



HEALTH DIVIDES

A quarterly publication examining equity and economics in health care

Insuring everyone ensures that everyone is healthier — including the economy



By Tim Hoover
CFI Communications Director

It seems obvious that when an individual has health insurance, it's a good thing for that individual. But what's in it for the rest of us?

Clearly, an individual's health outcomes will be improved through better preventive care, timely treatment and access to prescription drugs, and they'll see financial benefits personally by avoiding catastrophic medical costs and hefty charges for the uninsured. They're even less likely to be depressed.

But when everyone has health insurance, the benefits go way beyond just the improved health and financial stability of an individual. Society is healthier, too, measurable by real economic gains and foregone costs that translate into higher productivity and higher incomes.

An insured society means a healthier economy.

Let's talk for moment about the benefits to the individual, which seem obvious but are more profound than most people realize.

Everyone needs medical care at some

See "Healthier economy" on page 2

Uninsured numbers fall under ACA

By Thamanna Vasan
CFI Economic Policy Analyst

Colorado has made significant gains in increasing access to health insurance since the passage of the Colorado Health Care Affordability Act of 2009 and the Affordable Care Act.

While many Coloradans remain uninsured or underinsured for economic and social reasons, national studies and a Colorado Fiscal Institute analysis of American Community Survey data show that more Coloradans have health coverage today than they did five years ago.

Between 2009 and 2013, Colorado's uninsured rate dropped significantly from 15.8 percent to 14.1 percent.

The decrease in uninsured rates was significant for children and non-elderly adults. Children under 18 experienced a 1.5 percentage point drop in the uninsured rate from 2009 to 2013.

In addition, Coloradans between the ages

See "Uninsured numbers fall" on page 4

Healthier Economy

Continued from page 1

point. Health insurance means you're protected from unexpected high costs, so you'll pay less when you are covered in a network. You will have free or low-cost preventive care like vaccines, screenings and check-ups.

This coverage especially will mean that health conditions are detected and treated early, prolonging your life and quality of life and boosting your working years and your income by dint of avoided costs.

Conversely, uninsured people receive less medical care on the whole and the care they receive is less timely, notes the Urban Institute.

"Overall, uninsured people get about half as much care as the privately insured, as measured in dollars spent on their care — even taking into account free care received from providers," the institute noted. "This discrepancy holds true even when spending is adjusted for age, income, health status, and other factors."

Worse, the risk of death is 25 percent



of insured families, and medical bills have been found a contributing factor in a sixth or more of bankruptcies, according to various surveys."

A study reported in the May 2013 edition of *The New England Journal of Medicine* even found that an expansion of Medicaid coverage for low-income adults in Oregon resulted in an increased use of health care services and an increase in diabetes detection and management. But the study also found

According to the CEA, growth in health care costs is slowing. For example, the average family premium in employer-based coverage was about \$1,800 lower in 2014 than if growth since 2010 had matched the 2000-10 average.

At the same time, health care price indexes over the 59 months of since the Affordable Care Act became law have risen at an average annual rate of just 1.7 percent. That's the slowest rate of increase in nearly 50 years. The rate of growth in health care prices since the ACA became law is only slightly higher than the 1.4 percent annual rate of increase for all consumer goods and services over the same 59 months.

The CEA estimates expanding coverage to the uninsured will increase net economic well-being by about \$100 billion a year, or about two-thirds of 1 percent of GDP.

Slowing the growth rate of health care costs will lower unemployment an estimated one-fourth of a percentage

Continued on page 3

"WHEN EVERYONE HAS HEALTH INSURANCE, THE BENEFITS GO WAY BEYOND JUST THE IMPROVED HEALTH AND FINANCIAL STABILITY OF AN INDIVIDUAL. SOCIETY IS HEALTHIER, TOO, MEASURABLE BY REAL ECONOMIC GAINS AND FOREGONE COSTS. "

higher for people with certain chronic conditions who are uninsured. That's another 18,000 preventable deaths nationwide, the Urban Institute said.

You're also financially worse off without insurance. The Urban Institute notes that, "Uninsured families report medical bill problems at double or triple the rate

lower rates of depression and reduced financial strain among those newly insured.

But are there really benefits for the economy when everyone is insured?

