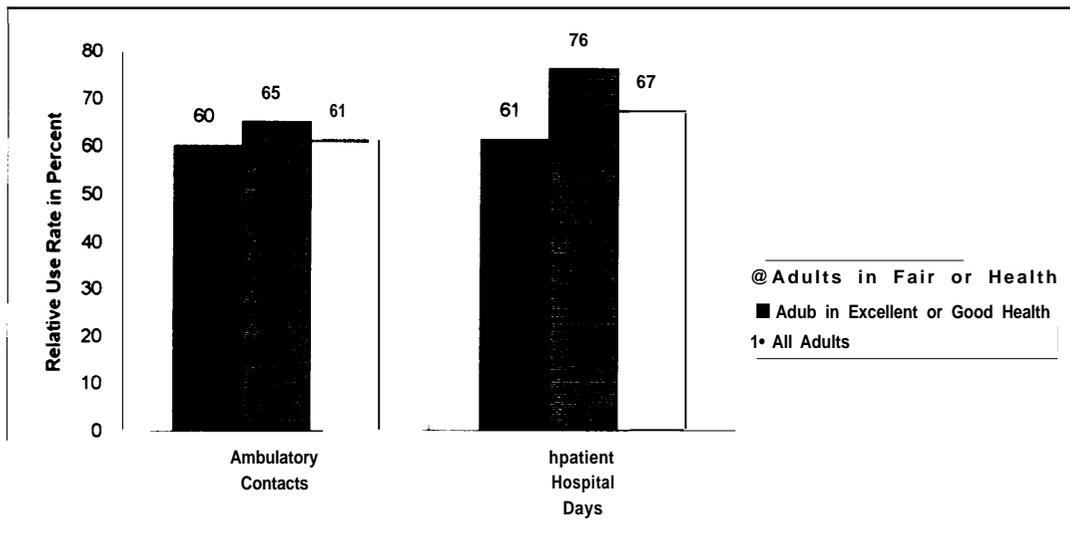


CHAPTER 2. THE UNINSURED ACCESS GAP AND THE COST OF UNIVERSAL COVERAGE

THE GAP IN USE BETWEEN THE UNINSURED AND INSURED

Adults lacking health insurance coverage for a full year have about 60 percent as many ambulatory health services contacts and about 70 percent of the inpatient hospital days in the year as they would if they had health care coverage (Figure 1). This is shown in Table 1 which reports our estimates of the annual number of ambulatory contacts and inpatient hospital days for the uninsured and of the quantity of care that they would demand if insured for the year. The figures represent our “best” point estimates of the quantities based on an analysis of data from three large national surveys.¹ However, the estimates vary from survey to survey. Further, the estimates from any sample survey may differ some from those that would be obtained in a complete census. Details of our estimation methods, the quantity estimates from each survey, and our procedures for combining these into our best estimate are given in Chapter 3.

FIGURE 1. Health Service Use Rates by Uninsured Adults Relative to Expected Insured Use Rates



NOTE: Relative use rates are calculated separately for each group, based on their respective absolute rates (see Table 1). Therefore, the relative use rate for all adults is not a weighted average of those for the two subgroups.

¹The Survey of Income and Program Participation, the Health Interview Survey, and the National Medical Expenditure Survey.

TABLE 1. Uninsured Access Gap for Adults
Predicted Use Rates for Uninsured Adults

Insurance Status of Person	Adults in Fair or Poor Health	Adults in Excellent or Good Health	All Adults
Ambulatory Contacts Per Person			
Uninsured	4.9	2.2	2.7
Insured	8.1	3.4	4.4
Access gap	-3.2	-1.2	-1.7
Relative use	60%	65%	61%
Hospital Days Per Person			
Uninsured	1.03	0.29	0.43
Insured	1.70	0.38	0.64
Access gap	-0.67	-0.09	-0.21
Relative use	61%	76%	67%

Under universal coverage, those who are currently without insurance would average about 1.7 additional ambulatory care contacts per person per year.² Part of this total increase would stem from an increase in the number of people seeking care in the year. With insurance, about 70 percent of those now insured would obtain some ambulatory treatment, up from the current rate of 52 percent. The other part of the total increase would be an increase in the number of contacts by those currently uninsured who already receive some care; we estimate that the number of contacts among those who receive care would increase about 20 percent, to about 5.9 visits per user per year.

