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Health Crisis Index Rose 37 Percent, 1987 - 2003

Higher Spending Associated with Growth in Uninsured Share of Americans

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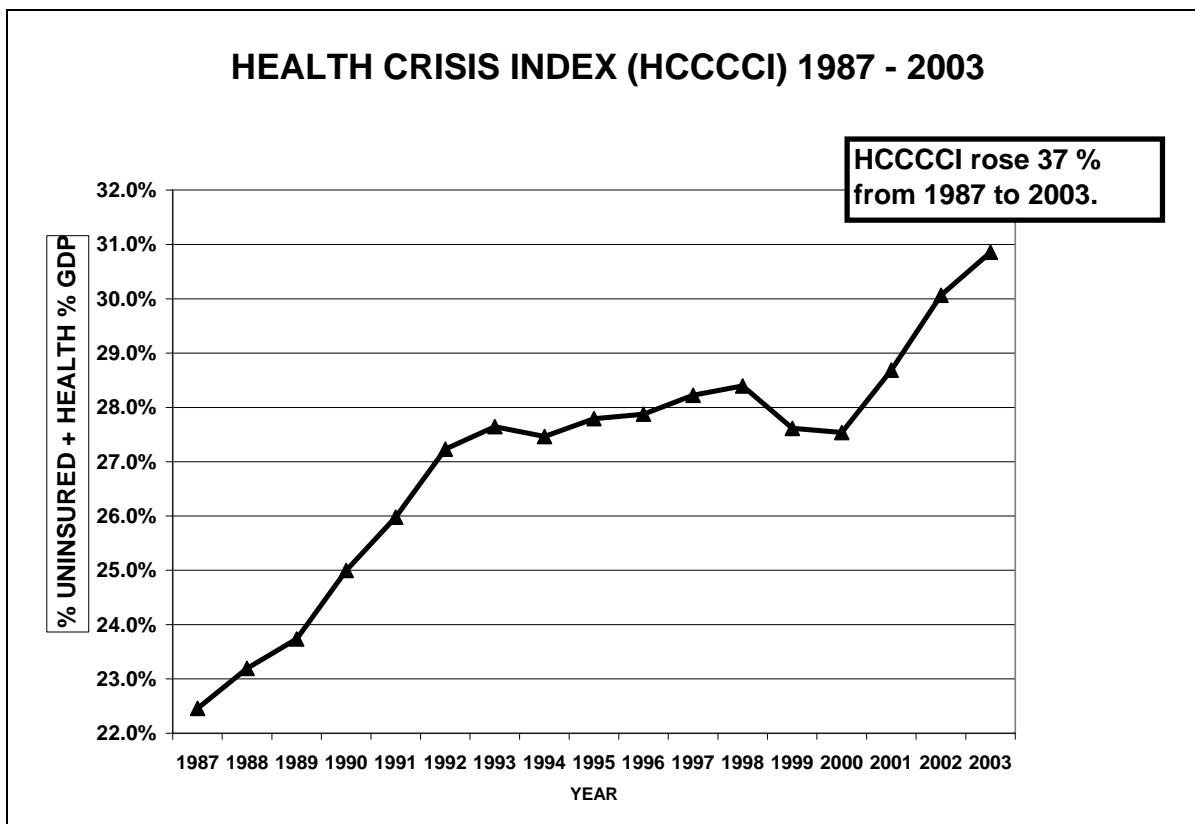
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SUMMARY: WHAT THESE DATA SAY AND WHAT THEY MEAN

We have constructed a Health Care Cost and Coverage Crisis Index by adding health care's share of U.S. gross domestic product to the share of Americans lacking health insurance (also called the HCCCCI or the Health Crisis Index).

The Health Crisis Index rose from 22.5 percent in 1987 to 30.9 percent in 2003, a rise of nearly two-fifths. It reached new heights in 2001, 2002, and 2003.

Health care's share of GDP rose by almost one-half, from 10.4 to 15.3 percent. The uninsured share of Americans rose by over one-quarter, from 12.1 to 15.6 percent.

Health's share of the economy and the uninsured share of people rose, plateaued, and rose again together in a close correlation ($R_p = 0.91$, significant at $p < 0.000$, a relation found by chance less than one time in 1,000).

