

When Insurance Is Not Enough

How Underinsurance Impacts Health and Finances

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Health insurance can contribute to better health and financial stability. But not all insurance is created equal. When an insurance plan does not cover the costs of necessary medical care, leaving policyholders with out-of-pocket expenses they can't afford, they are considered to be underinsured.

Many Coloradans, particularly older residents, find themselves in this bind. They pay much more for health care, in addition to monthly premiums, than people with adequate insurance. They report having worse health than Coloradans with more robust coverage, perhaps because they pass up treatment out of financial concerns, face challenges in accessing care, or both.

The Affordable Care Act and subsequent Colorado policy decisions, such as expanding Medicaid eligibility, are designed to extend affordable health insurance to more people. One goal is to reduce the ranks of the uninsured. Another is to create a minimum standard of coverage by requiring all insurers to provide a set of essential benefits as well as a group of preventive health services without a co-pay.

With 2014 marking the first year of implementation of most federal and state health reform policies, results from the 2013 Colorado Health Access Survey (CHAS) provide a baseline to determine what impact, if any, these new policies have on underinsured Coloradans.

Defining Underinsurance

For families earning at least twice the federal poverty level (FPL), the CHAS defines underinsurance as spending at least 10 percent of annual income on out-of-pocket medical expenses. For families below that threshold, underinsurance is defined as spending at least five percent of annual income on out-of-pocket medical expenses.

The estimate of underinsured people is likely on the low side since it captures only those respondents who are insured and also used medical care in a 12-month period before the survey. People may not realize they're underinsured until they require medical care.

Coloradans are categorized as adequately insured if they had coverage for all of the 12 months prior to the survey, did not meet either of the two out-of-pocket cost definitions of underinsurance and did not have an uninsured family member.

What the CHAS Tells Us

1. There are Nearly as Many Underinsured as Uninsured in Colorado.

Colorado's underinsured and uninsured rates are similar – about 14 percent. This translates to about 720,000 underinsured and just under 741,000 uninsured. Colorado's underinsured and uninsured rates have been roughly equal since 2009, when the first CHAS was fielded.

In comparison, about 31.7 million people nationwide, or 12 percent of the under-65 population, are underinsured, according to a March 2014 report by the Commonwealth Fund. State averages fell between eight percent and 17 percent, with Colorado roughly in the middle at 14 percent, according to the report.¹

2. Colorado's Underinsured Tend to be Older.

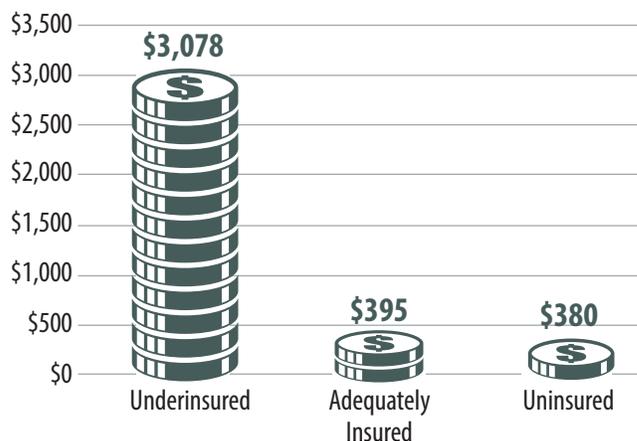
More than 235,000 Coloradans between the ages of 50 and 64 were underinsured, the largest number of any age group. However, Coloradans 65 and older had the highest rate of underinsurance at 17.7 percent. While most seniors are covered by Medicare, it may be that many require a variety of expensive health care services. For those with limited incomes, the out-of-pocket cost of care may result in being classified as underinsured. The group between the ages of 30 and 49 had the lowest rate of underinsurance at 10.9 percent.

3. Care Can Be Hard on the Pocketbook – and Hard to Get.

The annual out-of-pocket expenses reported by the underinsured are almost eight times greater than those of the adequately insured and the uninsured. Out-of-pocket medical expenses include prescription medications and costs from doctors and hospitals for tests and equipment. Respondents were asked to include copays and deductibles, but not health insurance premiums, in calculating their out-of-pocket expenses.

Why do uninsured people spend more of their own money on health care than people without insurance? The underinsured, by definition, have sought treatment and may have incurred high out-of-pocket costs. Many uninsured may not be seeking medical care or not need it, or they may receive care through safety net clinics, incurring no costs or minimal expenses for services.