Currently uninsured adults would average 64 hospital days per 100 persons under universal health coverage, up from 43 days per 100 persons currently. This is due to a large increase in the number of admissions, which we estimate would rise by about 50 percent among the uninsured (up about 3 percentage points from the current rate of about 6 percent of them being admitted during a year).

²Our estimates here refer to the full access gap, that is the difference in the health care that an individual would use if insured for a full year relative to use if uninsured for the full year. Some individuals are uninsured for only part of a year, and we take partial year insurance coverage into account in the next section when we convert these estimates into the costs of reform. See Chapter 4 for methodological details. We focus on estimating the average increase in quantities and costs. The actual increase in use will be zero for some uninsured individuals and much higher than the average we report for other individuals.

³Tables showing the access gap in both the probability of use and the number of visits by users are included in Chapter 3.

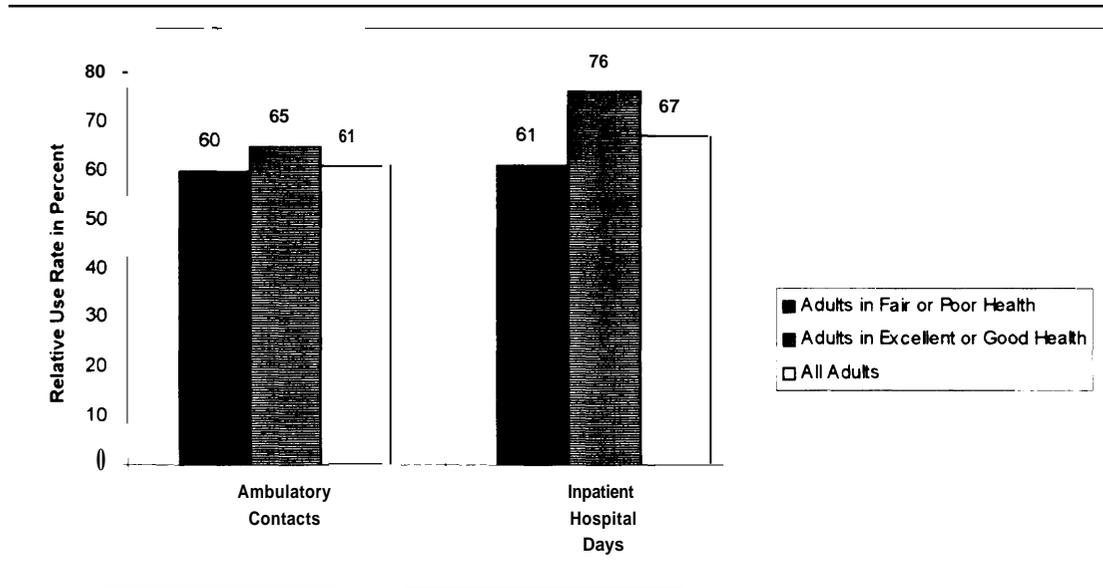
About 1/5 of uninsured adults report that their health is fair or poor and the gap between use of health care by these individuals and otherwise similar insured adults is greater than the access gap for healthier individuals (those who report their health is excellent or good). As a result, universal coverage is estimated to lead to greater than average gains in health service use for the less healthy among the uninsured. We estimate that their use of ambulatory care services would increase by an average of about 3 contacts per year and their inpatient hospital use would increase an average of about 2/3 of a day per year.

The greater access gap for the uninsured in fair or poor health as compared to healthier adults who lack insurance appears to be due to a greater gap in the likelihood of a hospital admission and not to a greater gap in the likelihood of any ambulatory contact with the health care system during the year.~ That is, the effect of a lack of insurance on the patient's decision to initiate care does not vary by health status. Instead, lack of insurance appears to have a greater effect on the intensity of care -- as measured by the number of ambulatory contacts and referrals for hospitalization -- delivered to less healthy patients who have contact with a medical provider than to healthier adults. This may reflect differences in the way physicians adjust their practice styles to the insurance status of healthy and sick patients, or it may reflect less follow-up of prescribed regimens by the uninsured in poor health who cannot afford to pay for their care.