Most Americans probably would have expected otherwise—that a rise in the share of the economy going to health care would be associated with a drop in the uninsured share of people. That simply has not been the case 1987 - 2003.

Instead, economic recessions—at the beginning and end of the period studied here—have been associated with sharp rises in health care's share of the economy and in the share of people without insurance. Good economic times in the 1990s were not associated with substantial or durable drops in either share.

This shows that our nation has not yet been able to contain health costs and has not yet been willing to improve coverage. The HCCCCI shows that our nation has been spending more money to cover fewer people. But in a future recession, the HCCCCI will predictably hit a ceiling—signaling that the nation will be politically and economically unable to tolerate further increases.

In a recent report, we concluded that Americans already spend enough to pay for the care that works for all people; decades of cost control efforts have failed; much health spending is wasted; forcing patients to pay more out-of-pocket by stripping away insurance won't cut costs safely; successful cost control requires government action to cover us all; and safely cutting unneeded services requires reforms that persuade, enable, and induce doctors to serve us more carefully.¹

The HCCCCI's rise shows the urgency of working now to make health care durably affordable for all Americans who need it and all who pay for it—while stabilizing all needed hospitals, physicians, and other caregivers. Action now can prevent the Health Crisis Index from soaring during the next recession.

A number of indices of general or specific misery or crisis have been created and publicized in recent years, including two similar to that presented here. This Health Crisis Index best highlights the inter-related problems of access and affordability of health care, the two elements that most concern Americans.

THE EVIDENCE

We have constructed a Health Care Cost and Coverage Crisis Index by adding health care's share of U.S. gross domestic product in a given year to the share of Americans lacking health insurance in that year. For convenience, we sometimes call this Index the HCCCCI and sometimes the Health Crisis Index.

This index of the nation's health care crisis rose from 22.5 percent in 1987 to 30.9 percent in 2003, a rise of over one-third—almost two-fifths (37.4 percent).

Exhibit 1 shows that health care spending's burden on the economy—its share of gross domestic product (GDP)—rose from 10.4 percent in 1987 to 13.2 percent in 1992. It was then essentially stable until 2000. But it rose from 13.3 percent in 2000 to 15.3 percent in 2003.² Overall, it was up by almost one-half from 1987.

The uninsured share of the population generally rose fairly steadily from 12.1 percent in 1987 to 15.2 percent in 1998. It then dipped to 14.2 percent of all Americans in 2000 before rising again to a record high of 15.6 percent in 2003.³

Thus, the sum of these two percentages, the Health Crisis Index, hit a record high of 30.9 percent in 2003.⁴

Exhibit 1

Health Care's Share of GDP + Uninsured Share of Population, 1987 – 2003⁵

year	Health care spending's share of GDP	Uninsured share of U.S. population	Sum of health care + uninsured shares
1987	10.4%	12.1%	22.5%
1988	10.7%	12.5%	23.2%
1989	11.0%	12.7%	23.7%
1990	12.0%	13.0%	25.0%
1991	12.8%	13.2%	26.0%
1992	13.2%	14.0%	27.2%
1993	13.3%	14.3%	27.6%
1994	13.2%	14.2%	27.5%
1995	13.4%	14.4%	27.8%
1996	13.3%	14.6%	27.9%
1997	13.2%	15.1%	28.2%
1998	13.1%	15.2%	28.4%
1999	13.1%	14.5%	27.6%
2000	13.3%	14.2%	27.5%
2001	14.1%	14.6%	28.7%
2002	14.9%	15.2%	30.1%
2003	15.3%	15.6%	30.9%

Exhibit 2 graphs separately the change in health care's share of GDP and the uninsured share of the U.S. population. The two shares rise, plateau, and rise together except during 1999 and 2000. Indeed, the Pearson correlation between health care spending's GDP share and the share of Americans uninsured was 0.91, significant at $p < 0.000$ (a relation found by chance less than one time in 1,000).⁶

The two problems generally have worsened at the same times—health care costs rose as a share of GDP at the same times that more people lost insurance coverage. Devoting a larger share of our economy to health care has not been associated with improvements in the share of people with financial protection against health care costs.

