

HIDDEN COSTS OF HEALTH CARE:

Why Americans are Paying MORE but Getting LESS

Introduction

With each passing year, Americans are paying more for health care coverage. Employer-sponsored health insurance premiums have nearly doubled since 2000, a rate three times faster than wages.¹ In 2008, the average premium for a family plan purchased through an employer was \$12,680, nearly the annual earnings of a full-time minimum wage job.² Americans pay more than ever for health insurance, but get less coverage.

Rising Deductibles

A deductible is the amount of money a person must pay out of his or her own pocket before health insurance begins to cover the cost of medical expenses. Deductibles have risen substantially over time.

For preferred provider organization (PPO) plans purchased through an employer, the average family deductible increased 30 percent in just two years, from \$1,034 to \$1,344.³ This effect is more pronounced for small firms, where PPO deductibles increased from \$1,439 to \$2,367 — a rise of 64 percent.⁴

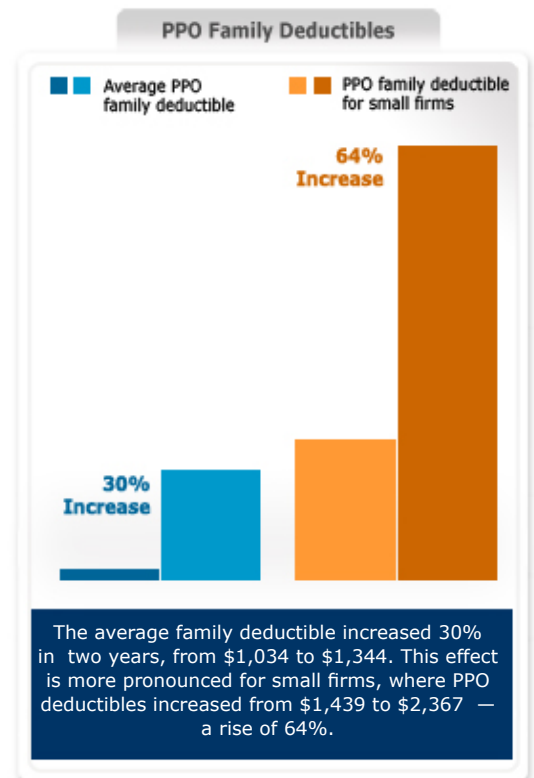
Families purchasing insurance through the individual market face deductibles that are more than two times greater than families with employer-sponsored PPO plans. The average deductible for a family plan in the individual market was \$2,753 in 2007. This is an increase of nearly one-quarter from 2004, when it was \$2,220.⁵

A growing proportion of families purchasing health care directly from insurance companies in the individual market are burdened by rising deductible costs. The percentage of families with a deductible over \$2,000 increased from 41 percent to 59 percent in the past four years.⁶ One in five families covered with employer-based insurance also had a deductible over \$2,000 in 2008.⁷

The prevalence of employer-sponsored high-deductible plans (also known as consumer-driven health plans) has increased— from 2005 to 2008, the percentage of firms offering such plans rose from 4 percent to 13 percent.⁸ For Americans receiving coverage through an employer, the average deductible under this type of plan was \$3,511 in 2008,⁹ while the average deductible in the individual insurance market in 2007 was \$5,329.¹⁰

Higher Copayments

A copayment is the amount that people pay each time they visit the doctor. Like deductibles, copayments have steadily increased over time.



Source ⁴

In 2004, only one in five people with health insurance through an employer had a copayment of more than \$25, but by 2008 the number jumped to one in three.¹¹

In comparison, 84 percent of families purchasing coverage from the individual market paid copayments of more than \$25.¹²

Escalating Out-of-Pocket Costs

Americans are spending more than ever on their monthly premiums while simultaneously being forced to pay higher out-of-pocket costs as a result of rising deductibles, copayments, and other cost sharing mechanisms.

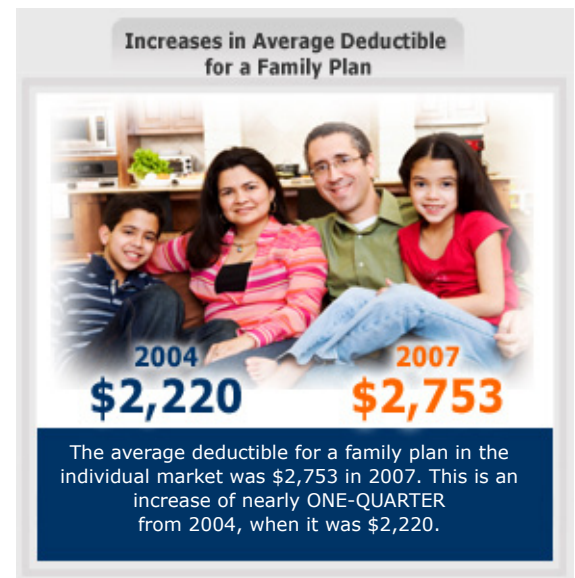
In fact, a person with employer-based coverage paid an average of \$1,522 on health care (not including premiums) in 2006, compared with \$1,260 in 2001.¹³ When including the added burden of higher premiums, out-of-pocket costs rose even more sharply, with a 30 percent increase from an average of \$2,827 in 2001 to \$3,744 in 2006.¹⁴

Seventeen percent of people with employer-based coverage have high out-of-pocket burdens (defined as out-of-pocket costs that consume 10 percent or more of a family's total income). The economic burden is even more pronounced for people in the individual market purchasing directly from an insurer.¹⁵ Total out-of-pocket costs per person (including costs of health care used and premium) have increased by 45 percent from an average of \$5,008 in 2001 to \$7,280 in 2006.¹⁶

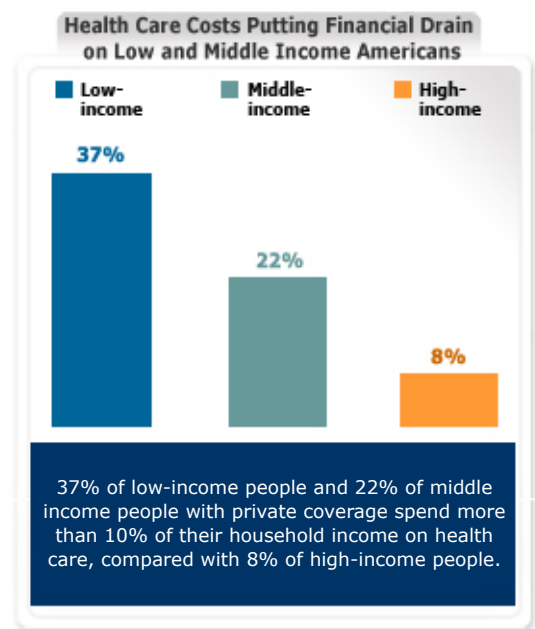
The drain on finances is even more concerning for low and middle income Americans. Thirty-seven percent of low-income people and 22 percent of middle income people with private coverage spend more than 10 percent of their household income on health care, compared with 8 percent of high-income people.¹⁷

The burden is even greater in the individual market. A middle-income family with individual coverage spends on average 22 percent of household income on health care – and some spend up to 50%. A similar middle-income family with employer based coverage spends 8% percent of their income on health care costs.¹⁸

Health reform is needed this year to reign in these high health care costs and bring value back to the health care coverage of all Americans. We need to ensure that the health care dollar goes further for American families.



Source⁵



Source¹⁷

Sources

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Data Analysis provided by the Center for Financing, Access and Cost Trends,
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