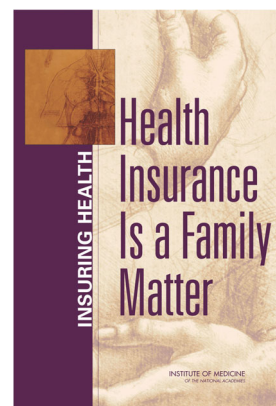


INSTITUTE OF MEDICINE

Shaping the Future for Health

HEALTH INSURANCE IS A FAMILY MATTER



The collective well-being of our nation rests, in part, on providing conditions for families to succeed in raising the next generation of Americans. It is also important for families to feel secure when they change jobs or retire. Without health insurance, families risk not only their health, but also their economic viability. The current patchwork of insurance programs in the U.S. makes it common for families to go without insurance at some point in their lives.

This report, the third in a series by the Institute of Medicine's (IOM) Committee on the Consequences of Uninsurance, concludes that if any family members are not covered:

- Parents and children are less likely to get timely health services;
- Use of health services is more likely to adversely affect family finances;
- The health of children and their long-term development can be compromised.

This parallels the findings of the Committee's second report, *Care Without Coverage: Too Little, Too Late*, which concluded that being uninsured can adversely affect the health of individual adults.

PROBLEMS IN OBTAINING AND MAINTAINING COVERAGE FOR PARENTS AND CHILDREN

Employment-based insurance is the most common type of coverage currently available. If health insurance is affordable, workers usually purchase coverage for themselves when it is offered on the job and buy additional coverage for their dependent family members. Changing jobs or marital status can put such coverage at risk. These common life changes can also jeopardize public coverage, since eligibility is often based on family income.

One in five families have at least one uninsured member.

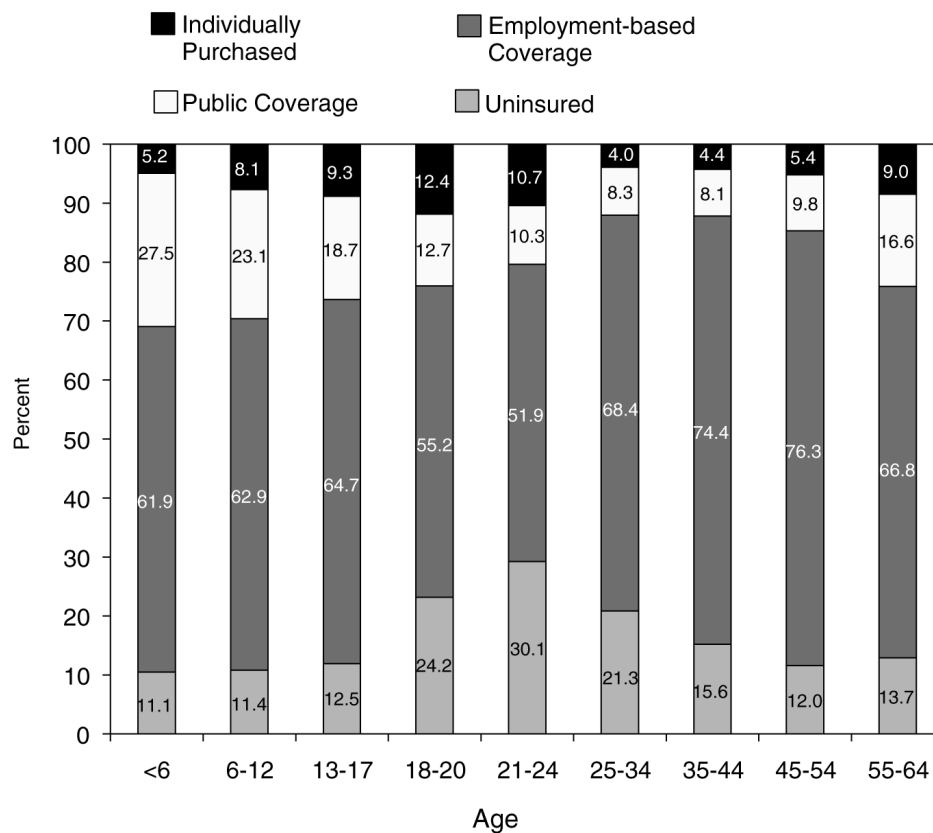
Approximately 58 million individuals are uninsured themselves or live with a family member who is uninsured.