This might seem counter-intuitive to many people. After all, they might think, shouldn't spending more of the economy on health care yield a dividend in the form of a cut in the share of people lacking health insurance?

A look at Exhibit 2 helps to make sense of the tight positive correlation between more health spending and more uninsured people. Generally, the most pronounced increases in both health care's share of GDP and the uninsured share of Americans take place during years of recession—the early 1990s and the early 2000s. Job losses during recessions mean more people without health insurance—but the share uninsured does not generally fall during good economic times. These trends for cost and coverage suggest that it may be difficult to finance expanded insurance coverage simply by further increasing health care spending and its share of GDP.

Exhibit 2

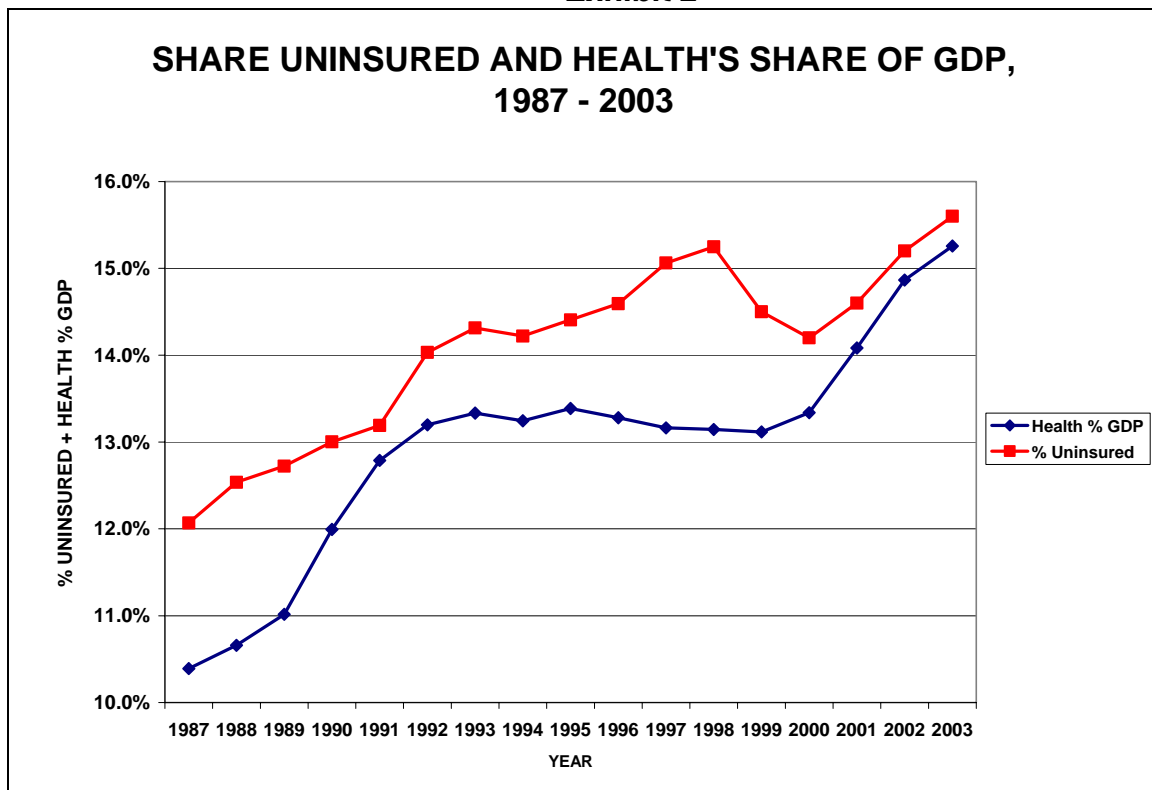


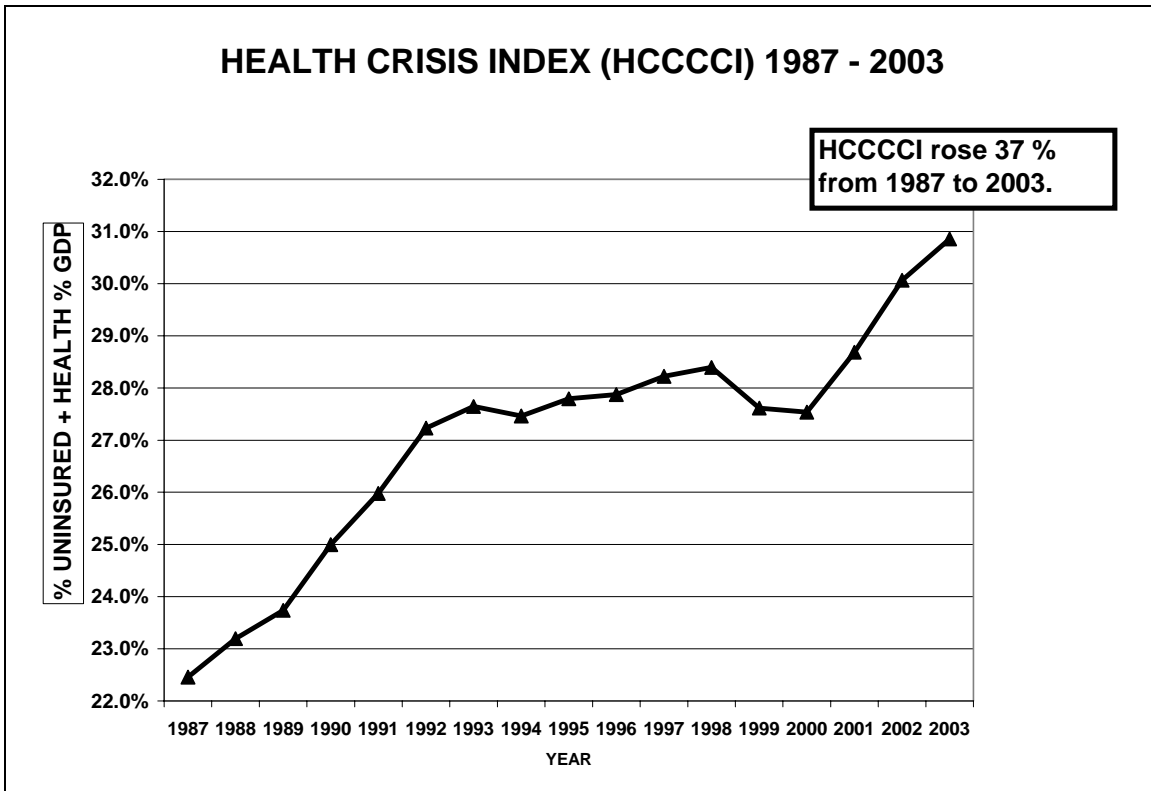
Exhibit 3 presents only the HCCCCI, which is the sum of the two separate lines (health care's share of GDP and share of Americans lacking health insurance) shown in Exhibit 2. Exhibit 3 displays the rising trend in the Health Crisis Index over time.

Overall, the HCCCCI rose from 22.5 percent to 30.9 percent between 1987 and 2003, a rise of between one-third and two-fifths (37 percent).

As Exhibit 3 also shows, the Health Crisis Index reached a new high in each of its last three years.

Further, this recent period brought the second-steepest three-year rise seen in the HCCCCI.⁷

