



Underinsurance: What We've Learned

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OVERVIEW OF FINDINGS

- **Perceptions about Coverage**
- **Underinsurance Related to Health Needs and Income**
- **Out-of-Pocket Expenses and Income**
- **Consequences of Underinsurance**
 - **Financial**
 - **Deferred Care**
 - **Other Challenges**



DEFINITION

Being underinsured means someone has inadequate health insurance coverage to address the financial expenses associated with health care services, resulting in financial strain, medical debt or postponing needed care due to cost.



METHODS

■ Survey

- We administered surveys by phone to 100 underinsured Kansans to obtain a “snapshot” of their experiences.

■ Interviews

- We conducted face-to-face interviews with 10 additional underinsured Kansans to gain a better understanding of how underinsurance affects their families and daily lives.



Perceptions about Coverage

- Eight of 10 persons interviewed didn't realize their health insurance was inadequate until they had trouble paying medical bills or were denied coverage.
- Some said at that point their insurance and the sense of security it had afforded seemed to disappear.



Perceptions about Coverage (Cont'd)

Four people interviewed considered their plans inadequate:

- **One didn't cover the knee component of a prosthetic leg that made it functional.**
- **One stopped paying for care of degenerative disc disease.**
- **One provided catastrophic coverage but paid for a limited number of physician office visits.**



Perceptions about Coverage (Cont'd)

One excluded a pre-existing condition.

“I pay a monthly premium for nothing really because I still have to pay for all my insulin and doctor visits,” Bob said... “I can’t live without my insulin. I would literally die without it.”



Perceptions About Coverage (Cont'd)

- Six of 10 Kansans interviewed described their coverage as “pretty good,” “good,” “very good” or “really good.”
- They initially thought it would adequately cover their health care expenses, but the reality turned out to be very different.
- However, even after realizing they were underinsured, participants still described their plans the same way – variations of “good.”



Health Care Needs and Income

People's insurance failed to protect them from financial distress when their health care needs were high or their incomes were low to moderate.

- **In some instances, interview participants' plans were inadequate in proportion to their health care needs.**
- **In others, their benefits were inadequate in relation to their income.**



Health Care Needs and Income (Cont'd)

Carol's coverage was inadequate relative to her health care needs. She described her insurance as "really good." But what she was paying to treat her multiple, chronic conditions was more than she could afford.

"It is really good coverage. It's just that I have many conditions and when you go [to the doctor] constantly, it really starts adding up."



Health Care Needs and Income (Cont'd)

Leonard and Jan's policy was inadequate relative to their budget.

- Living on a fixed retirement income, the couple struggled with small, unexpected increases in their share of premiums and cost-sharing requirements.
- If their income had been higher, their insurance would likely have been adequate since their health needs were not great.



Out-of-Pocket Expenses

People are responsible for paying portions of their health care services not paid by insurance.

- Interview participants said their health care expenditures ranged from roughly \$420 to \$1,500 monthly.
- Slightly more than one-third of survey respondents spent at least \$400 per month on out-of-pockets health care expenses.
- Nearly one in 10 survey respondent spent at least \$1,000 monthly.
- These expenses are considerable since the average gross family income was about \$45,700.



Out-of-Pocket Expenses (Cont'd)

Out-of-pocket expenses are made up of the following:

- Premiums
- Deductibles
- Copayments
- Coinsurance



Out-of-Pocket Expenses

Premiums:

- Premiums are the monthly cost for purchasing health insurance.
- Many employers pay a portion of their employees premiums.
- Among survey respondents reporting monthly costs:
 - Nearly one-third spent \$400 or more in premiums
 - Another third spent \$100 or less



Out-of-Pocket Expenses (Cont'd)

Deductibles:

Deductibles are fixed dollar amounts that the insured has to pay before their insurance begins to pay for covered benefits.

- Among survey respondents reporting monthly costs:
 - Approximately one-third paid \$200 or more in deductibles
 - Almost half paid \$100 or less



Out-of-Pocket Expenses (Cont'd)

Copayments:

A copayment is the amount that an insured person must pay each time they receive a health care service (e.g., \$10 for a prescription, \$25 for a doctor's office visit).

- Among survey respondents reporting monthly costs:
 - Nearly one-fifth paid at least \$100 in copayments
 - Almost six in 10 paid less than \$100



Cost of Care

- Individuals interviewed did not know how much their health care would cost before receiving it.
- When people are in need of care, many don't ask, as illustrated by John's comment:

“When they said, ‘you need bypass surgery today’ you don’t stop and ask how much it is. You just say fix me.”