Most uninsured families do not have sufficient funds to purchase health insurance independently. The cost is too high.

Thus, employment-based and public insurance programs leave gaps in coverage. Employment-based plans are more likely to cover the entire family than other types of insurance, but family structures do not always correspond to the definition of “family” used by these plans. This leaves some people ineligible for coverage. Most publicly financed health insurance programs provide coverage only for individuals (e.g., poor children or pregnant women) rather than for whole families.

Having insurance coverage for a family is strongly related to family income. But anyone, regardless of current financial circumstances, can encounter problems obtaining or maintaining coverage – now or in the future. About ninety percent of families whose income is more than 200 percent of the Federal Poverty Level (FPL)¹ have all members insured. Among families with the lowest income², only 59 percent are able to obtain insurance for their entire family. Families are also less likely to have insurance for some or all members if they are headed by a single parent, have recently immigrated, or are members of a racial or ethnic minority group.

Health Insurance Status by Age



SOURCE: Fronstin, Paul. 2001. Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2001 Current Population Survey. Issue Brief 240. Washington, DC: Employee Benefit Research Institute

¹ For 2000, the FPL is \$11,250 for a family of 2 and \$14,150 for a family of 3.

² Incomes less than 50 percent of the FPL.

Losing employment-based coverage with changing family circumstances. The predominance of employment-based coverage in this country means that families may lose health insurance when a working parent changes jobs, is laid off, dies, or divorces. For example, when a worker with employment-based coverage reaches the age of 65, retires, and qualifies for Medicare, the younger spouse may be left without health insurance.

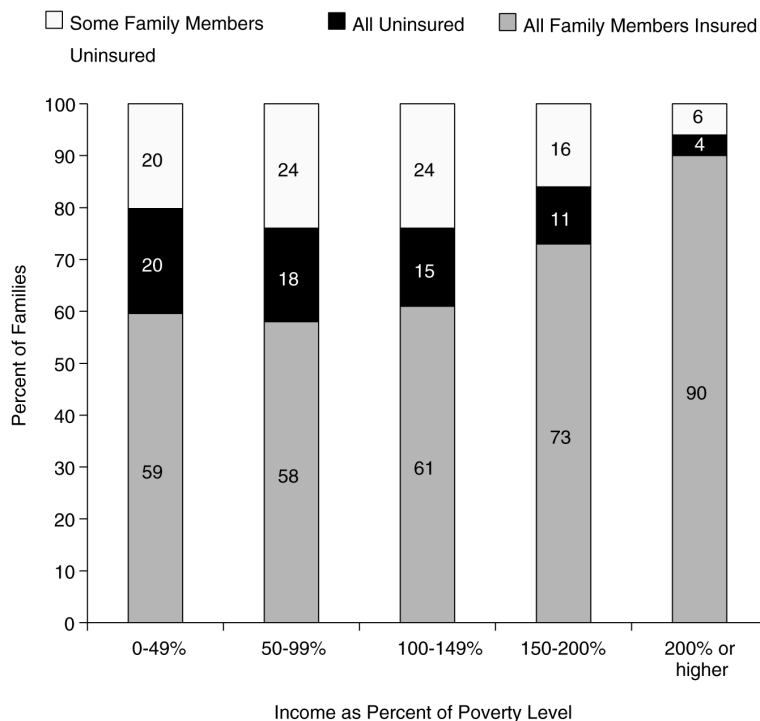
Becoming widowed or losing one's job are life changes that can disrupt health insurance coverage.