Exhibit 3

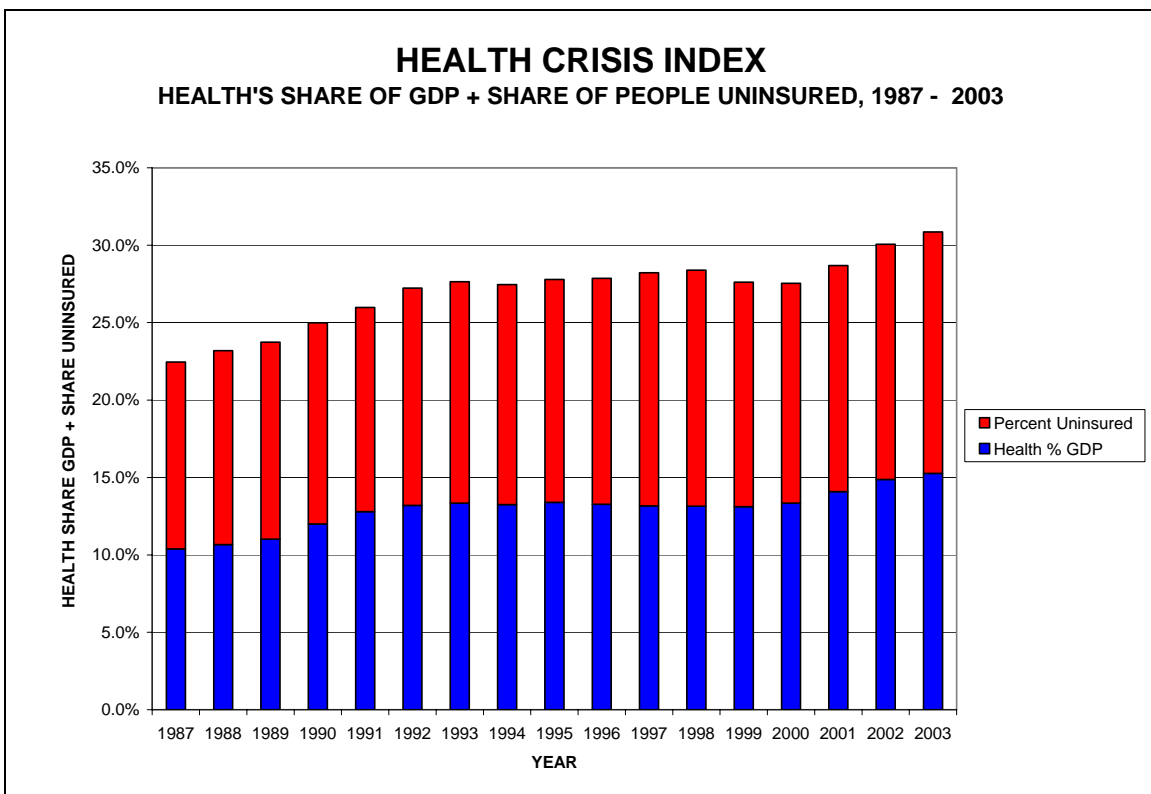


Finally, Exhibit 4 breaks out the portion of the HCCCCI attributable to health care's percentage of GDP and the portion attributable to the percentage of Americans lacking health insurance coverage for each year.

The two components of the Health Crisis Index rose at different rates between 1987 and 2003. Health care's share of GDP rose by nearly one-half (from 10.4 percent to 15.3 percent). The uninsured share of the population rose by well over one-quarter, up from 12.1 percent to 15.6 percent.

As a result, the proportion of the overall Health Crisis Index attributable to health care's share of GDP rose slightly, from almost 47 percent in 1987 to almost 50 percent in 2003.

Exhibit 4



DISCUSSION

Dangerous Trends

This data brief offers three main findings about the Health Crisis Index:

- The HCCCCI rose 37 percent in the 16 years between 1987 and 2003, reaching successive new heights in 2001, 2002, and 2003.
- The Health Crisis Index rose rapidly during two recessions and plateaued during good economic times. Unless something changes, the Index can be expected to rise to even greater heights during the next recession.
- With few exceptions, the Index's two components have moved in parallel over the sixteen years studied.

The evidence presented in this data brief indicates that U.S. health care finance and delivery have evolved in ways that permit or even help to cause continued increases in both health care's share of GDP and the share of Americans without health insurance.

In this financing and delivery environment, without reform, efforts to cover more Americans would require devoting an greater share of GDP to health care. And, in this environment, without reform, efforts to contain health's share of GDP (during the next recession, for example) would probably lead to an even sharper rise in the uninsured share of our people.

As yet, U.S. health care shows no sign of steering away from the edge of this cliff. That is dangerous to our future.

A continued rise in the Health Crisis Index, we believe, is simply not economically affordable, politically endurable, or humanly tolerable. It is essential to work now to prevent the Health Crisis Index from trending sharply higher during the next recession.

