

Cost of the Uninsured: How it affects Hospitals and the People They Serve

By Joseph M. Letnaunchyn

President & CEO, West Virginia Hospital Association

The problem of the uninsured impacts not only patients that lack insurance, but also the providers that care for them. Many businesses and their employees struggle to pay high insurance premiums, along with other related health care costs like co-payments and deductibles. This becomes a vicious cycle as the numbers of uninsured are rising both in West Virginia and nationally.

A recent U.S. Census Bureau Report concludes that 47 million Americans do not have health insurance, and about 300,000 of those are West Virginians. One in every five West Virginians between 19 and 64 years of age has no health insurance. Moreover, 61 percent of West Virginia's uninsured are employed, with 30 percent working more than 40 hours per week. These rates, coupled with climbing premium costs, have serious consequences for our hospitals and the people that they serve. The situation interferes with hospitals' ability to perform their core mission – caring for communities. Concurrently, it creates a sicker population that typically needs more expensive emergency care.

In line with their mission to provide health care to all, West Virginia hospitals provide necessary medical care free of charge to individuals who cannot afford to pay. In 2007, they provided uncompensated care to patients that was valued in excess of \$578 million. As the uninsured population continues to grow, West Virginia hospitals and those across the country are providing more and more uncompensated care to those who are unable to pay. This compromises hospitals financially and makes it more difficult for them to offer quality care to their patients. An Institute of Medicine report puts this into national perspective, indicating that U.S. hospitals provide about \$34 billion worth of uncompensated care each year.

To subsidize costly care for the uninsured, hospitals face challenges caring for their patients, providing quality services, and continuing with community outreach programs. In some cases, they may even close.

Hospital cost shift is a serious problem and it's linked directly to the high rate of the uninsured and to West Virginia's provider payment system. In our State, government under funding is significant, and it's exacerbated because close to 70 percent of the patients treated by our hospitals are covered by government

programs like the federal Medicare program, the State's Public Employees Insurance Agency (PEIA), and Medicaid.

Medicare, the health care program for the elderly, pays West Virginia hospitals about 89 cents on a dollar of costs, while PEIA, the state's health insurance program, pays about 75 percent of the costs incurred by hospitals to provide healthcare. Medicaid accounts for about 17 percent of a typical West Virginia hospital's revenue and is much higher for some, especially those providing maternity and high risk services. Medicaid payments to hospitals cover, on average, less than 84 percent of the costs of providing care.

Since none of these programs pay their full share of costs, healthcare providers must shift the non-reimbursed cost of serving government insured patients, and those receiving uncompensated care to private sector payers. This is essentially a hidden tax that artificially inflates prices and forces employers to pay more than their fair share for healthcare. Ultimately, the cost burden shifts to private businesses to make up for the payment shortfalls.

Because the uninsured are much more likely to require expensive crisis care for conditions that could have been treated earlier through less costly ambulatory care, the uninsured can add to overcrowding in hospital emergency departments. The Henry J. Kaiser Family Foundation reports that 20 percent of the uninsured (versus three percent of insured) use hospital emergency departments as their usual source of care. According to the Centers for Disease Control and Prevention, at a time when the number of hospital emergency departments has been cut by 14 percent, visits have reached a record high of nearly 114 million due, in part, to the rising numbers of uninsured. The Institute of Medicine reports the uninsured are 30 to 50 percent more likely to be hospitalized for an avoidable condition, with an average cost of \$3,300 per hospital stay.

Economics aside, lack of healthcare coverage carries serious implications for a society in need of medical care. For example, uninsured children are less likely to receive a well-child, yearly checkup. The uninsured are more likely than their insured counterparts to be hospitalized for conditions that could have been prevented, such as pneumonia and diabetes. The uninsured receive less preventive care and are diagnosed at more advanced disease stages. A stunning 18,000 Americans die each year for lack of healthcare coverage.

Clearly, initiatives for expanding coverage for the uninsured are needed. While providing insurance may carry costs, the economic value gained in terms of

better health outcomes quantifies the additional money spent. Expanding healthcare coverage would strengthen hospitals, improve health, lengthen lives, and strengthen the economy.

One of the most effective ways to address the problem of the uninsured is to raise awareness and expand access to both private and public insurance. To raise awareness, several groups, including the American Hospital Association (AHA), have joined *Cover the Uninsured Week* under the leadership of the Robert Wood Johnson Foundation.

This year's campaign, *Covering Kids and Families*, will focus on the need to reauthorize the State Children's Health Insurance Program (SCHIP). SCHIP, which provides coverage for uninsured children, formally expired September 30, 2007. Since then, the program has been funded through two temporary spending measures; the latest stop-gap funding expired December 14, 2007. Efforts continue to provide longer term funding to address current ongoing federal shortfalls so that West Virginia children – half of which are covered by SCHIP – continue to receive it.

Another concept to reduce the uninsured population is a program to expand public and private insurance through Medicaid and SCHIP and tax credits to purchase insurance for low-income families. This program is supported by the *Health Coverage Coalition for the Uninsured*, formed by the AHA and other groups.

The problem of the uninsured is complex and far-reaching, and, if allowed to continue, carries the potential to severely erode our healthcare structure. However, throngs of people all across America are working together, pooling their resources, and hitting the problem head on. Many initiatives will come into play as this costly healthcare crisis is put to rest. When that happens, and it will, hospitals will be able to deliver services to healthier communities in the manner in which they were designed.