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WHO RECEIVES UNCOMPENSATED CARE?

By Sarah Axeen and Elizabeth Carpenter**

Two distinct groups of people account for the majority of uncompensated care costs – those living at or below the poverty line and middle- and high-income individuals who may be able to afford health coverage. It is likely that an individual mandate, combined with sliding scale subsidies and targeted low-income outreach will be necessary to reduce uncompensated care costs.

WHAT IS UNCOMPENSATED CARE?

Uncompensated care (UC) is health care that is delivered, but not paid for by either a patient or a third party payer. Most UC is delivered to the very ill during or after a visit to an emergency room. In 2004, UC was estimated to total $41 billion dollars.[1]

UC is financed through a combination of:

- Indirect federal subsidies (for example, Disproportionate Share Payments - DSH)
- State and local government grants
- Private charity
- Higher premiums for insured people – the "hidden tax"
- Lower incomes for providers

FINDINGS AND POLICY IMPLICATIONS:[2]

Two distinct groups of individuals account for two-thirds of all UC in the U.S.:

- **Individuals with incomes above 200% of the Federal Poverty Level (FPL) or $41,300 for a family of four:** Understanding that the definition of affordability may vary, most (but not all) people in this category could afford some form of private health insurance.[3] Individuals who could afford insurance, but choose to go uninsured, are the classic "free riders." When a free rider gets sick, the health care bills are absorbed by providers, taxpayers, and governments. Costs are shifted to the insured, who end up paying higher premiums.

- **People living at or below the poverty level:** Twenty-five percent of individuals who are eligible for public coverage at little to no cost do not enroll.[4] In addition, in more than half of states individuals living in poverty are not eligible for public coverage.[5] While these individuals are not free riders, they still contribute to the cost-shift or "hidden tax," which results in higher premiums for the insured.

Our findings suggest that three policy solutions may be necessary to reduce UC costs:

- More effective outreach initiatives to enroll low-income Americans who are eligible for subsidized coverage in order to minimize the number of people who are currently missed by the system.
- Sliding scale subsidies to help make health insurance more affordable for *all Americans*.
- When health insurance is affordable, a purchase requirement or "individual mandate" to address the "free rider" problem and ensure all Americans pay their share for health care.

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INCOME

Nearly half of the people who receive UC make more than 200% of the Federal Poverty Level (FPL) or $41,300 for a family of 4. The uninsured who fall below the poverty line account for the largest share of the costs shifted to the insured and government at 37%.

Figure 1: Percent of people with any uncompensated care by income category, 2004

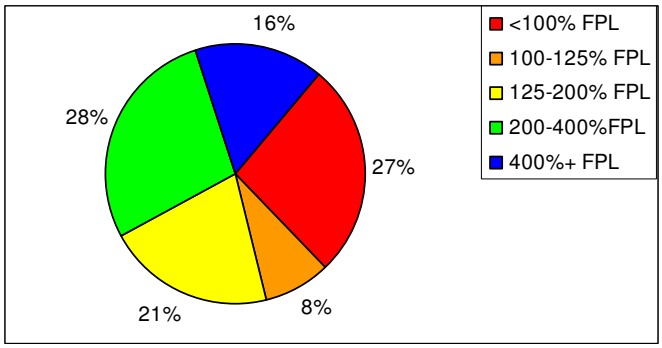

Table 1: Uncompensated Care by Income Category, 2004

Income Category	Percent of people receiving uncompensated care by income category	Likelihood of receiving uncompensated care by income category	Share of uncompensated care costs
<100% of FPL	26.55%	12.52%	36.95%
100-125% of FPL	8.33%	12.26%	7.00%
125-200% of FPL	21.02%	10.06%	20.01%
200-400% of FPL	28.04%	5.47%	22.10%
400%+ of FPL	16.06%	2.66%	13.94%

=36.04%

Source: New America Foundation analysis of 2004 MEPS Household Component Survey, 2008.

AGE

Young adults between 19 and 34 have the highest incidence of UC. However, the largest share of individuals who incur UC costs are children.

Figure 2: Percent of people with any uncompensated care by age, 2004

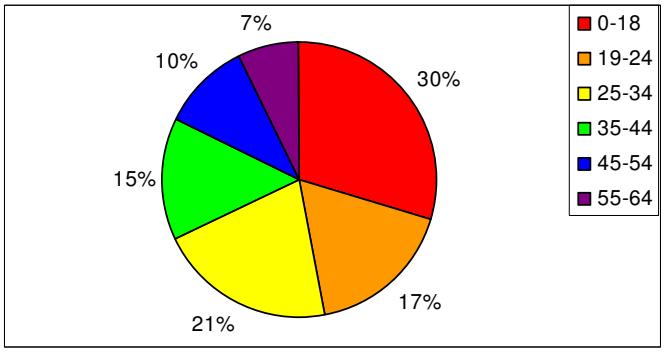

Table 2: Uncompensated Care by Age, 2004

Age	Percent of people receiving uncompensated care by age	Likelihood of receiving uncompensated care by age	Share of uncompensated care costs by age
0-18	29.75%	6.03%	12.55%
19-24	17.19%	11.68%	10.32%
25-34	20.71%	8.29%	21.37%
35-44	14.58%	5.54%	13.85%
45-54	10.45%	4.08%	19.43%
55-64	7.31%	3.91%	22.48%

Source: New America Foundation analysis of 2004 MEPS Household Component Survey, 2008.