Consequences of Underinsurance

- Financial Strain
- Deferred Care
- Individual, Family and Community Challenges



Financial Strain

Because Tracy, like others, thought her family's coverage was adequate, she seemed surprised by the amounts the family became responsible for and how fast they added up.

“We felt comfortable taking care of his health [needs] because we thought we were covered. Then we realized that what you think is not such a big deal adds up quickly. It becomes astronomical.”



Financial Strain (Cont'd)

- **Difficult Choices**
- **Medical Debt**
- **Collections**
- **Bad Credit**
- **Bankruptcy**



Difficult Choices

Interviewees said they had trouble paying bills and trying to balance their growing health care costs with daily living expenses, as Marie explained.

“You are juggling between, ‘Okay, are we going to pay our mortgage this month or are we going to buy medicine?’ You’re pitted between those things and that’s a hard place to be in because a person’s health is priceless.”



Difficult Choices (Cont'd)

Karen had withdrawn \$30,000 from retirement savings to make a lump-sum payment for an uncovered prosthesis and will need another one in four years.

“While I waited, my leg atrophied. And I was absolutely exhausted... Finally, when I realized my health was in the balance, for my own health and to protect my mental and physical well-being, I bought the prosthesis myself.”



Difficult Choices (Cont'd)

To pay their health care expenses, people tightened their budgets. In some cases, the need to stretch their grocery dollars as far as possible made it difficult to make healthy food choices, as Bob described.

“We want to get the right kind of food. You can buy cheap pastas and things but it’s not good for you. It certainly isn’t good for someone with type 1 diabetes because pastas are full of carbohydrates. The healthiest food is expensive.”



Medical Debt

Financial distress manifested itself in medical debt for five of the 10 underinsured Kansas families interviewed.

“He [my husband] went to doctor after doctor that ran test after test after test. And by the time we got all the bills we realized there was no way we could pay the premium and the deductibles and the coinsurance... We were absolutely overwhelmed with medical debt,” Tracy said.



Medical Debt (Cont'd)

Survey respondents reported that owing money for health care/medical expenses led to the following difficulties:

- Paying mortgage or rent
- Paying utility bills
- Paying for food
- Qualifying for credit
- Retiring



Medical Debt (Cont'd)

People interviewed said they did what they could to pay their medical debt:

- Attempted to make payment plans with providers and made payments
- Sought financial counseling
- Tried bill consolidation
- Took second jobs
- Used retirement and life savings
- Returned to work after retirement



Collections

- **Some health care providers eventually turned bills people couldn't pay over to collections, which stressed those people financially and emotionally.**
- **Some reported that then the bills kept coming and so did the phone calls from collectors.**
- **John recalled this as a "miserable time."**



Bad Credit

Five of 10 persons said collections had ruined their credit ratings, dampening hopes for the future. For one couple, this meant delaying their dream to take over the family farm.

“We farm with my husband’s parents, who want to retire but they can’t until we’re financially stable. So they have to keep working until we get this medical debt paid and a bank will fund us to farm. Our credit is ruined, absolutely ruined. It will take us 10 to 15 years to rebuild.”



Bankruptcy

Despite their efforts to pay what they owed, four of 10 families eventually filed for bankruptcy because of medical debt.

“Payments are not much help if you owe [large amounts in medical debt]... Payments weren’t good enough for the collectors. This is how I ended up in bankruptcy,” John said.



Deferred Care

Like others who are underinsured, 10 of 100 survey respondents said they or another family member had postponed at least one of these needed health care services:

- Surgery
- Physician office visits
- Laboratory work
- Prescriptions



Deferred Care (Cont'd)

- Like others with medical debt, those we interviewed had to balance costs with what was best for their health.
- For example, some didn't fill prescriptions. Carol made month-to-month decisions about which of her many prescriptions she could afford to fill.
- A few participants cut pills in half.
- Some changed to generics that they believed didn't work as well as brand name drugs.



Deferred Care (Cont'd)

Interview participants, like Sam, described postponing this needed care.

“We’ve had to triage my care just to focus on those things that are most immediately dangerous and more long term trying not [to treat] my cardiovascular system because I see that as less of an immediate threat [than diabetes]. There’s a lot of heart disease in my family, so that worries me.”



Deferred Care (Cont'd)

Insurance doesn't cover all types of medical care. So when their plans didn't pay for certain services, some interview participants couldn't access care, which disrupted their daily lives.

“I really wish insurance companies understood that while they're dealing with the bottom dollar, we're dealing with daily life. I have an 18-month old and I have to carry him around. I have to cook and clean and work on the farm. When I'm in so much pain that I can't get out of bed, that makes life tough.”