Losing public and private insurance coverage with adulthood. As children grow up, they are more likely to become uninsured. Public programs tend to be more inclusive for younger children by allowing them to participate despite higher family incomes. Both public and employment-based coverage for children typically ends around the 19th birthday. While teenagers or those graduating from college may be ready to go to work, young workers are less likely than older workers to find jobs that include health benefits. They are also less likely than older workers to earn enough to purchase insurance independently. Gaps in coverage at this age can be problematic because young adults face a higher risk of serious injuries than older adults.

FINANCIAL INSTABILITY FOR UNINSURED FAMILIES

If one member of a family has a serious health problem, such as major trauma from a car crash, the resulting medical bills can shake the economic stability of the entire family. Since low-income families are more likely to be uninsured, how do they cope with the burden of medical bills?

Insurance of Members of Families with Children by Income



SOURCE: Tabulations of the Census Bureau's 2001 Current Population Survey public use file.

Families with no members insured at all during the year are more than twice as likely as families with all members insured all year to have medical expenses that exceed 10 percent of their income.

Having large out-of-pocket costs. Out-of-pocket medical expenses can be substantial for uninsured low-income families. One out of every 4 of these families have medical expenses that are greater than 5 percent of their meager income. Despite living in relative poverty, uninsured families pay more than 40 percent of their medical costs by themselves. This proportion varies widely depending on the type of service. For example, uninsured families pay 88 percent of their prescription costs and 47 percent of their costs for ambulatory care, but only 7 percent of their costs for hospital care. Because of the very limited income of most uninsured families, paying medical bills can reduce funds for other necessities.

Borrowing to pay medical bills and risking bankruptcy. Among currently or recently uninsured working age adults with severe medical bill problems, two-thirds report borrowing from family or friends. A quarter get a loan or mortgage on their home in order to pay health care expenses. Some families resort to declaring bankruptcy and put their future credit rating in jeopardy. Medical bills are a factor in nearly half of all personal bankruptcy filings.

Are you having difficulties paying medical bills? More than half of all working age adults who are currently or were recently uninsured have such problems, but just a quarter of insured adults do.

Shifting costs to medical providers and charity care. When a family cannot pay all its medical bills, the financial burden falls on the provider of the service and the broader community. Charity care, safety net providers, and clinics that use sliding fee schedules based on family income help many uninsured families. The cost of providing this subsidized care is absorbed by others.

IMPACT ON HEALTH

Uninsured families are selective in their use of health services. Many wait until a crisis occurs. Not surprisingly, delaying or forgoing treatment or preventive care can adversely affect health, even though it reduces costs in the short term. While having insurance is only one of many factors affecting health (along with poverty, diet, exercise, smoking, and other behavioral factors), it remains a very important determinant of individual health.

Uninsured children fare worse than insured children, even after taking into account family income, race/ethnicity, and health status. While race, poverty, and immigrant status are associated with lack of insurance, research shows that each factor independently predicts that a child will have less access to medical care. Of all of these factors, health insurance coverage is the most easily changed and the provision of coverage can improve health.

More children enroll in insurance programs when their parents are also eligible for coverage.

Insuring parents increases access to care for their children. Parents arrange for and make decisions about health care for their children. A child's early development is dependent on the health and well-being of his or her parents. If a parent lacks health insurance, does it affect this care-seeking role? The answer is yes. Parental coverage is important because a parent's own use of health services is a strong predictor of their children's use. Uninsured parents are more likely to be in poor physical or mental health, are more likely to experience trouble getting care, and are more likely to lack a regular source of care than parents with private insurance. They are also more likely to forego the care that they feel they need, not

only for themselves but also for their children. There are 9 million uninsured parents in the United States. Two-thirds of them have families with incomes below 200 percent of the federal poverty level.

To address this problem, some states have expanded Medicaid coverage to include low-income parents as well as their children. Those states that have done so increased enrollment of eligible children at greater rates than states without parental coverage. Identifying ways to expand health insurance coverage for children is important. Despite recent expansions in Medicaid and SCHIP coverage, there are more than 8 million uninsured children; more than half of them are eligible for public programs but are not enrolled.