The access gaps for uninsured children are only slightly smaller than those for adults, as reflected by the somewhat higher relative use rates shown in Figure 2. Uninsured children have about 70 percent of the ambulatory contact that they would be expected to have if insured for the year. On average, uninsured children would have about 1 more ambulatory contact per year if insured (Table 2). This reflects both an increase in the number of children who would receive ambulatory treatment and an increase in the number of contacts by those who receive some treatment. Under universal coverage, about 73 percent of the currently uninsured children would receive medical treatment in the year, up from the current rate of 60 percent. The number of ambulatory contacts for those receiving some treatment would also increase by about 20 percent, to 4.3 contacts per year.

*See Chapter 3 for details.

FIGURE 2. Health Service Use Rates by Uninsured Children Relative to Expected Insured Use Rates



NOTE: Relative use rates are calculated separately for each group, based on their respective absolute use rates (see Table 2). Therefore, the relative use rate for all children is not a weighted average of those for the two subgroups.

As with adults, lack of insurance has somewhat less effect on relative use of hospital care by children than on use of ambulatory care; the uninsured currently have about 80 percent of the inpatient days that a comparable insured group would have. Uninsured children would average an additional 5 days of inpatient hospital care per 100 children under universal coverage. As with the adults, this additional care would come from an increase in admissions, which we predict would rise by about 33 percent for the uninsured. The average length of stay for the currently uninsured would actually fall under universal coverage, presumably because the incremental admissions are for the treatment of less critical problems,

The pattern of differences between healthy and less healthy uninsured children is similar to that for adults. The gaps are larger for the less healthy children -- who comprise about 8 percent of children who are uninsured for a full year -- and are attributable to larger gaps in the number of ambulatory contacts among those receiving some medical treatment and in hospital admission rates, rather than to larger gaps in the probability of obtaining some ambulatory medical treatment.

TABLE 2. Uninsured Access Gap for Children
Predicted Use Rates for Uninsured Children

Insurance Status of Person	Children in Fair or Poor Health	Children in Excellent or Good Health	All Children
Ambulatory Contacts Per Person			
Uninsured	3.5	2.1	2.3
Insured	6.4	3.1	3.3
Access gap	-2.9	-1.0	-1.0
Relative use	55%	68%	70%
Hospital Days Per Person			
Uninsured	0.41	0.19	0.21
Insured	0.84	0.21	0.26
Access gap	-0.43	-0.02	-0.05
Relative use	49%	90%	81%

TOTAL HEALTH RESOURCE USE AND COST UNDER UNIVERSAL COVERAGE

Here we address two important questions that are often asked about health reform proposals that would assure universal health insurance coverage:

- do we have sufficient health resource capacity to serve the added demands of the newly insured?
- how much will it cost to cover all the uninsured?

Increase in Use and Resource Capacity

Table 3 provides estimates of the aggregate access gap, measured in ambulatory contacts and inpatient hospital days, for uninsured adults and children. Stated another way, the estimates reflect nearly all of the added demands that would be placed on our system of health resources under universal health insurance. This is because the measures of ambulatory care and inpatient hospital care that are used in this study comprise nearly all of the health care services that would be covered under national health reform benefit packages. These estimates are based on the predicted access gap for the uninsured, as discussed in the previous section, weighted by the number of “full-year equivalent” uninsured person years in 1992.⁵

⁵Uninsured person years are the number of persons uninsured for the full year plus the number of persons uninsured for some part of the year times the proportion of months that they lacked insurance. Our method of estimating the number of uninsured person years is given in Chapter 4.

TABLE 3. Aggregate Access Gap for Uninsured

	Ambulatory Contacts (in millions)	Hospital Days (in millions)
Adults	45.1	5.6
Children	9.8	0.5
Total	54.9	6.1

We estimate that the total ambulatory contacts would rise by 54.9 million. To put this in perspective, it is 3.8 percent of all such contacts in 1991, and many plans would “phase in” the increased coverage over several years during the last half of this decade. To indicate the pressure this would put on physicians’ capacity for treatment, between 1990 and 2000 the total number of active physicians is expected to grow by about 20 percent. Because total population is expected to grow by only 7 percent over this same period, there would be plenty of added capacity to absorb the added demand of the newly insured without cutting back on the access to physicians enjoyed at the beginning of the decade.

