-income families. At what income level should the purchase of health insurance be subsidized, and how generous should these subsidies be, are issues at the center of the debate over coverage and costs. How these issues are resolved will determine the impact of health reform on America's middle class.

Introduction

Health insurance coverage is a valuable key, opening access to preventive and primary health care services, and providing peace of mind and financial security for those facing serious health care problems. Yet a growing number of Americans—45 million non-elderly in 2007—lacked insurance to help them address their health care needs. The growing uninsured population gets health care later, if at all, and ends up sicker than those who have health coverage. It is estimated that lack of health insurance alone caused as many as 27,000 unnecessary deaths in 2006.[1] Leaving millions of Americans without health coverage not only compromises their health but also burdens the health care system and puts additional strain on the economy.

The bedrock of the nation's health insurance system, employer-sponsored coverage, has been gradually eroding. Even for those who have health insurance coverage, both rising premium costs and out-of-pocket costs are increasing their financial risk and burden. For many, health insurance coverage through the workplace now has higher deductibles and more cost-sharing as well as higher premiums. Affordable health insurance and medical care are growing out-of-reach for more middle-class families, adding to the growing numbers of uninsured.

This report focuses on health insurance coverage among those with middle incomes—its availability, affordability, and stability. It also addresses the growing burden of health care costs for middle-income families, the adequacy of today's health insurance plans to protect them from large medical debt, and the impact of both on their ability to obtain the health care they need.

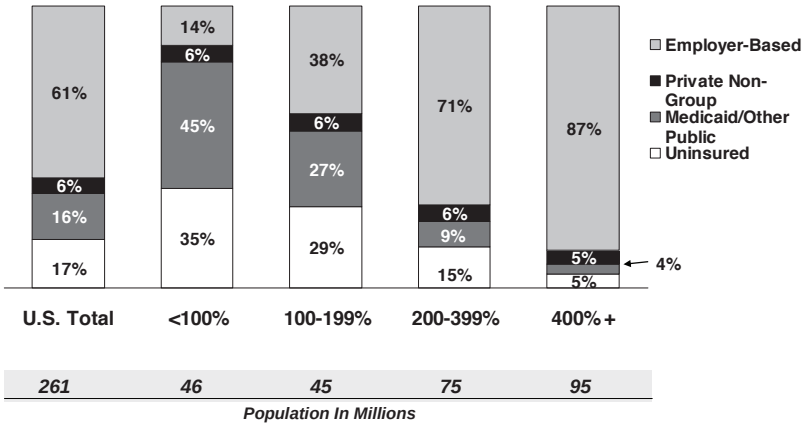
In order to focus on the middle class, an income range needed to be defined since there are no standard income boundaries used to categorize the American middle class. Because many datasets analyze income using multiples of the federal poverty level, middle class in this report, in most instances, is defined as having family incomes between 200 and 400 percent of the federal poverty level -- about $44,000 to $88,000 for a family of four in 2009. Currently available median household incomes (2007) fall into that range: $75,263 for a household of four, $54,841 for two in the home.[2] This is an income range where health insurance affordability is a key issue and many would be eligible for subsidized coverage under the bills currently being considered by Congress.

Health Insurance Coverage of the Middle Class

While the elderly rely on Medicare for their health insurance coverage, most non-elderly Americans receive their health insurance protection through the workplace. Of the 261 million non-elderly Americans, 159 million (61% of the non-elderly population), are covered by employer-sponsored health insurance (Figure 1). Public coverage through Medicaid and the State Children's Health Insurance Program (CHIP) provides an important adjunct to employer-based coverage for low-income families, especially children, covering 16 percent of the non-elderly population.

Fig. 1

Health Insurance Coverage of the Nonelderly by Poverty Level, 2007



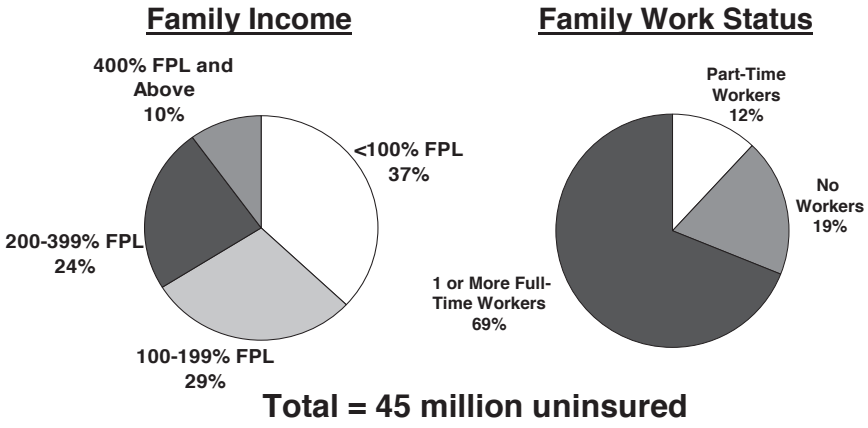
The federal poverty level was $21,203 for a family of four in 2007. Sums may not be exact due to rounding.
SOURCE: KCMU and Urban Institute analysis of the March 2008 ASEC.

