

THE COST OF DOING NOTHING: CONNECTICUT

Why the Cost of Failing to Fix Our Health
System is Greater than the Cost of Reform

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THE COST OF DOING NOTHING

INTRODUCTION

The U.S. health care system is in crisis. Health care costs too much; we often get too little in exchange for our health care dollar; and tens of millions of Americans are uninsured.

The moral case for health care reform is well documented. The uninsured live sicker and die sooner than the insured. People who are uninsured often forgo necessary care because of cost and sink into financial ruin because of health care bills. However, health care reform is not just a moral imperative; it is also an economic necessity.

Our economy loses hundreds of billions of dollars every year because of the diminished health and shorter lifespan of the uninsured. Rising health care costs undermine the ability of U.S. firms to compete internationally, threaten the stability of American jobs, and place increasing strain on local, state, and federal budgets. As health care costs continue to rise faster than wages, health insurance becomes more and more unaffordable for more and more American families every day.

Yet, the recent financial services meltdown has led some people to suggest that we cannot afford health reform and that fixing our broken health care system will have to wait once again. But waiting comes with a price. The crisis worsens every day that we do not act. Premiums will continue to rise; Americans will continue to pay more for less-generous health coverage; and fewer employers will offer health insurance to their workers.

We must reform our struggling health system not in spite of our economic crisis, but rather because of the impact health care has on the American economy. The economic and social impact of inaction is high and it will only rise over time.

Indeed, quality, affordable health insurance for every American should be a national priority. Yet, health care costs, wages, health system efficiencies (or inefficiencies), and insurance package design all vary from state to state. Therefore, our health care crisis manifests itself in different ways in different parts of the country. In this report, we explain how Connecticut is performing now and how we expect things to change by 2016.

CONNECTICUT

Connecticut's economy lost as much as \$2 billion because of the poor health and shorter lifespan of the uninsured in 2007. In addition, it experiences some of the largest economic losses per uninsured person nationwide – more than \$6,100 for every resident who lacks health insurance coverage.

**Table 1. Economic Cost of Failure, 2007
(Ranked by High Bound and Per Uninsured)**

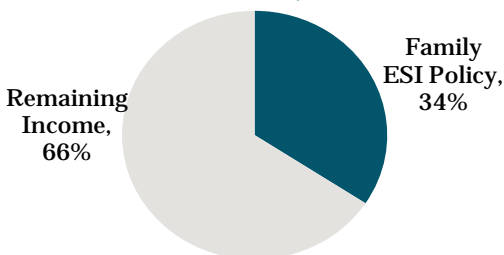
| Low Bound | High Bound | Rank (High Bound) | Per Uninsured Cost | Rank (Per Uninsured) |
|----------------|----------------|-------------------|--------------------|----------------------|
| \$0.74 Billion | \$2.00 Billion | 25 | \$6,126 | 48 |

By 2016, Connecticut residents will have to spend more than \$25,000 or almost 34 percent of median household income to buy health insurance for themselves and their families. This represents a 76 percent increase over 2008 premium levels.

**Table 2. Affordability of Premiums,
(Ranked by Level in 2016 and Percent Change)**

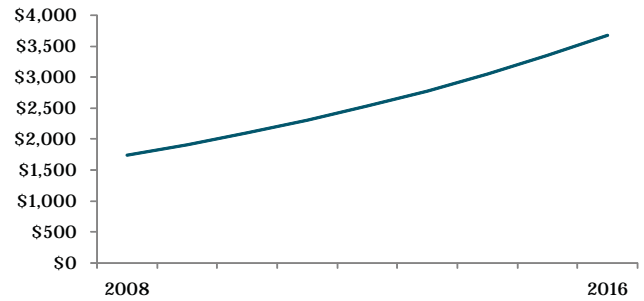
| | 2008 | 2016 | Rank 2016 | Percent Change | Rank % |
|---|----------|----------|-----------|----------------|--------|
| Full Cost of Family ESI | \$14,294 | \$25,109 | 31 | 75.7% | 9 |
| Full Cost of Family ESI as a Share of Median Household Income | 22.0% | 34.2% | 5 | n/a | n/a |

Figure 1. Full Cost of Family ESI as a Share of Median Household Income, 2016



People in Connecticut will continue to see sharp rises in their deductibles from year to year. Deductibles will continue to grow an average of 10 percent a year between 2008 and 2016.

Figure 2. Average Deductibles, 2008-2016



By 2016, the average deductible in Connecticut will more than double – jumping from roughly \$1,700 in 2008 to nearly \$3,700 in 2016.