Turning to inpatient hospital care, 6.1 million added days of care would be sought by the newly insured, 3.6 percent more days of care than provided in 1991 to all patients. Certainly on average, there is ample capacity in the system of short-stay hospitals in the U.S. to handle the added demand, To provide all 6.1 million days of care to the newly insured would have raised the 1991 national occupancy rate by 1.6 percentage points, from 66.3 percent to 67.9 percent.

Of course, showing that the added total use is a small proportion of total capacity is no assurance that all the added demand would be accommodated. It is entirely possible that there would be localized access problems for some of the newly insured.

Increase in Costs

Table 4 shows the estimated value of health resources (in 1993 dollars) that would be consumed by the formerly uninsured, if universal health insurance were fully implemented. This valuation was done by calculating the average payment per unit of service -- that is, the ambulatory care contact and the inpatient hospital day -- across all payers in the health system and multiplying by our aggregate use estimates for the uninsured, both current use and increased use (the latter is shown in Table 3). Of the \$60.5 billion total inpatient hospital and ambulatory care resources used by this group, \$40.6 billion would have been consumed had they been uninsured, and \$19.9 billion of new resources would be required in response to the new insurance. The incremental costs would be about evenly divided between ambulatory care (\$10.1 billion) at all sites -- including physicians’ offices, clinics, and hospital outpatient departments -- and inpatient hospital care (\$9.8 billion),

This \$19.9 billion for increased demand represents a 2.2 percent increase in total national health spending. An intuitive explanation of the size of this proportion follows. The uninsured represent about 15 percent of the total population. Hospital and physician services account for about 60 percent of national health spending on all services.^b Increased demand accounts for about 33 percent of total use by the newly insured. The product of these proportions (.15x .60x .33 = .03) suggests that increased demand is likely to be about 3 percent of total health spending, a figure consistent with our detailed estimate.

TABLE 4. Resource Cost of Covering the Uninsured
(in billions of 1993 dollars)

Type of Health Service	Current Use	Increased Demand	Total Cost
Ambulatory Care	18.1	10.1	28.2
Inpatient Hospital Care	22.5	9.8	32.3
Total	40.6	19.9	60.5

NOTE: Ambulatory care includes visits at all sites, including physicians' offices, clinics, and hospital outpatient departments.

Our estimates of the uninsured access gap and so of demand that would be induced by universal coverage assume that under universal coverage the currently uninsured would use at the same rate as currently insured individuals with similar economic and demographic characteristics. Other work, however, suggests that the currently uninsured might continue to use at lower rates, hence our estimates may overstate induced demand by as much as 50 percent.^c If this were the case, the added spending under universal coverage would still represent less than a 3 percent increase in national health spending.

A related concept of "cost" is the added flow of insurance premiums that would be associated with moving to universal insurance. The magnitude of total premiums for the newly insured reflects both the transfer of costs for services that would have been consumed by the uninsured (but not financed by insurance) and the costs of increased demand under insurance. The estimated total resource cost of \$60.5 billion in Table 4 is approximately the same as the value of new premiums that would be paid. Part of the total value of resources, the cost sharing paid directly by patients, would not appear in the premium, however. But the costs of insurance administration would have to be added to the health care resource costs to calculate a premium. Under our estimates, these adjustments prove to be nearly offsetting, leaving the total unchanged (see Chapter 4 for

^bMost of the remaining services -- including nursing home services, home health care, and dental and vision care -- would not be covered by typical health reform benefit packages for the newly insured.

^cSee Chapter 3 for more discussion of this point.

elaboration and supporting evidence). Finally, the premium estimate depends on the details of the benefit package. Under most health reform plans, benefits would also include prescription drugs. Thus, covered benefits could be at least 115 percent of the \$60 billion for ambulatory and inpatient hospital services shown in Table 4, or about \$70 billion.