The availability and affordability of employer-based coverage varies widely by income, with higher-income families more likely to be covered by employer-based coverage than middle- or low-income families. Nearly 3 out of 4 (71%) of the 75 million middle-class non-elderly individuals have employer sponsored coverage. Lower-income families (with incomes 100-199% of poverty), some of whom might actually consider themselves part of the middle class, have much lower levels of private coverage—only 38 percent have employer-based coverage—resulting in a high uninsured rate (29%) and greater reliance on public coverage (27%).

Lack of employer-based coverage and limited access to public coverage leaves about one in six (15%) or nearly 11 million middle-income Americans uninsured. They account for nearly a quarter (24%) of the nation's 45 million non-elderly uninsured although the majority of the uninsured have even lower incomes (Figure 2). In addition, like most of the nation's uninsured, the middle-class uninsured come from working families. In fact, 9 in 10 (91%) of the middle-class uninsured come from families with at least one full-time worker, but many of these workers are in jobs that do not offer health insurance coverage or where such coverage is unaffordable.

Fig. 2

Characteristics of the Uninsured, 2007



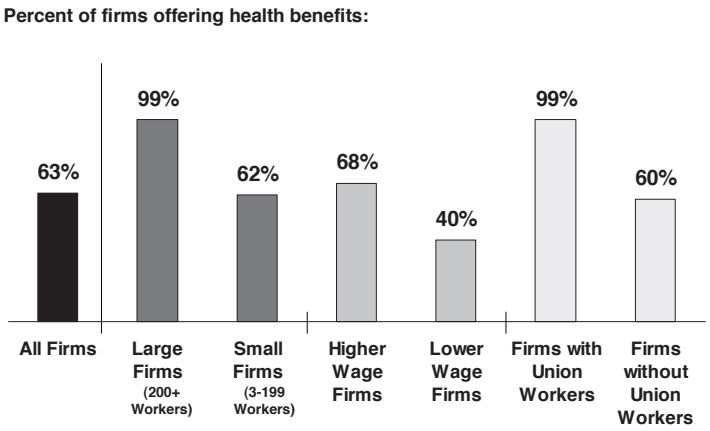
The federal poverty level was $21,203 for a family of four in 2007.
SOURCE: KCMU/Urban Institute analysis of March 2008 CPS.

Availability and Affordability of Coverage

Over time, the availability of employer-sponsored coverage has been declining. From 2000 to 2008, the percentage of firms offering health coverage fell from 69 percent to 63 percent, largely driven by small business' offer rates. Sixty-two percent of firms with fewer than 200 workers offered health insurance in 2008, down from 68% in 2000—while almost all large firms (99%) continued to offer health coverage over the same period (Figure 3).

Fig. 3

Health Insurance Offer Rates by Firm Characteristics, 2008



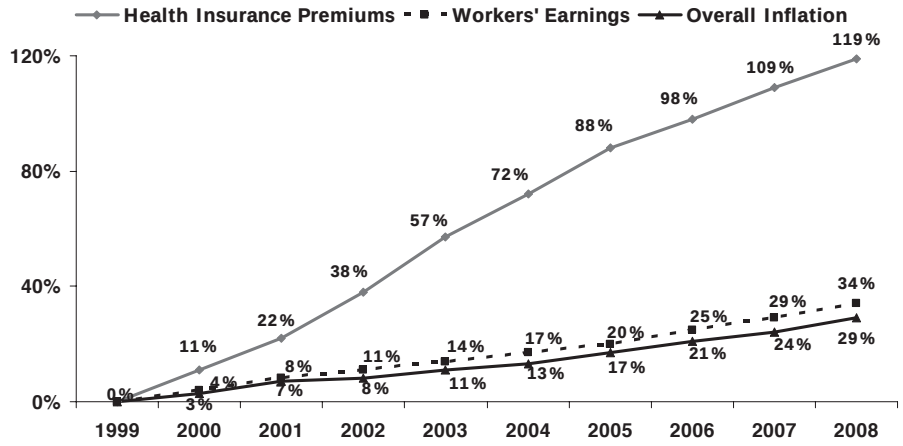
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008.

