

Out-of-Pocket Spending: People with Chronic Conditions Spend Up to Five Times More for Health Care

Individuals with chronic conditions spend a significant amount of money out of pocket for medical services, up to five times more than individuals without chronic conditions.¹

Individuals with Chronic Conditions Face Large Burdens in Paying for Health Care

- Americans spent an average of \$427 out-of-pocket on health care services in 1996.
- Approximately three-quarters of health care spending is for individuals with one or more chronic conditions.

Large out-of-pocket expenditures for medical services have been shown to:

- Impede access to care,
- Affect health status and quality of life, and
- Leave insufficient income for other necessities.

As the number of chronic conditions an individual has increases, the amount that individual can expect to pay out of pocket for health care also increases.

As Figure 1 shows, mean out-of-pocket spending for individuals with chronic conditions significantly increased for each additional chronic condition.

Older Adults and the Uninsured Pay More for Health Care

Individuals 80 years old and over spent more than five times more out of pocket than people in the 0 to 19 year-old category, and twice as much as those in the middle-age category of 45 to 64 years.

Among people age 65 and over, out-of-pocket expenses are highest for:

- People with Medicare only.

Among people under age 65, out-of-pocket expenses are highest for:

- Uninsured people with chronic conditions.

Medicaid beneficiaries have the lowest out-of-pocket expenditures

Necessary Medicines and Office Visits Are The Biggest Expenses

Among people age 65 and over:

- Prescription drugs were the highest mean out-of-pocket annual expenditure (\$397).

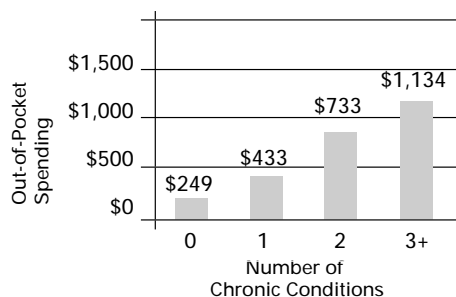
Among people under age 65:

- Office-based visits were the largest annual expense (\$104).

As the number of chronic conditions increases, the out-of-pocket expenditures for these services increase as well.

Figure 1

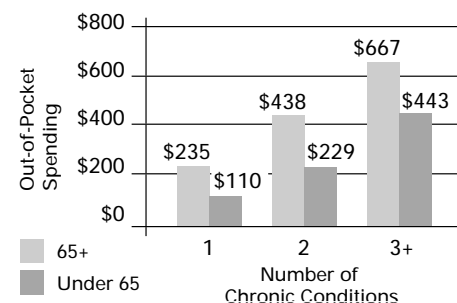
Out-of-Pocket Spending by Individuals on Health Care Services



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 1996.

Figure 2

Average Annual Prescription Drug Spending



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 1996.

Many Families Spend a Large Amount of Income on Medical Care

- Twenty-eight million families (26 percent of all families) spend more than \$1,000 annually on out-of-pocket medical care.
- Five percent of all families (5.4 million families) spend more than \$3,000 annually.
- Ten million families spend more than 10 percent of their income on annual out-of-pocket medical services.

The Uninsured Face Restricted Access to Care

Coinsurance payments and gaps in health insurance coverage are the main reasons that individuals and families face high out-of-pocket expenditures. Uninsured working-age people with chronic conditions are less likely to use health care. In 1996, 15 percent of uninsured people reported never receiving health services compared to three percent of people with private insurance.

While they use less care, uninsured people with multiple chronic conditions pay more out of pocket than the insured for the care they receive.

Conclusion

The number of chronic conditions an individual has is an important predictor of out-of-pocket expenditures. Individuals with multiple chronic conditions are particularly vulnerable to cost-sharing and coverage restrictions because of their increased utilization, especially for services where benefits are limited.

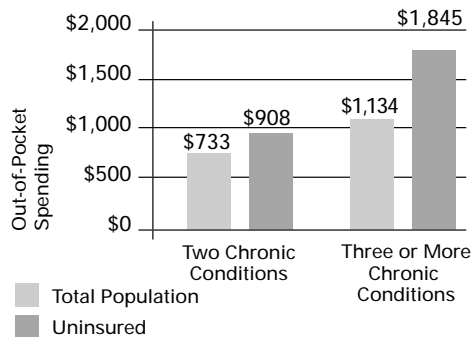
As public and private insurers continue to use cost-sharing and benefit packages to reduce health care expenditures, it is important to consider the impact of these policies on people with chronic conditions.

About Partnership for Solutions

Partnership for Solutions, led by Johns Hopkins University and The Robert Wood Johnson Foundation, is an initiative to improve the care and quality of life for the estimated 125 million Americans with chronic health conditions. The Partnership is engaged in three major activities: conducting original research and identifying existing research that clarifies the nature of the problem; communicating these research findings to policymakers, business leaders, health professionals, advocates, and others; and working with public and private programs to identify promising solutions to the problems faced by people with chronic conditions.

Figure 3

Uninsured People with Multiple Chronic Conditions Pay More Out of Pocket for Less Care



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 1996.

ⁱ Based on the Agency for Healthcare Research and Quality's Medical Expenditure Panel Survey, 1996

Information in this fact sheet was derived from: W. Hwang, W. Weller, H. Ireys, and G. Anderson, *Out-of-Pocket Medical Spending for Care of Chronic Conditions*, Health Affairs, November/December 2001.