RACE

White Americans are the primary recipients of UC. When compared to other racial and ethnic groups, Hispanics have the highest incidence rate of UC.

Figure 3: Percent of people with any uncompensated care by race, 2004

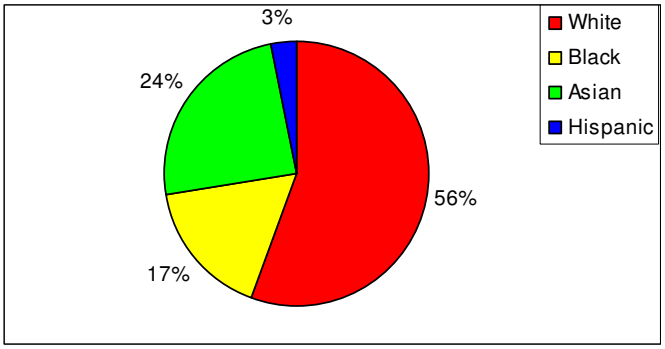

Table 3: Uncompensated Care by Race/Ethnicity, 2004

Race/Ethnicity	Percent of people receiving uncompensated care by race/ethnicity	Likelihood of receiving uncompensated care by race/ethnicity	Share of uncompensated care costs by race/ethnicity
White	55.65%	5.18%	60.85%
Black	16.97%	8.11%	12.39%
Hispanic	24.45%	9.53%	22.17%
Asian	2.93%	4.05%	1.04%

Source: New America Foundation analysis of 2004 MEPS Household Component Survey, 2008.

REGION

Southerners are the most likely to incur UC and account for the largest share of UC costs. Individuals from the Northeast and Midwest are the least likely to receive UC.

Figure 4: Percent of people with any uncompensated care by region, 2004

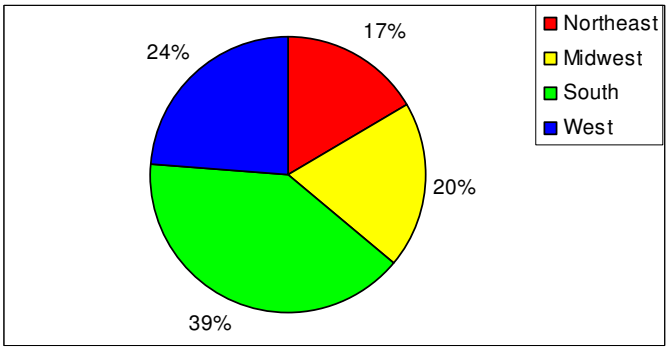

Table 4: Uncompensated Care by Region, 2004

Census Region	Percent of people receiving uncompensated care by region	Likelihood of receiving uncompensated care by region	Share of uncompensated care costs by region
Northeast	16.53%	5.65%	19.38%
Midwest	19.66%	5.57%	18.63%
South	39.97%	6.99%	40.61%
West	23.84%	6.44%	20.65%

Source: New America Foundation analysis of 2004 MEPS Household Component Survey, 2008.

CHART CATEGORY GUIDE:

Category	Math calculation
Percent of people with any uncompensated	(# of people in subgroup that have UC/total # of people who have UC)
Likelihood of having uncompensated care	(# of people in subgroup that have UC/total # of people in subgroup)
Share of uncompensated care costs	(UC dollars generated by subgroup/total UC dollars)

ENDNOTES

[1] John Holahan and Jack Hadley, "The Cost of Care for the Uninsured: What Do We Spend, Who Pays, and What Would Full Coverage Add to Medical Spending?" *Kaiser Family Foundation*, 2004.
[2] The data were analyzed according to definitions developed by Jack Hadley and John Holohan, "How Much Medical Care Do The Uninsured Use, and Who Pays For It?" *Health Affairs* Web Exclusive, (2003): w3-66-w3-81.
3 Sarah Axeen and Elizabeth Carpenter, "Who are the Uninsured?" New America Foundation, 2007; Linda J. Blumberg, John Holohan, Jack Hadley, and Katharine Nordhal, "Setting a Standard of Affordability For Health Insurance Coverage," Health Affairs, 26, no. 4 (2007): w463-w473; Kate M. Bundorf and Mark V. Pauly, "Is Health Insurance Affordable for the Uninsured?" NBER Working Paper, no. W9281, October 2002.
[4] Lisa Dubay., John Holahan, and Allison Cook. "The Uninsured and the Affordability of Health Insurance Coverage." *Health Affairs.* 26 , no. 1 (2007): w22-w 30.
[5] Kaiser Family Foundation, **"**Income Eligibility for Parents Applying for Medicaid by Annual Income as a Percent of Federal Poverty Level (FPL), 2008," *Statehealthfacts.org*, 2008.

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