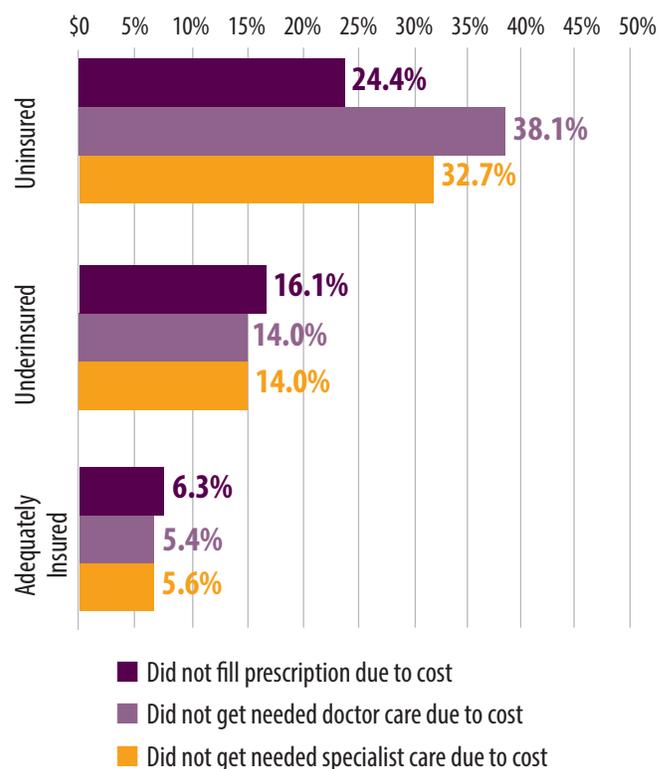
Median Self-Reported Out-of-Pocket Costs, Colorado, 2013



The barriers to care – based on cost – experienced by these three groups also differ dramatically.

The underinsured had more difficulty accessing care than the adequately insured, but not to the extent of people with no coverage. For example, 6.3 percent of the adequately insured reported not filling a prescription because of cost while 16.1 percent of the underinsured said the same. The rate for uninsured was more than 24 percent.

Costs as a Barrier to Care, Colorado, 2013



4. Is Underinsurance a Health Hazard?

About 8.5 percent of adequately insured respondents reported fair or poor health, the two lowest options compared with more than 20 percent of the underinsured and 24.2 percent of the uninsured. This suggests that lacking adequate health insurance is one factor that may have a negative impact on health – perhaps because of avoiding needed health care due to cost – or that a person's poor health may require expensive care that results in being underinsured.

The Challenge of Underinsurance: Implications and Options

The Affordable Care Act attempts to address underinsurance. First, individuals and families who meet certain income requirements are eligible for credits to help purchase private insurance.

A less publicized effort to address underinsurance – a cost-sharing subsidy – took effect in 2014. The subsidy lowers the charges that enrollees must pay when receiving health care services covered by their health plan. The enrollee's cost sharing charges are automatically reduced. The federal government pays the health insurer up front, so enrollees don't have to keep track of their spending or wait for a reimbursement.

Eligibility requirements for cost-sharing subsidies include:

- Available to people with incomes up to 250 percent of FPL
- Based on three tiers: up to 150 percent of FPL; 151 to 200 percent of FPL; and 201 to 250 percent of FPL
- The higher the income bracket, the lower the subsidy
- Must be enrolled in a silver plan through the federal insurance marketplace or a state-run exchange.

Nearly half (46 percent) of Coloradans purchasing private insurance through Connect for Health Colorado had selected silver plans as of December 31, 2013. About one third (35 percent) of enrollees received the cost-sharing assistance.

However, another 40 percent of shoppers purchased either a catastrophic or bronze plan. These plans have relatively high out-of-pocket costs, and enrollees are not eligible for cost-sharing assistance.

¹Shoen, Cathy, et.al. (2014). "America's Underinsured A State-by-State Look at Health Insurance Affordability Prior to the New Coverage Expansions." The Commonwealth Fund. http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2014/Mar/1736_Schoen_american_underinsured.pdf

CHAS: The Basics

CHAS: The Five Ws



Who: 10,224 randomly selected households with one person at least 18 years old



What: Twenty-minute telephone survey on health insurance, access to health care and use of health care



When: Between April 15 and July 27, 2013



Where: Statewide, divided equally among 21 Health Statistics Regions



How: 4,000 households with cell phones, up from 1,214 in 2011 and 400 in 2009