The nature of the job also makes a difference in whether or not health coverage is offered. Firms with a high percentage of low-wage and part-time workers are less likely than higher-wage firms to offer health benefits, with only four in ten low-wage firms offering coverage. However, the presence of unionized workers increases the likelihood that a business will offer health insurance—nearly all (99%) of firms where there are at least some union workers offer coverage, compared to 60 percent of firms where there are no union workers. Certain industries such as agriculture, construction, and the service industry have particularly high rates of uninsured workers (36%, 35%, and 30% respectively)—even among the professionals and managers in the industry. For example, about 20% of professionals or managers working in service industries are uninsured. In general however, "blue-collar" workers (those not in professional or management positions) are more than twice as likely to be uninsured than those in "white-collar" jobs (24% vs. 9%).

When insurance is offered, it is becoming increasingly unaffordable for many. Between 1999 and 2008, the cumulative increase in premiums for employer-sponsored insurance was 119 percent—three to four times as great as the 34 percent increase in wages and 29 percent increase in overall inflation (Figure 4). Even when premium increases have moderated over the last decade, the rise in health care costs and premiums has far outpaced the growth in wage earnings, creating a growing gap between worker's income and the cost of health insurance—which means workers have to spend more of their income each year on health care in order to maintain their current level of health coverage.

Fig. 4

Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008

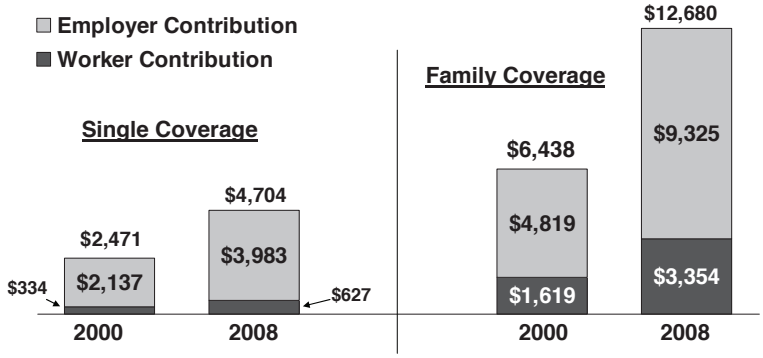


Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See Survey's Design and Methods org/7790/index.cfm.
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).

The total annual family premium offered by employers reached an average of $12,680 in 2008. The average share of this premium paid by the employee was $3,354, which had doubled since 2000 (Figure 5). This means a family earning $50,000 in 2008 would need to use about seven percent of their pre-tax income to cover their share of health insurance premiums.

Fig. 5

Average Annual Premium Costs for Covered Workers, 2000 vs. 2008



Note: Family coverage is defined as health coverage for a family of four. Data represents average for all types of plans.
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008.

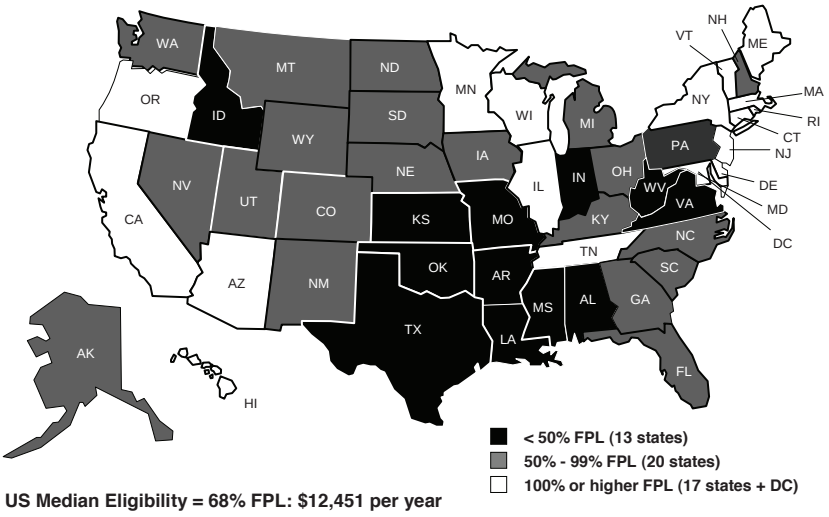
The growing cost of health insurance not only is far outpacing wages, but similarly outpacing the federal poverty level. Income eligibility for subsidized public coverage is commonly set using increments of the poverty level. For those whose income is just above an income threshold, the share of family income required to buy health insurance will grow over time, and rapidly. For example, a family of four with an income at 300% of the poverty level in 1999 ($50,100) and a low-cost family health insurance plan costing $2,500 would use about 5 percent of their annual income before taxes to pay their premium. This same family, still earning 300% of the poverty level in 2008, which has now grown to $63,600, might have seen their annual premium grow to nearly $5,500 (by 199%), now consuming 8.6% of their income. The share of income going to health insurance will continue to grow as long as premiums rise faster than the growth in wages and the poverty level. Income eligibility thresholds for public or subsidized health coverage that are tied to the poverty level cannot maintain a consistent level of financial protection unless periodic adjustments to the poverty level or the income thresholds themselves are made.[3]