The White House Council of Economic Advisers says there have been.

Continued from page 2

point for several years, the CEA projected.

And by controlling health care costs through a larger risk pool, the CEA projects, disastrous increases in the federal budget deficit will be averted, with the “deficit gap” being cut in half in 25 years.

But the economic benefits of expanded coverage would flow downstream — to household budgets — as well.

"Almost half of current health care spending is covered by federal, state and local governments," the CEA noted. "If health care costs continue to grow at historical rates, Medicare and Medicaid spending (both federal and state) will rise to nearly 15 percent of GDP in 2040.

Of this increase, roughly one-quarter is estimated to be due to the aging of the population and other demographic effects, and three-quarters is due to rising health care costs."

Closer to home, there are the findings of a 2011 study done by the New America Foundation, the University of Denver's Center for Colorado's Economic Future and The Colorado Trust.

"Increasing health insurance coverage in Colorado will spur increased economic activity and create more jobs, even after accounting for the costs of financing reform," the study found. "In 2019, state economic output will be nearly 1 percent higher than it would be without reform, and there will be roughly 19,000 new jobs as a result of reform."

The study estimated that the rate of growth in health care costs would be between 5.5 percent and 17 percent lower than without reform. By 2019, premiums for employer-sponsored insurance would be 10 percent to 25 percent lower than without reform as a result of curbed growth in health care costs and the reduced effect of cost-shifting due to uncompensated care.

So, when someone asks why they should care if the uninsured are covered, the answer to that what's-in-it-for-me question is a healthier economy with higher employment, lower costs to employers and employees, lower government debt and increased personal income.

Healthy people make a healthy economy.

A boom in low-paying jobs has consequences for Colorado's entire health care system

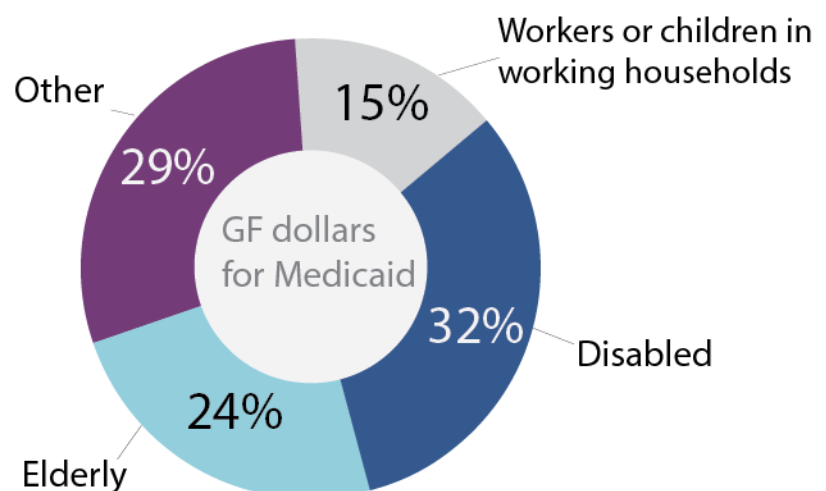
By Chris Stiffler
CFI Economist

The percentage of low-paying jobs in Colorado has continued to grow over the last decade while the wages for these jobs themselves have gotten even smaller.

Not only is that not good for the economy, workers or the state budget, it also has implications for the way Coloradans get health care.

One primary effect of the proliferation of low-paying jobs is that large employers have essentially shifted their costs to taxpayers in the form of public

15% of tax dollars used for Medicaid support low wage workers or their children



assistance, especially Medicaid. From 2000 to 2013, the lowest one-fifth of wage earners in Colorado saw their real, or inflation-adjusted, wages fall by 8 percent. As real wages have fallen, a greater portion of the Colorado labor force falls into a low-wage category.

In 2001, 23.7 percent of jobs were classified as low-wage, and in 2013, 26.2 percent of jobs were low-wage. Colorado has replaced many of the jobs that typically pay higher wages like

Continued on page 4

Continued from page 3

construction and manufacturing jobs with jobs in the service sector that typically pay lower wages.

A good example is the growth in jobs in food preparation and serving. While the total number of jobs in Colorado increased 6 percent from 2001 to 2013, the number of food preparation and serving jobs more than doubled. And a food prep worker's median wage — the level at which half of all such workers make more and half make less — fell by 5 percent.