Having insurance improves children’s access to routine well-child care. Well-child care and having a regular medical provider are very important for children’s health. This continuity allows better monitoring of children’s development: potential problems are detected earlier, when they more responsive to treatment. On average, uninsured children:

- Are less likely to get routine well-child care;
- Have worse access to health care; and
- Use medical and dental services less frequently than do insured children.

When children gain coverage through expansion of public insurance programs, they then receive more timely and appropriate care. Children experiencing periods without health insurance have greater difficulty receiving care than those with uninterrupted coverage. This evidence reinforces the importance of continuity in coverage and a regular source of care.

Once insured by expanded state programs, children have significantly better access to a regular medical provider and use more preventive services like immunizations.

Having insurance provides continued access to care for teens. Adolescents have the highest uninsured rate of all children. They are also more likely to have gone without seeing a doctor in the past year. At the same time, adolescents need certain screening and treatment services, such as mental health, reproductive health, and counseling regarding drinking and other risky behaviors.

Having insurance fosters early intervention, which leads to better health outcomes for children with certain treatable conditions. Uninsured children are more likely to receive no care or delayed care. This places them at greater risk of being hospitalized for conditions like asthma that could have been treated on an outpatient basis. Common childhood conditions, such as ear infections and iron deficiency anemia, are more readily detected and treated with routine, timely care. But without suitable care, these conditions can affect a child’s language development, long-term performance in school, and ultimate success in life.

Having insurance leads to better access to care and better health outcomes for children with serious illnesses and disabilities. Despite their greater need for health care, one out of every nine children with special needs is uninsured.

Although these children require considerably more medical care than average children, those that are uninsured are:

- less likely to have a usual source of care;
- less likely to have seen a doctor in the previous year; and
- less likely to get needed medical, mental health, dental, prescriptions or vision care than their insured counterparts.

Furthermore, if a child develops a serious condition requiring hospital treatment, those who are uninsured typically have worse outcomes than children with private insurance. For example, uninsured infants with coarctation of the aorta, a birth defect in the major artery leading from the heart, are more likely to die than similar children with private insurance.

Having insurance improves access to prenatal care and newborn care. Uninsured women and their newborns receive, on average, less prenatal care and fewer expensive services, such as cesarean sections. Prenatal visits beginning early in the pregnancy and continuing until delivery are considered the standard of care. However, there are large differences in use of prenatal services between uninsured and privately insured women. Publicly insured women receive more care than the uninsured, but not as much as women with private insurance.

Uninsured women are more likely to have poor outcomes during pregnancy and delivery than are insured women. This includes a greater likelihood of maternal complications, infant death, and low birth weight, which is a risk factor for long-term developmental problems. However, insurance coverage alone may not be sufficient to improve all maternal and newborn outcomes.

Sick newborns who are uninsured stay in the hospital a shorter time and receive fewer health care services than newborns with insurance.

CONCLUSIONS

The Committee determined in its first report, *Coverage Matters*, that the uninsured population includes people from all social and economic groups. Eighty-five percent of the uninsured are members of working families. Despite working, two-thirds of the uninsured have incomes below 200 percent of the federal poverty level (FPL). In its second report, *Care Without Coverage*, the Committee determined that many adults without coverage do not get the care that they need, and are therefore more likely to suffer poor health and premature death than are insured adults. *Health Insurance Is a Family Matter*, the Committee's third report, demonstrates that having one or more uninsured members in a family can have adverse consequences for everyone in the household. The Committee concludes that the financial, physical, and emotional well-being of *all* members of a family may be adversely affected if any family member lacks coverage.

For More Information...

Visit the Committee's website at www.iom.edu/uninsured.

Copies of *Health Insurance Is a Family Matter* are available for sale from the National Academies Press; call (800) 624-6242 or (202) 334-3313 (in the Washington metropolitan area), or visit the NAP home page at www.nap.edu.

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