Challenges

- Psychological
- Physical
- Work
- Family
- System



Psychological Challenges

- All those interviewed faced psychological challenges.
- Paramount among the challenges were worry and stress, which some said worsened their health conditions.

“The stress [from having inadequate health insurance] is just so... awful on the entire body, your immune system, your psychology, the way the brain works, your heart. It worsens everything,” Sam said.



Psychological Challenges (Cont'd)

- Survey respondents reported negative effects resulting from stress such as feelings of helplessness.
- In addition to stress, interview participants talked about helplessness and depression.



Psychological Challenges (Cont'd)

When interview participants sought care for psychological challenges, they discovered that their mental health coverage was inadequate.

“I was receiving therapy for my depression but I fell behind on my payments and discontinued it. I have mental health coverage but the out-of-pocket expenses have been heavy,” Sam said.



Physical Challenges

- Survey respondents reported changes in appetite resulting from stress.
- Four persons interviewed said that to cope with stress, they overate and gained weight, as one explained.

“My husband didn’t eat, and I ate myself into oblivion. That’s how we deal with stress...The depression caused me to eat and put on a lot of weight.”



Physical Challenges (Cont'd)

- Survey respondents reported changes in sleep patterns.
- Seven interview participants told us about their sleeplessness.



Physical Challenges (Cont'd)

Marie remembered how racing thoughts about bankruptcy kept her awake at night.

“You lay there all night long thinking, ‘What am I going to do? How am I going to do it? Are we going to file bankruptcy? I never thought I’d be filing bankruptcy. I can’t believe we’re filing bankruptcy... What are we going to lose and how is this going to affect our future...? Does it mean we’re never going to have anything?’”



Work Challenges

- Survey respondents reported experiencing work difficulties.
- Those interviewed discussed work challenges, such as:
 - Taking extra jobs
 - Being called at work by bill collectors
 - Losing a job because of illness and being unable to access treatment that might make returning to work possible



Family Challenges

- Survey respondents reported trouble at home, resulting from stress.
- Participants described how stressors took a toll on family relationships with spouses, children and extended family.

“We have a great relationship but it seems like money [medical debt] is the one thing that can strain it to the core. You take the first two years of marriage which are supposed to be so happy and add in all that stress. It has made our lives, to be quite frank, a living hell,” said Tracy.



System Challenges

The challenges of underinsurance, such as work, stress, deferred care and bankruptcy, can have a much larger ripple effect through the economy.

- Stress and/or deferred care can create new or worsening health care conditions resulting in increased health care costs paid throughout the system.
- Loss of productivity effects employers' profits.
- Bankruptcy often results in uncompensated care.



Closing

- Many Kansans face the challenges of underinsurance.
- Some provisions of federal health reform may resolve some of the problems associated with underinsurance but many issues will remain.
- Underinsurance will be an ongoing issue that will require the attention of policymakers.



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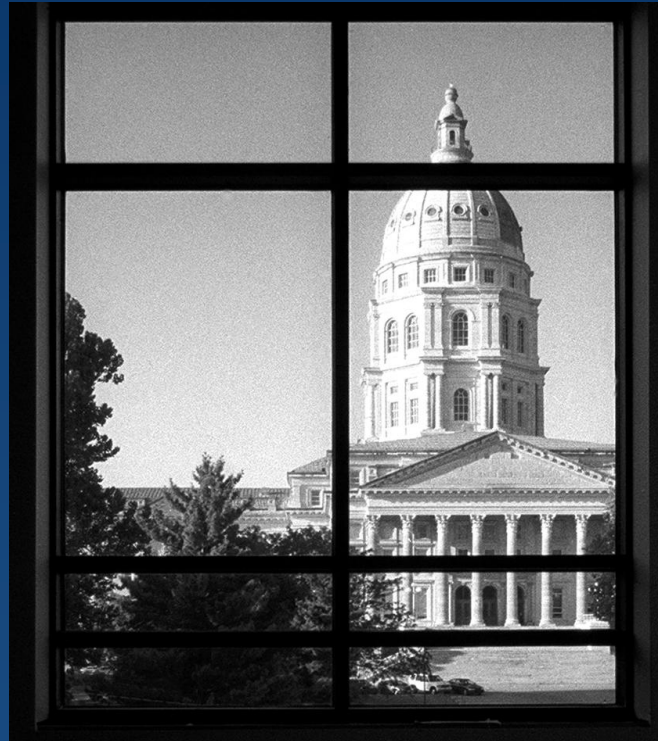


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