Along with a growing portion of low-wage jobs in Colorado comes a growing share of people getting health insurance through public assistance since many workers in low-paying jobs aren't paid enough to make ends meet.

Colorado provides public health insurance through Medicaid for Coloradans whose income is below a certain level. Colorado Medicaid is funded jointly by the state and the

federal governments. In 2014, Medicaid in Colorado cost \$5.8 billion, with \$3.5 billion coming from the federal government, \$1.7 billion from the state budget's General Fund and another \$550 million from other state cash funds. A large portion of total Medicaid

state. Of the \$1.7 billion in Colorado state tax dollars spent on Medicaid in 2014, about \$300 million went to covering low-wage workers or their children. More than half of the state tax dollars that provide Medicaid support the elderly or disabled population 15

“ONE PRIMARY EFFECT OF THE PROLIFERATION OF LOW-PAYING JOBS IS THAT LARGE EMPLOYERS HAVE ESSENTIALLY SHIFTED THEIR COSTS TO TAXPAYERS IN THE FORM OF PUBLIC ASSISTANCE, ESPECIALLY MEDICAID. ”

spending goes to provide medical care for Colorado disabled and elderly population.

There are also adults and children whose household income is low enough. CFI calculated how much money the state spends to provide health insurance through Medicaid to individuals, who despite working, make such low wages that they can't afford health insurance and get it through the

percent, of those tax dollars that provide Medicaid, go to workers employed in low-wage jobs or the children of those workers.

That is \$300 million that wasn't available for schools, colleges, child protective services, transportation and other important state priorities. It is money that could have gone for those things if more Colorado employers paid their workers enough to get by.

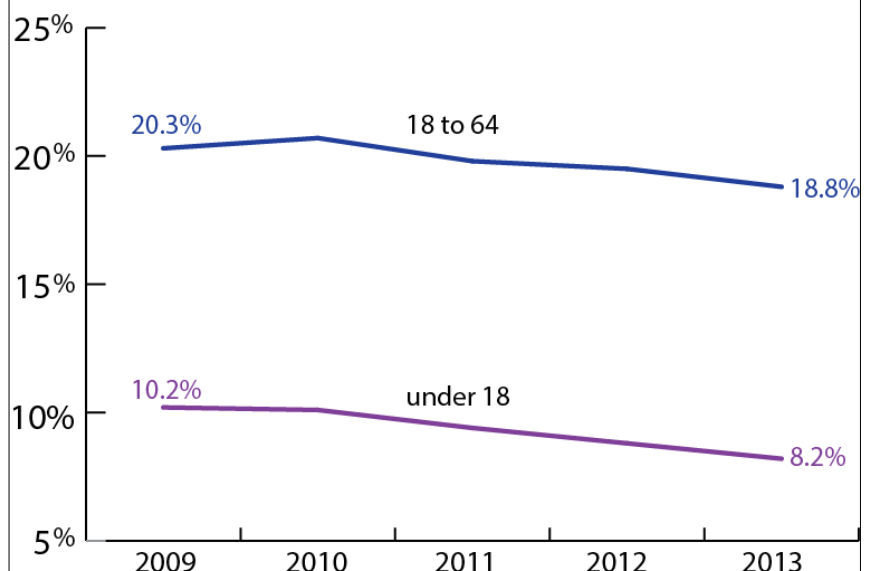
Uninsured numbers fall**Continued from page 1**

of 18 and 64 saw a 2 percentage point decrease in uninsured rates in the same time period.

Much of the drop in uninsured rates is due to a significant increase in coverage for low-income Coloradans via the Colorado Health Care Affordability Act of 2009. The passage of the legislation expanded coverage to low-income Coloradans, allowing the state to enroll an additional 130,000 low-income children and adults

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Uninsured rate in Colorado by age group



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into public health care programs.

A decrease in uninsured rates by income highlights this policy change.