Stability of Coverage

The combination of declining employer coverage and rising health care costs has placed more middle-income families at risk of being uninsured and added financial burden for health care on those with coverage. In the absence of employer-offered coverage both low- and middle-income workers are at risk of being uninsured, having few coverage options given the high cost and limitations in the non-group market and limited access to public coverage. While Medicaid and CHIP have helped to offset declines in employer-based coverage for low-income children, middle-income adults have not been able to avail themselves of this safety net. Medicaid and CHIP do not cover adults without dependent children, and the income eligibility levels for parents in most states are far below the levels for children; 33 states set parents' eligibility at less than the poverty level (Figure 6). In 28 states, a parent working full-time at minimum wage in 2009 has an income too high to qualify for Medicaid.

Fig. 6

Medicaid Eligibility for Working Parents by Income, January 2009

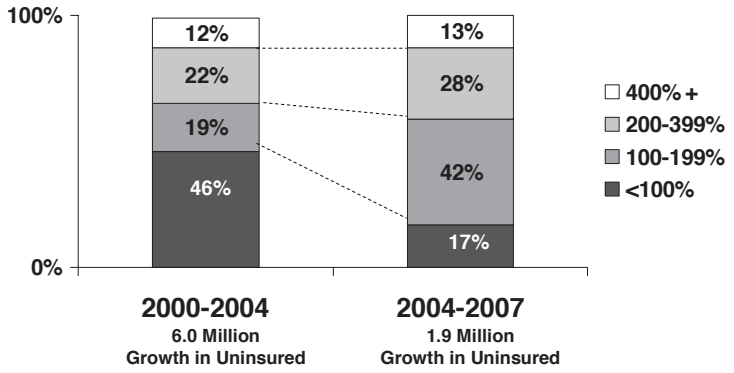


Note: The Federal Poverty Line (FPL) for a family of three in 2009 is $18,310 per year.
SOURCE: Based on a national survey conducted by the Center on Budget and Policy Priorities for KCMU, 2009.

Employer-sponsored insurance has steadily declined since 2000, leveling off only in 2007. Over the same period (2000-2007) the number of non-elderly uninsured grew by nearly eight million. In the earlier years (between 2000 and 2004) declines in job-based insurance among children were fully offset by increases in Medicaid and CHIP enrollment; thus all of the growth in the uninsured in these years was among adults. While the poor accounted for almost half of this period's growth (46%), and about 20 percent was among near-poor adults (at 100-199% FPL) —22 percent of the growth in the number of uninsured came from middle-income families (Figure 7).

Fig. 7

Growth in the Nonelderly Uninsured, by Income Groups 2000-2004 vs. 2004-2007



Source: Urban Institute/KCMU analysis of data from the ASEC supplement to CPS for 2000-2007

Although the economy rebounded in 2005 and family incomes increased, employer-sponsored insurance continued to decline for two more years. Between 2004 and 2007 the share of the middle class covered through their employer dropped significantly. Public programs were able to fill in some, but not all of the gaps in private coverage. By 2007 many states had budget surpluses with an improving economy and they began expanding their public programs to reach more of the uninsured. Still, the net change in health coverage between 2004 and 2007 added 1.9 million to the uninsured total. Importantly, the income distribution of the changing population had shifted. Compared to the growth in the uninsured in the earlier period of 2000 to 2004, much larger shares were near-poor (42% vs. 19%) and middle-class (28% vs. 22%). Of the 1.9 million growth in the number of uninsured, 500,000 were from middle-class families, another 800,000 were near-poor (Figure 7).

Many factors contribute to the steady drop in job-based coverage since 2000. Fewer employees are offered or are eligible for health benefits—a function of the rising cost of health insurance premiums and shifting employment opportunities. In periods when the economy slows, more workers find themselves unemployed, in part-time jobs, or employed in smaller businesses where health benefits are less likely to be offered. Incomes shift downward also, making it harder for employees to afford their share of a health premium. Even prior to the current recession (between 2003 and 2007) fewer middle-income workers were participating in health benefits offered by an employer (83% by 2007 compared to 87% in 2003).[4]

While the economy is in recession, lapses in health insurance and the number of uninsured have increased as employment and family incomes have declined. Many of the newly uninsured are among middle-income families who have recently lost their jobs and therefore their job-based coverage. Without a job, few have the resources to afford the option under the Consolidated Omnibus Budget Reconciliation Act (COBRA) that extends their employer-sponsored coverage for up to 18 months by paying the full health

premium themselves. To help people maintain coverage during the current recession, the federal government provides temporary COBRA subsidies through the American Recovery and Reinvestment Act of 2009 (ARRA). Under ARRA, many recently laid-off workers are eligible for a nine-month federal subsidy that covers 65% of the health premium. While these subsidies help some individuals maintain coverage, limits in eligibility for COBRA and the new subsidy program leave some unable to take advantage of the subsidy and others who are still not able to afford their share of the premium.[5]

