

# UNIVERSAL HEALTH INSURANCE AND UNINSURED PEOPLE: EFFECTS ON USE AND COST

## SUMMARY

Many health reform proposals call for universal coverage. Measuring both the benefits and the costs of universal coverage requires good estimates of the impact of new insurance coverage on the quantity of health services used by the 37 million people now uninsured and on the expenditures for that additional use. Using data from three large surveys of the U.S. population, this report develops estimates of the gap in health services utilization between insured and uninsured people. Based on estimates of this “access gap,” the report examines implications for national health expenditures and for the adequacy of existing health care resource capacity,

The key findings of this analysis are:

- In a single year, adults reporting a complete lack of health insurance have 61 percent as many ambulatory health services contacts and 67 percent as many inpatient hospital days as a comparable group with health insurance coverage.
- There is also an access gap for uninsured children, although it is somewhat smaller than that for uninsured adults. Children lacking insurance coverage have 70 percent as many ambulatory contacts and 81 percent as many inpatient hospital days as do otherwise similar children with coverage all year.
- For both adults and children, the gaps for people reporting fair or poor health are greater than those for people reporting excellent or good health.
- Filling this access gap for all previously uninsured people would lead to an estimated annual increase in total ambulatory contacts of 55 million (3.8 percent), and an estimated increase in total inpatient hospital days of 6.1 million (3.6 percent). *In the aggregate*, the health care system has adequate capacity to absorb these increases in utilization.
- The currently uninsured would use a total of \$60.5 billion (in 1993 dollars) of physician and hospital services under universal coverage -- \$40.6 billion that would have been consumed had they continued to be uninsured, plus \$19.9 billion of new resources represented by the access gap. This 19.9 billion, which represents 2.2 percent of total national health expenditures, is a “best estimate.” Tests of the sensitivity of this estimate to use of any one of various alternative sources of data and assumptions suggest that it could range from \$16 billion to \$29 billion, or from 1.8 percent to 3.2 percent of national health spending.
- New insurance premiums for the previously uninsured might total between \$60 billion and \$70 billion. This would pay both for the services currently provided to the uninsured, but financed through taxes, “cost-shifting,” and out-of-pocket payments, and for some of the additional services demanded once they were insured,