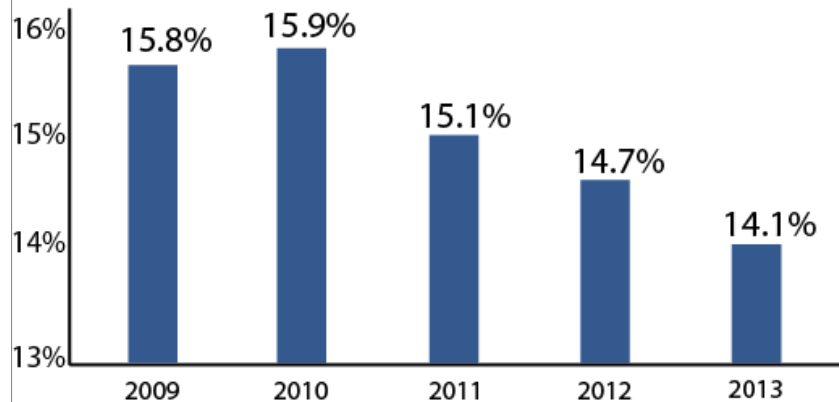
Households earning less than \$50,000 used to be uninsured at alarmingly high rates in Colorado. In 2009, 26.2 percent of those living in households that earned less than \$50,000 a year were uninsured. The majority of these uninsured households earned less than \$25,000 a year. Almost a third of all households that earned less than \$25,000 annually were uninsured in 2009. These rates have decreased significantly, with only 22.9 percent of households earning less than \$25,000 being uninsured in 2013.¹

Data is still not readily available for 2014 uninsured rates, but a study conducted by Gallup shows that significant decreases in the uninsured rate were experienced in the first seven months of 2014. Gallup finds that Colorado is one of the top five states with the sharpest decrease in uninsured rates in the nation. The number of uninsured dropped almost 6 percentage points in Colorado in the past year compared to only 2.7 percentage points nationally.²

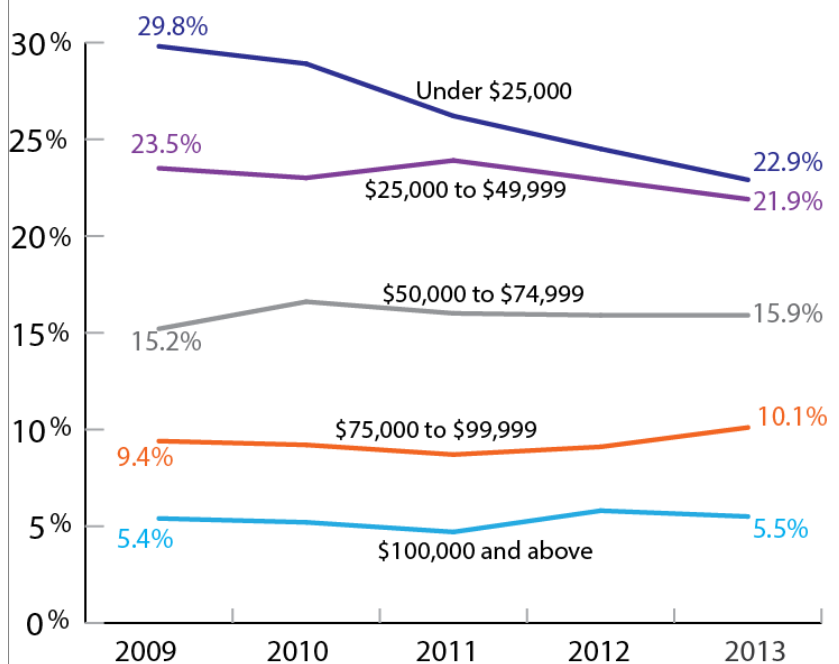
¹American Community Survey, Colorado 2009 and 2013, 1 year estimates

²"Arkansas, Kentucky Report Sharpest Drops in Uninsured Rate", Dan Witters, Gallup Well-Being, August 2014

The Uninsured Rate in Colorado is Falling



Lowest income Coloradans have seen big gains in health insurance coverage but uninsured rates still remain high



The Colorado Fiscal Institute provides credible, independent and accessible information and analysis of fiscal and economic issues facing Colorado. Our aim is to inform and influence policy debates and contribute to sound decisions that improve the economic well-being of individuals, communities and the state as a whole.

Our offices are located at 1905 Sherman St., Suite 225, Denver, CO, 80203. Please consider making a donation by mail or online at coloradofiscal.org

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