Those without access to employer-sponsored health insurance or public coverage look to the non-group insurance market for coverage, but unfortunately this market has not proven itself to be an attractive option for many uninsured people. Among those without an offer of coverage through an employer or eligible for public coverage, less than a quarter of the middle-income purchase non-group coverage.[6] Some of them are excluded or charged higher premiums because they have pre-existing medical conditions. When available, lower-cost products generally have high deductibles and coverage limitations, especially for maternity care or mental health services. These limitations stymie even middle-income and high income families. Only five to six percent of the non-elderly are covered by private non-group insurance, and this does not vary across income groups.

Given that job-based coverage is the foundation of the U.S. private system, temporary gaps in health insurance coverage can happen to anyone. However, the likelihood of having gaps in health coverage in the course of a year is greater among low- and middle-income families. Half of non-elderly adults with incomes below 200% of the poverty level reported being uninsured for at least part or all of the past year in a 2007 study of "under-insurance." Nearly a third (31%) of adults with family incomes between two and three times the poverty level said they had been uninsured for at least part of the year, compared to just 9% of adults with higher incomes (at least 400% FPL).[7] Even short lapses in health insurance coverage quickly change health care seeking behavior, particularly when there is no sense of when a person might have health insurance again. Because even a primary care visit can result in additional lab or diagnostic work, many postpone caring for themselves while they are uninsured, and also worry that should they be newly diagnosed with even a common health problem it may prevent them from being able to secure affordable health insurance in the future.

Scope of Coverage

While the availability of employer-sponsored coverage is declining and health premium costs are rising, the scope of medical care costs covered by insurance is also contributing to growing stress on family budgets. Health insurance policies do not provide complete "100 percent" coverage for health care needs. Depending on their policies, individuals with insurance often pay deductibles for physician or hospital services, copayments or cost-sharing for physician visits and other medical services, and also pay additional amounts for using providers that are outside a plan's network.

Thus, even people who have insurance can face significant out-of-pocket costs. For example, data from the Kaiser/HRET 2008 Employer Health Benefits Survey shows that among workers enrolled in the most common insurance plan,* PPOs, half (51%) are in plans with a family deductible of $1,000 or more; 17% of workers with single PPO coverage have a deductible at least this large.

The recent move toward "consumer-driven" health plans restructures insurance in the direction of catastrophic coverage. Consumers face higher deductibles, making them more directly responsible for the purchase of their care and more sensitive to the price of services. The implications of these changes are just beginning to be assessed as the participation in these plans is still relatively low. Only a small share of businesses are offering high deductible health plans (HDHPs), but it is a growing share—from 13% in 2008, up from 4% in 2005. However, just 8% of covered workers were enrolled in an HDHP in 2008. The majority of this increase occurred among workers in small firms (3-199 employees) where the majority only offer one type of health plan to employees.

HDHPs have significantly higher deductibles than traditional insurance arrangements. For example, in HDHPs that are designed to allow enrollees to also set up a health savings account (HSA) 83% of deductibles for family coverage were $2,500 or more.†

The Financial Burden of Health Care

As the availability, affordability, stability and scope of health insurance decrease, far more of the middle class—both insured and uninsured—are now dealing with budget-consuming medical bills and debt. Researchers from the Agency for Healthcare Research and Quality have examined the financial burden of health care costs relative to family incomes among the non-elderly population and have found a deepening problem. [8] "Financial burden" was defined as having out-of-pocket expenses for health care services and insurance premiums that exceeded ten percent of a family's disposable (or after-tax) income. In 2004, 45 million (18% of the non-elderly population) had incurred at least this level of financial burden—and 15.5 million of them were from middle-income families. While the poor and low-income were by far the most likely to be heavily burdened by health care costs, one in five (19%) of those from middle-class families were similarly burdened (Figure 8). Those from the middle class who had private insurance were not insulated; 21 percent had spent ten percent or more of their income on health care. About 10 percent of the middle-class with private insurance incurred high financial burdens from the cost of health premiums alone, while 6 percent incurred their high financial burden solely from less predictable out-of-pocket spending for health services. [9]

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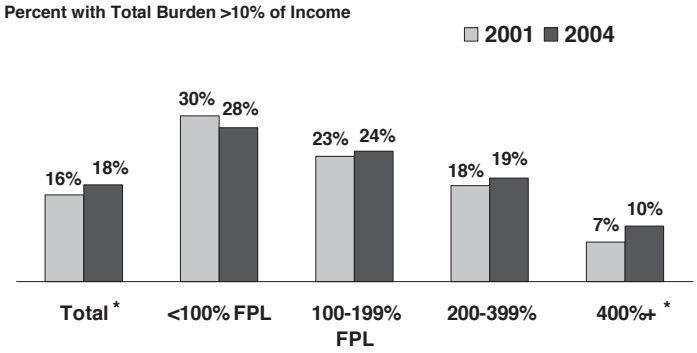
* Fifty-eight percent of all covered employees were enrolled in PPOs in 2008.