**Table 3. Benefits: Copayments and Deductibles,
(Ranked by Level in 2016 and Percent Change)**

| | 2008 | 2016 | Rank (2016) | Percent Change | Rank (%) |
|--------------------|---------|---------|-------------|----------------|----------|
| Average Copayment | \$22 | \$36 | 39 | 58.5% | 40 |
| Average Deductible | \$1,733 | \$3,672 | 41 | 111.9% | 44 |

STATE DATA: CONNECTICUT

| Metric | 2006 (Reported Data) | 2008 (Projection) | 2012 (Projection) | 2016 (Projection) | Annual Rate of Growth |
|---|-------------------------|----------------------|----------------------|----------------------|--------------------------|
| Full Cost of Family ESI | \$12,416 | \$14,294 | \$18,945 | \$25,109 | 7.3% |
| Full Cost of Family ESI as a Share of Median Household Income | 20.5% | 22.0% | 27.4% | 34.2% | n/a |
| Employee Contribution to Family ESI Premium | \$2,947 | \$3,457 | \$4,756 | \$6,544 | 8.3% |
| Employee Contribution to Family ESI as a Share of Median Income | 4.9% | 5.3% | 6.9% | 8.9% | n/a |
| Employee Contribution to Family ESI as a Share of Full Cost of Family ESI | 23.7% | 24.2% | 25.1% | 26.1% | n/a |
| Full Cost of Individual ESI | \$4,402 | \$4,967 | \$6,326 | \$8,055 | 6.2% |
| Full Cost of Individual ESI as a Share of Median Annual Wage | 11.9% | 12.8% | 15.0% | 17.6% | n/a |
| Employee Contribution to Individual ESI | \$862 | \$993 | \$1,320 | \$1,753 | 7.4% |
| Employee Contribution to Individual ESI as a Share of Median Annual Wage | 2.33% | 2.55% | 3.13% | 3.83% | n/a |
| Average Copayment | \$20 | \$22 | \$28 | \$36 | 5.9% |
| Average Deductible | \$1,436 | \$1,733 | \$2,522 | \$3,672 | 9.8% |
| Percent of Employees Offered ESI | 93.6% | 94.9% | 97.7% | 100.5% | 0.7% |
| Percent of Employees Eligible for ESI | 74.6% | 75.4% | 77.0% | 78.7% | 0.5% |
| Percent of Employees who Enroll in ESI | 59.2% | 59.0% | 58.4% | 57.9% | -0.2% |

NATIONAL DATA: U.S. AVERAGES

| Metric | 2006 (Reported Data) | 2008 (Projection) | 2012 (Projection) | 2016 (Projection) | Annual Rate of Growth |
|---|-------------------------|----------------------|----------------------|----------------------|--------------------------|
| Full Cost of Family ESI | \$11,381 | \$13,244 | \$17,937 | \$24,291 | 7.9% |
| Full Cost of Family ESI as a Share of Median Household Income | 23.7% | 26.3% | 34.6% | 45.4% | n/a |
| Employee Contribution to Family ESI Premium | \$2,890 | \$3,388 | \$4,657 | \$6,401 | 8.3% |
| Employee Contribution to Family ESI as a Share of Median Income | 6.0% | 6.7% | 9.0% | 12.0% | n/a |
| Employee Contribution to Family ESI as a Share of Full Cost of Family ESI | 25.4% | 25.6% | 26.0% | 26.4% | n/a |
| Full Cost of Individual ESI | \$4,118 | \$4,734 | \$6,257 | \$8,269 | 7.2% |
| Full Cost of Individual ESI as a Share of Median Annual Wage | 13.5% | 14.8% | 17.9% | 21.7% | n/a |
| Employee Contribution to Individual ESI | \$788 | \$944 | \$1,353 | \$1,941 | 9.4% |
| Employee Contribution to Individual ESI as a Share of Median Annual Wage | 2.59% | 2.94% | 3.87% | 5.10% | n/a |
| Average Copayment | \$19 | \$21 | \$25 | \$30 | 4.8% |
| Average Deductible | \$1,351 | \$1,550 | \$2,041 | \$2,687 | 7.1% |
| Percent of Employees Offered ESI | 86.9% | 87.1% | 87.6% | 88.1% | 0.1% |
| Percent of Employees Eligible for ESI | 67.3% | 67.2% | 67.0% | 66.8% | -0.1% |
| Percent of Employees who Enroll in ESI | 52.7% | 51.9% | 50.3% | 48.7% | -0.8% |