Failure to do this means that health care will predictably tend to absorb a substantially greater share of the economy during the next recession, when we can least afford it. Payers will try to combat this tendency. Today, dismay with high health costs is already high, during a time of ostensible prosperity. By instituting higher out-of-pocket costs and by advocating health savings accounts, employers and governments are seeking ways to shed obligations to pay for care. During the next recession, it is reasonable to expect that employers and governments will redouble their efforts to pay less. That will mean fewer Americans will be able to afford needed health care. The resulting medical

instability will leave American citizens, many vital caregivers, and politicians frightened and demoralized.

Americans have suffered declines in coverage while costs have risen during the period studied in this data brief. This deterioration is not inevitable. Our nation can instead enjoy greater coverage at lower cost.

Achieving Affordable Coverage for All

Americans should be encouraged by the success of other wealthy nations in covering all their people while spending less than one-half as much per person as we do.⁸ They enjoy better health outcomes and spend less even though their populations are generally older than ours, and even though their tobacco and alcohol use rates are generally higher than ours.⁹

Other nations have done this without shredding or stripping away citizens' health insurance coverage. In a recent report, we urged wariness toward proposals to force patients to pay more out-of-pocket for health care. These may seem politically attractive to some, but they are not likely to cut overall health care costs safely. By putting patients at risk, they violate the medical injunction to "first, do no harm."¹⁰

The U.S.A. spends enough money today to finance the care that works for the people who need it. We recently asserted that covering all Americans while containing cost will require much greater involvement by the nation's physicians. Doctors are in a much better position than patients to identify and eliminate unnecessary health care. Building greater trust among doctors, payers, and patients is essential to cutting both clinical waste and administrative waste. With careful government action and political deals that balance reasonable private concerns with the public interest in affordable care for all, the money saved by physicians can be captured and recycled to finance medical security for all of us.¹¹

Value of a Health Crisis Index

A number of indices of general or specific misery or crisis have been created and publicized in recent years, including two somewhat similar to that presented here. We suggest that the Health Crisis Index presented in this data brief offers the most straightforward, understandable, and useful summary measure of access to care and affordability of health care, the two elements that most concern Americans.

Jimmy Carter and Ronald Reagan talked about economic misery indices a quarter-century ago. These summed the inflation and unemployment rates. During the 2004

presidential campaign, Sen. John Kerry presented a misery index that combined rising costs of college tuition, health care, and gasoline along with stagnant incomes.¹²

In health care, Ian Morrison described in 2001 an important “health insurance misery index,” the sum of the unemployment rate and the inflation in health insurance premiums.¹³

Rexford Santerre reported in 2003 on a useful misery index in health care that registers the sum of the uninsured share of the population and the difference between the percentage increase in health care prices and overall inflation in the economy.¹⁴ Still, we think that alternative formulations can better capture coverage and cost problems.

Santerre’s index covers more than four decades from 1960 to 2002, thereby registering the great drop in the uninsured share of the population owing to the enactment of Medicare and Medicaid. Further, because its financial element is a price differential, it does not take into account changes in volumes of health care. It therefore misses a key determinant of health spending.

We suggest that the Health Crisis Index described in this data brief is useful because it is a useful summary measure in itself; because it facilitates analysis of the twin problems of rising cost and declining coverage (problems of great concern to most Americans); because it reflects health care spending’s share of GDP (its actual burden on the economy); because it employs one fairly consistent source of data on the share of people without health insurance;¹⁵ because it focuses on the period after the implementation of Medicaid and Medicare; and because it is easy to understand.

NOTES

¹ Alan Sager and Deborah Socolar, *Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005: Recent Federal Report Unintentionally Obscures Massive Rise; Physicians' Decisions Key to Controlling Cost*, Boston: Health Reform Program, Boston University School of Public Health, 9 February 2005, www.healthreformprogram.org.