† Health Savings Account qualified HDHPs are plans with a deductible of at least $1,100 for single coverage and $2,200 for family coverage in 2008, that also meets other requirements. Both employers and employees can contribute to the health savings account up to certain levels and are not taxable to the employee, nor is the interest accrued on the accounts or withdrawals used for heath care expenses. Twenty-eight percent of employers offering HSA-qualified plans however, do not make contributions to HSAs established by their workers.

Fig. 8

Prevalence of High Family Out-of-Pocket Burdens among the Nonelderly, By Poverty Level, 2001 vs. 2004

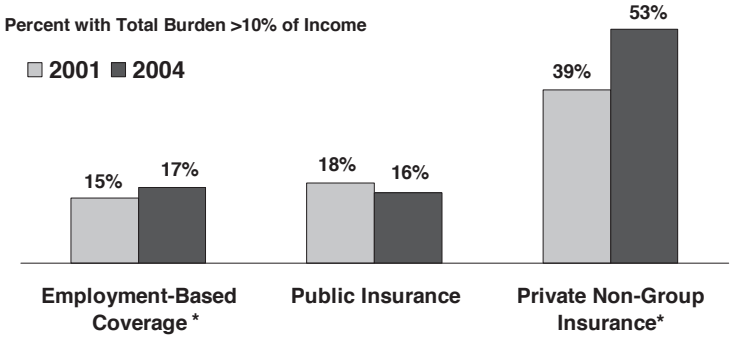


Total financial burden includes all out-of-pocket payments for health care, including premiums.
* Statistically significant change between 2001 and 2004 (p≤.01).
Source: Banthin and Bernard, "Financial Burden of Health Care, 2001 – 2004," Health Affairs, January/February 2008.

Financial burden varies considerably depending on the type of health insurance a person has. Among those covered either by employer-sponsored insurance or public programs in 2004, about 16-17% had out-of-pocket health expenses that consumed at least 10 percent of their family income. In contrast, 53 percent of those with private non-group coverage were dealing with high levels of out-of-pocket health costs—more than three times the rate of everyone else, including the uninsured (Figure 9).[10]

Fig. 9

Prevalence of High Family Out-of-Pocket Burdens among the Nonelderly, By Source of Health Coverage, 2001 vs. 2004

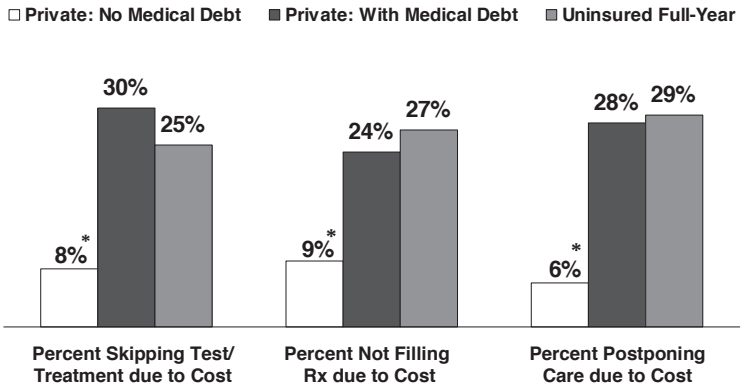


Total financial burden includes all out-of-pocket payments for health care, including premiums.
* Statistically significant difference between 2001 and 2004 (p≤.01).
Source: Banthin and Bernard, "Financial Burden of Health Care, 2001 – 2004," Health Affairs, January/February 2008.

Non-elderly adults with medical debt are almost twice as likely to have an ongoing or serious health problems compared to others with private coverage.[11] Unfortunately, the privately-insured who have medical debt are also as likely as the uninsured to postpone care, skip recommended tests and treatments, and not fill drug prescriptions—any of which can lead to more serious illness and even disability which are difficult and costly to treat (Figure 10).

Fig. 10

Problems with Access to Care Among the Uninsured and Those with Medical Debt
(Non-Elderly Adults)



*Significant difference compared to those privately insured with medical debt (95% CI). Rates adjusted for age, education, income, race, health status, and employment.
Source: C. Hoffman et al, "Medical Debt and Access to Health Care," KCMU pub # 7403, September 2005. Based upon data from the 2003 Kaiser Health Insurance Survey.