THE COST OF DOING NOTHING

GLOSSARY

| Metric | Definition |
|---|---|
| Cost of Failure Low Bound High Bound Per Uninsured Cost | The cost of failure is the value our economy loses because of the poor health and shorter lifespan of the uninsured. The low bound estimate measures the amount our economy loses because of the shortened lifespans of the uninsured. The high bound measure is an estimate of how much the economy loses as a result of not only the premature deaths of the uninsured, but also their poorer health as compared to individuals with insurance. The low bound is a conservative estimate—the minimum economic cost of the uninsured. The high bound estimate presents a more complete picture of true costs of the uninsured by taking into account their poorer health and shorter lifespan relative to individuals with insurance. This metric is based on an Institute of Medicine report that estimated the cost of failure to be between \$65 and \$135 billion in 2001. We updated these numbers to reflect the growth of our GDP, the increased number of uninsured, and the increased population of the United States since 2001. The per uninsured cost measure takes the high bound estimate for the Cost of Failure and divides it by the number of uninsured residents in a state. It illustrates that the economic cost per uninsured resident is greater than the cost of covering them. |
| Full Cost of Family ESI | The total cost of the average family health insurance plan offered by an employer. |
| Full Cost of Family ESI as a Share of Median Household Income | The share of median household income needed to buy a family ESI policy. Median household income is a measure of the income of the exact “middle” household (half of the households in the sample make more, half make less). The figure includes the earnings of all those in a household over the age of 15. |
| Employee Contribution to Family ESI Premium | The dollar amount that an employee is required to contribute to his or her family ESI policy. |
| Employee Contribution to Family ESI as a Share of Median Family Income | The average share of median household income that an employee must contribute to his or her family ESI policy. Median household income is a measure of the income of the exact “middle” household (half of the households in the sample make more, half make less). The figure includes the earnings of all those in a household over the age of 15. |
| Employee Contribution to Family ESI as a Share of Full Cost of Family ESI | The average percentage of the total cost of a family ESI premium paid by the worker rather than the employer. |
| Full Cost of Individual ESI | The total cost of the average individual health insurance plan offered by an employer. |
| Full Cost of Individual ESI as a Share of Median Annual Wage | The share of median annual wage needed to buy an individual ESI policy. Median annual wage is the measure of the annual salary (or hourly wage times hour worked) of the single individual at the exact middle of the wage distribution (half of the individuals in the sample make more, half make less). |

THE COST OF DOING NOTHING

GLOSSARY

| Metric | Definition |
|--|--|
| Employee Contribution to Individual ESI | The dollar amount that an employee is required to contribute to his or her individual ESI policy. |
| Employee Contribution to Individual ESI as a Share of Median Annual Wage | The average share of median annual wage that an employee must contribute to his or her individual ESI policy. Median annual wage is the measure of the annual salary (or hourly wage times hour worked) of the single individual at the exact middle of the wage distribution (half of the individuals in the sample make more, half make less). |
| Average Copayment | The average payment that a patient with employer-sponsored health insurance makes when he or she visits the doctor. Copayments are one way that consumers pay “out-of-pocket” for their health care. |
| Average Deductible | The average amount a family with an employer-sponsored insurance plan—rather than the insurance company—is responsible for paying before insurance begins to contribute towards the cost of care. This is another way consumers pay “out-of-pocket” for their health care. |
| Percent of Employees Offered ESI | The percentage of workers who work at firms where at least one employee is offered health insurance. |
| Percent of Employees Eligible for ESI | The percentage of workers at firms where health insurance is offered who are also eligible for health benefits. For example, often workers are only eligible if they are full-time workers rather than just part-time workers. |
| Percent of Employees who Enroll in ESI | The percentage of workers who are eligible for health insurance who enroll in coverage. |
| Rank | The rank refers to where the state falls in comparison to other states on a given metric. The higher the rank (or the bigger the number), the more expensive the metric is in a given state. Rankings are on a 1-51 scale. |
| Annual Rate of Growth | The rate of growth is the annual compounded growth rate for the historical data used to project future health care cost growth. It tells us at what pace these metrics grew in the most recent decade and are likely to continue to grow without systemic reform. |

METHODS & SOURCES

Methods:

All of the projections in this paper are computed through the use of historical data. We assumed that if nothing is done to reform our health care system, then costs would continue to grow at a similar rate as they have been for the past decade. Therefore, to compute our projections, we took 10 years of data and determined a compound annual growth rate over that 10 year period. In cases where 10 years of matching data was not available, we took the longest possible span--the shortest being 7 years. These compound annual growth rates were then applied to the most recent year of data, in most cases, data from 2006 or 2007. By continually applying the annual growth rate, year by year, until 2016, we were able to estimate how prohibitively expensive our health care system will be if we do not act soon.

Data Notes:

All projected data is presented in 2006 U.S. dollars.

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