



Individual Insurance Benefits to be Available under Health Reform Would Have Cut Out-Of-Pocket Spending in 2001-08

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Benefit Generosity of Individual Insurance

- Compared with employment-related insurance, individual insurance
 - Has higher deductibles
 - Is less likely to cover prescription drugs
 - Is more likely to limit the number of doctor visits
 - Doty et al. Commonwealth Fund, 2009
- Among employers offering insurance, small employers' benefits are less generous than those of large employers



Individual Insurance Benefits under the Affordable Care Act

- Starting in 2014, individual insurance will be available through Affordable Insurance Exchanges
- Essential benefit packages
- No lifetime or unreasonable annual limits
- Caps on out-of-pocket spending at \approx \$6,000 or lower
- Subsidized cost sharing for people with modified adjusted gross income \leq 250% FPL



Research Question

- **How much lower would out-of-pocket expenditures for care for adults with individual insurance be if they had more generous benefits typical of**
 - **Small employers**
 - **Large employers**
 - **The Affordable Care Act?**



Medical Expenditure Panel Survey

- **Nationally representative sample**
- **Details about out-of-pocket expenditures for medical care and drugs**
- **Details about sources of insurance**
- **Pool 8 years, 2001-2008**
- **Inflate out-of-pocket expenditures using medical care component of the CPI**



Study Population

- **Nonelderly adults age 26-64**
- **Privately insured for the entire calendar year**
- **Not covered by public or other private insurance**
- **Individual insurance: N = 2,672**
- **Small employers: N = 6,476**
- **Large employers: N = 54,360**



Annual Out-of-Pocket Spending for Medical Care and Drugs

	Employer		
	Individual	Small	Large
Mean	\$1,100	\$607**	\$546**
Percent			
> \$0	81.3	81.6	83.6**
> \$3,000	8.3	4.0**	2.4**
> \$4,000	5.6	2.0**	1.2**
> \$6,000	2.6	.6**	.5**

Source: Medical Expenditure Panel Survey, 2001-2008, adults age 26-64 insured for calendar year . Inflated to 2008 dollars using CPI-medical care.

** Significant difference from individual insurance at 1% level.



Characteristics Controlled for:

- **Health: SF-12, chronic conditions**
- **Attitudes and health behaviors**
 - Smoking, regular exercise
 - Attitudes toward care and risk
 - Family members' attitudes
- **Socioeconomic factors**
 - Education and demographics
 - Income, asset income, home ownership
- **Geographic factors**
 - Providers per capita, state, urbanicity



Regression Methods

- **Probit Model**
- **Complementary Log Log Model**
- **2 Part Model of Out-of-Pocket Spending**
 - Probit and extended estimating equations (EEE) model
 - EEE is flexible generalization of GLM in which the link and variance functions are parameterized and estimated



Methods

- Using regression coefficients, predict change in out-of-pocket spending if adults who currently have individual insurance had employment-related insurance
- Standard errors of the direct estimates account for complex survey design



Predicted Reduction in Out-of-Pocket Spending

if adults with individual insurance had employment-related insurance

	Small Employer		Large Employer	
	Mean	SE	Mean	SE
Mean	-384**	127	-505**	126
Percent				
> \$3,000	-3.0**	.6	-5.3**	.6
> \$4,000	-2.8**	.5	-3.9**	.5
> \$6,000	-1.8**	.4	-2.0**	.4

Source: Medical Expenditure Panel Survey, 2001-2008, adults age 26-64 insured for calendar year . Inflated to 2008 dollars using CPI-medical care.

** Significant difference at 1% level.



ACA Simulation Results

	Adults with Individual Insurance (%)	Mean Out-of-Pocket Spending	
		Baseline	Change
Overall	100.0	\$1,100	-\$280
Income ÷ FPL			
≤ 200%	20.9	\$1,092	-\$535
200 – 250%	6.8	\$1,032	-\$340
250 – 400%	22.9	\$939	-\$104
> 400%	49.4	\$1,188	-\$245

Source: Medical Expenditure Panel Survey, 2001-2008, adults age 26-64 insured for calendar year . Inflated to 2008 dollars using CPI-medical care.



ACA Simulation Results

	Adults with Individual Insurance (%)	Percent Spending >\$6,000 Out-of-Pocket	
		Baseline	Change
Overall	100.0	2.6	-2.0
Chronic condition			
Yes	53.7	3.6	-2.5
No	46.3	1.4	-1.3
Age 55-64	34.6	3.9	-3.0
Age 26-54	60.4	2.0	-1.5

Source: Medical Expenditure Panel Survey, 2001-2008, adults age 26-64 insured for calendar year . Inflated to 2008 dollars using CPI-medical care.



Limitations

- The effects of specific benefit packages could not be assessed
- Could not account for differences in unobserved characteristics
- Did not assess the impact of benefit changes on premiums
- Sample members had individual insurance for calendar year



Conclusions

- For adults who currently have individual insurance, the ACA is likely to:
 - Greatly decrease the probability of having very high out-of-pocket spending for medical care and drugs
 - Especially for vulnerable subgroups
 - Reduce mean out-of-pocket expenditures for medical care and drugs by about \$280 from \$1,100 per year
 - Greater savings likely for low income adults