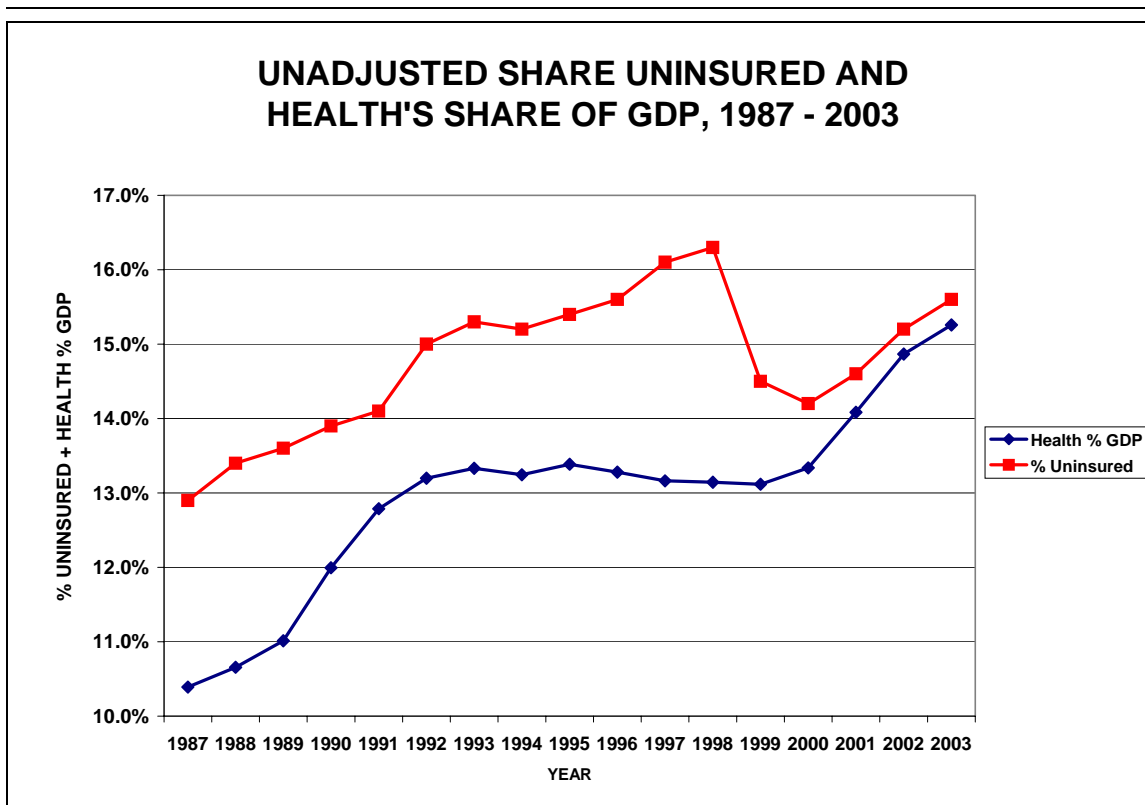
² Office of the Actuary, Health Care Financing Administration/Center for Medicare and Medicaid Services, various years.

³ We began with the data on share of Americans lacking health insurance that were presented in U.S. Bureau of the Census, "Historical Health Insurance Tables," Table HI-1, Health Insurance Coverage Status and Type of Coverage by Sex, Race and Hispanic Origin: 1987 to 2003.

But we recognized that, starting with the estimates for 1999, the Census Bureau changed its method of verifying the share of people without health insurance. Indeed, Table HI-1 has two estimates for 1999, 15.5 percent using the old method of verifying the share of people without insurance and 14.5 percent using the new method. The Census Bureau has noted that the revised estimates for 1999 and the estimates for subsequent years "are not directly comparable with . . . estimates from earlier years." See Robert J. Mills, *Health Insurance Coverage: 2000*, P60 – 215, Washington, D.C.: U.S. Census Bureau, September 2001, <http://www.census.gov/prod/2001pubs/p60-215.pdf>, access confirmed 18 March 2005.

Accordingly, we have calculated the ratio of the verified share uninsured (14.5 percent) divided by the unverified share (15.5 percent), which equals 0.935484, and multiplied this ratio by the Census Bureau's estimates of the uninsured shares of the population for 1987 through 1998. This somewhat rough-and-ready adjustment, we feel, offers a movement toward a more comparable and reasonable time series, one that is preferable to presenting an unadjusted data series.

The exhibit below shows the unadjusted data, which can be compared with those in Exhibits 1 and 2 in the text.



⁴ Dividing the 30.9 percent by the 22.5 percent presented in Exhibit 1 appears to yield a rise of 37.3 percent, but this reflects a minor error caused by rounding of the data in the exhibit. The actual rise is 37.4 percent.