A recent Kaiser Family Foundation study interviewed household heads in 27 diverse working families across the U.S. to learn more about their ability to pay for health care. In summary, the study found that health care costs were often a strain on family budgets, even for families with insurance coverage. In many cases, families had monthly health care bills totaling hundreds of dollars that were a significant share of their earnings. Some families had begun to use retirement savings to pay down their medical debts; another family had considered filing for bankruptcy.[12] For many, health insurance alone is no longer a guarantee of financial protection from the costs of health care and financial stress especially when illness strikes. Today's higher premiums, deductibles, and copayments can create substantial financial burden for families, and many learn only through an unexpected serious injury or illness, such as cancer, that they are not well protected financially.

A survey conducted by USA Today/Kaiser/Harvard examined households affected by cancer and the financial impact of the illness on families in 2006. Even though most (95%) reported being covered by insurance during their cancer treatment, the survey found that nearly half (46%) of people affected by cancer said the costs of care were a burden on their family, including one in six (17%) who said costs were a major burden. A quarter (25%) of all respondents—including those with health insurance—said they used up all or most of their savings as a result of the financial cost of dealing with cancer, and 11 percent were unable to pay for basic necessities like food, heat and housing. A recent report conducted jointly by the Kaiser Family Foundation and the American Cancer Society found that even when cancer patients have relatively comprehensive coverage through their private health insurance coverage, the sizeable costs from co-payments, deductibles, and co-insurance can readily mount up, forcing cost considerations that can compromise both treatment objectives and health outcomes.[13]

Some families are turning to their credit cards to pay their medical bills and going into debt to pay for health care as a result. According to a study of credit card debt in 2005, 29 percent of low- and middle-income ‡ households with credit card debt spanning at least three months reported that medical expenses contributed to their current level of credit card debt.[14] One-fifth (20%) of those surveyed reported having a major medical expense in the past three years that contributed to their credit card debt. Households reporting that a recent major medical expense contributed to their debt had an average of $11,623 in unpaid credit card bills, which is almost $4,000 higher than the average amount for other indebted households. While the medically indebted without health insurance had the highest credit card debt, even among those who had been insured throughout the past three years, the size of the debt averaged $11,526. Fifteen percent of medically indebted households had declared bankruptcy.

The credit card industry has recently developed "medical credit cards" specifically for health care expenses and in some cases, credit companies are working together with health care providers to shift bill collection from the provider to the credit care company. Just like other personal credit cards however, these credit cards charge interest and can trigger penalty costs for late payments.[15] The mounting levels of personal indebtedness and the growing role of medical bills in bankruptcy proceedings underscore the financial toll rising health care costs and limits on the scope of health insurance protection are taking on America's families.

‡ Household income between 50 and 120 percent of the local median incomes.

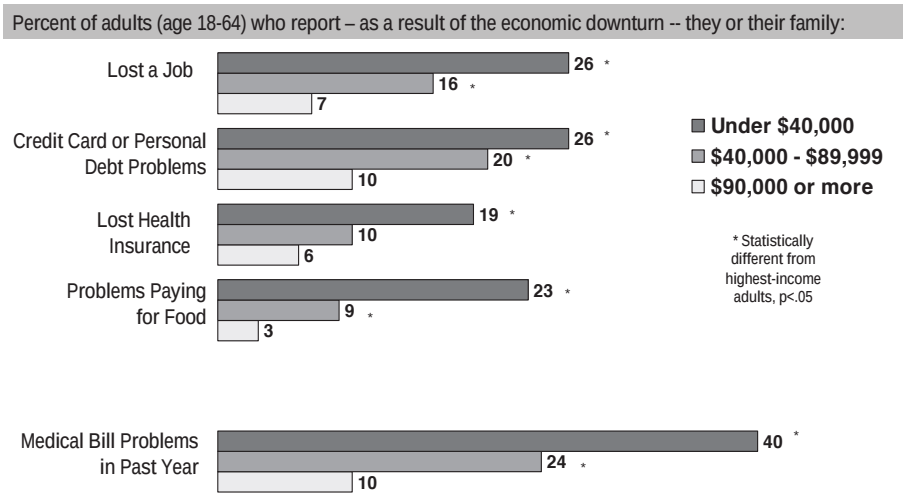
The Impact of Rising Health Care Costs on the Middle Class

Health care costs are becoming more difficult for middle-class families to manage and affecting both their financial security and their access to health care, particularly as the economic recession deepens.

The Recession and Family Bills. Recent polling data from the Kaiser Family Foundation (June 2009) finds that many middle-income working-age adults (with family incomes ranging from $40,000 to just under $90,000) are experiencing financial problems that they attribute to the economic downturn. One in six has lost a job; and 20% say they have had problems paying credit card and other personal debts. Ten percent of middle-income adults report they or a family member lost their health insurance due to the recession; nine percent are having problems paying for food (Figure 11).