⁵ Sources: Health care spending: Office of the Actuary, Health Care Financing Administration/Center for Medicare and Medicaid Services, various years.

GDP: Bureau of Economic Analysis, "Gross Domestic Product," Table 1.1.5, Last revised 28 January 2005, <http://www.bea.gov/bea/dn/nipaweb/TableView.asp#Mid>, access confirmed 28 January 2005.

Uninsured share of population: U.S. Bureau of the Census, "Historical Health Insurance Tables," Table HI-1, Health Insurance Coverage Status and Type of Coverage by Sex, Race and Hispanic Origin: 1987 to 2003, <http://www.census.gov/hhes/www/hlthins/historic/hihist1.html>, access confirmed 14 March 2005. We took the updated share for 1999.

Although some have questioned aspects of these Census Bureau estimates of the uninsured population, they remain the most reasonably consistent annual series of national data on the share of Americans lacking health insurance. They are available only for the years 1987 to 2003. These are, therefore, the years examined in this data brief.

⁶ This is a Pearson product-moment correlation, r_p , calculated in *Statistica*, version 6.1 (StatSoft).

⁷ The Health Crisis Index rose by just under 15 percent (14.8 percent) from 1989 to 1992. The three-year rise from 2000 to 2003 was second-fastest, exceeding 12 percent (12.4 percent).

⁸ In 2002, U.S. health spending per person was about 2.1 times as great as the average in the U.K., Canada, France, Germany, Italy, and Japan. Calculated from data on Total Health Spending per Capita, adjusted for purchasing power parity, Organization for Economic Cooperation and Development, *OECD Health Data, 2004*, 1st edition, http://www.oecd.org/document/16/0,2340,en_2649_34631_2085200_1_1_1_1,00.html, Table 9, access confirmed 12 January 2005.

⁹ See, for example, life expectancy data from Organization for Economic Cooperation and Development, *OECD Health Data, 2004*, 1st edition, http://www.oecd.org/document/16/0,2340,en_2649_34631_2085200_1_1_1_1,00.html, Table 1, access confirmed 13 January 2005. See also 2004 estimated infant mortality rates by nation, U.S. Central Intelligence Agency, *World Factbook*, “Rank Order – Infant Mortality Rate,” <http://www.cia.gov/cia/publications/factbook/rankorder/2091rank.html>, access confirmed 18 January 2005.

¹⁰ Alan Sager and Deborah Socolar, *Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005: Recent Federal Report Unintentionally Obscures Massive Rise; Physicians’ Decisions Key to Controlling Cost*, Boston: Health Reform Program, Boston University School of Public Health, 9 February 2005, www.healthreformprogram.org.

¹¹ See Alan Sager and Deborah Socolar, “Shooting at the Wrong Target,” http://www.tompaine.com/articles/shooting_at_the_wrong_target.php 21 March 2005, access confirmed 21 March 2005; and Alan Sager and Deborah Socolar, *Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005: Recent Federal Report Unintentionally Obscures Massive Rise; Physicians’ Decisions Key to Controlling Cost*, Boston: Health Reform Program, Boston University School of Public Health, 9 February 2005, www.healthreformprogram.org.

¹² “Kerry: U.S. ‘Misery Index’ Rising,” 11 April 2004, www.cbsnews.com/stories/2004/04/12/politics/main611381.shtml, access confirmed 21 March 2005.

¹³ Ian Morrison, “Technology Transformation of California Healthcare,” 2001, <http://ehealth2001.berkeley.edu/Morrison.ppt>, access confirmed 21 March 2005.

¹⁴ Rexford E. Santerre, “ The State of Health Care in One Easy Number,” *New York Times*, 1 December 2003.

¹⁵ As discussed earlier, the Health Crisis Index was developed for the years 1987 – 2003 because this is the only period for which one source’s reasonably consistent year-to-year data on the uninsured share of the population are available. To improve consistency, we have made a small adjustment in the Census Bureau’s estimates of the share of the population lacking health insurance coverage during 1987 - 1998 to reflect the Bureau’s improved methods of verifying lack of insurance coverage that were introduced in 1999.