Fig. 11

Financial Problems Due to the Economic Downturn, by Income Group, 2009



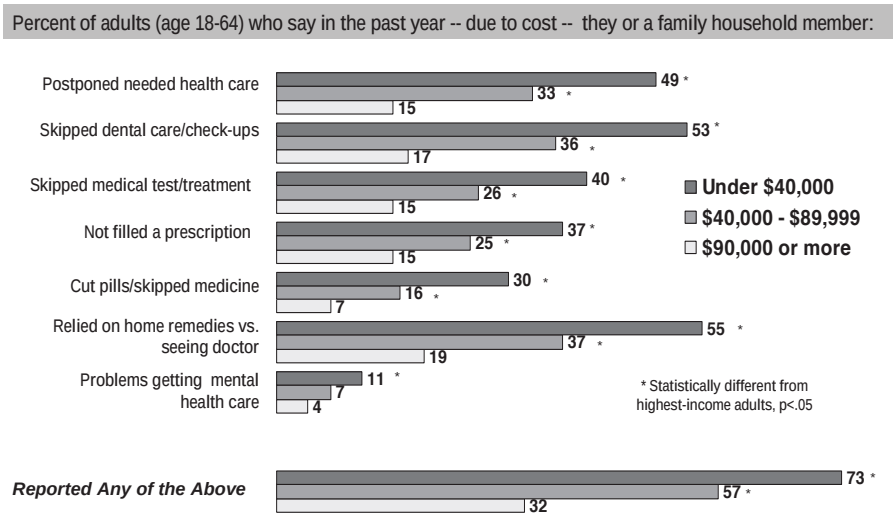
Source: Kaiser Health Tracking Poll, June 2009

In the same poll, a quarter of middle-income adults report that they or household family members had problems paying medical bills in the past year. As a group, they are less likely than low-income non-elderly adults to be struggling, but are at least twice as likely to have these kinds of financial problems as higher income adults.

Access to Care. Health care bills and debt directly affect the decisions individuals and families make about their need for all kinds of health services—and cost is increasingly a barrier to needed health care for the middle class. Overall, over half (57%) of middle-income non-elderly adults reported in June 2009 that they or another household family member had cut back or skimped on needed health care because of its cost (Figure 12). Asked to consider the family members in their own household, a third of the middle class said someone had put off or postponed needed health care because of cost, 36 percent skipped dental care, and a quarter (26%) skipped medical tests or treatments. The costs of prescription drugs are too high for many of the middle class. A quarter say they or a family member failed to fill a prescription because of its cost; 16 percent are cutting pills in half or skipping doses to stretch them, and 37 percent are relying on home remedies or over-the-counter drugs instead of going to the doctor.

Fig. 12

Problems with Access to Care Due to Cost, by Income Group, 2009



Source: Kaiser Health Tracking Poll, June 2009

Access to health care because of its costs has been eroding, even among the privately insured and those who live with chronic conditions and have many health needs. As shown in these data, the cost barriers are now substantially impacting the middle class as well, with over half of working-age adults at this income level reporting that they or another family member have postponed, cut back, or skipped needed health care altogether in the past year because of its cost.

Conclusion

Health insurance provides individuals and families with an important source of financial security when illness strikes and helps to promote access to health care services that can often stave off more serious illness. Although the majority of non-elderly Americans receive health care coverage through their employer today, the availability and affordability of employer-based coverage is declining, putting not just those with low incomes, but also middle-income working families at risk of being uninsured and without coverage for their health needs. For those with coverage, the value of that coverage has begun to erode as limits on the scope of coverage leave more insured Americans to face increased out-of-pocket costs when they seek care.

Rising costs for both health care services and insurance coverage bring a heavier load to bear on family budgets, businesses, and public programs. The financial burden resulting from these growing costs contributes to the growing number of uninsured and is squeezing out good health practices, leading many to forgo needed health care, not just the low income and uninsured.

As policy efforts move forward to address rising health care costs and their impact on America's families, shifting more costs onto consumers could further endanger access to care and financial security. It will be important to address not only the cost of health insurance, but how much additional cost-sharing is reasonable for individuals and families to assume, as well as the impact of any policy changes on the number of uninsured and access to affordable care for all.

As the nation undertakes a major health reform effort, one of the critical elements Congress and the Administration face is how to make coverage affordable for low- and middle-income families. At what income level should the purchase of health insurance be subsidized, and how generous should these subsidies be, are issues at the center of the debate over coverage and costs. How these issues are resolved will determine the impact of health reform on America's middle class.

Endnotes

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THE HENRY J. KAISER FAMILY FOUNDATION

Headquarters: 2400 Sand Hill Road Menlo Park, CA 94025 650.854.9400 Fax: 650.854.4800
Washington Offices and Barbara Jordan Conference Center: 1330 G Street, NW Washington, DC 20005 202.347.5270 Fax: 202.347.5274

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