

FACT SHEET

September 2006

Cover Missouri Project: Data Book 2

The Cost of Care for Missouri's Uninsured

Studies have shown that the uninsured receive less care than people with insurance; however, evidence also suggests that the cost of health care services for the uninsured can be substantial. One such study showed that the 41 million Americans who were uninsured in 2001 received about \$35 billion in uncompensated care from hospitals, physicians, clinics, and a variety of publicly funded programs.

This fact sheet is drawn from a detailed data book by the same name that focuses on the uninsured in Missouri and provides estimates of the amount of uncompensated care received in 2005. Following the methodology of previous studies, two different sets of data were used to estimate uncompensated care costs of the uninsured in Missouri, including:

- household survey data on health care expenditures, and
- data reported by health care providers and public programs.

Having two fundamentally different approaches allows for a comparison of the data as a way of assessing the plausibility of each set of findings. In addition to providing estimates of the costs of uncompensated care for the uninsured in Missouri, the data book explores how that care is financed. This information is drawn from federal, state, and local budget reports, as well as from trade association materials and a series of interviews with key respondents.

Key Findings

Uncompensated care cost estimates in Missouri range from \$666 million, based on the Medical Expenditure Panel Survey (MEPS), to \$753 million, based on provider and program data. The estimate of public sector revenue available to support uncompensated care to the uninsured is between \$723 million and \$898 million, with the lower estimate likely being closer to the accurate amount flowing to the providers of uncompensated care. About 76 percent of the expenditures in the lower estimate comes from the federal government.

In aggregate, these estimates suggest that revenues in the system to support care to the uninsured in 2005 are roughly sufficient to cover the costs of the care this group receives. However, there are several cautionary notes that warrant consideration. First, not every provider who cares for an uninsured patient receives compensation. For example, there is no program that pays private physicians for the cost of treating uninsured patients in their offices. Second, it is possible that revenues in excess of costs for privately insured patients may be used to cross-subsidize care to the uninsured, but the extent of this cross-subsidy is hard to measure. Third, the Federal Reimbursement Allowance and Disproportionate Share Hospital payment arrangement means that some hospitals may have a greater share of their uncompensated care costs covered than other hospitals. Fourth, the current balance between aggregate costs of uncompensated care and available public revenues is precarious and may not continue into the future. For example, if the cuts in Medicaid enrollment that took place in Missouri in 2005 remain intact, the demand for uncompensated care will continue to grow. At the same time, available uncompensated care subsidies are not likely to increase in proportion to the increased demand for services.

The presence of large numbers of uninsured and their inevitable need to receive health care has resulted in a complex mosaic of government programs to defray these health care expenditures. The analysis presented in the full report suggests that the monies spent by these programs are significant in relation to the estimated costs of uncompensated care for the uninsured. If Missouri were to consider expanding its current eligibility rules for public coverage, it is possible that some of the current expenditures on behalf of the uninsured could be redirected to cover such new Medicaid costs. However, if Missouri continues to cut back on public coverage, the number of uninsured in the state will continue to grow. Correspondingly, the demand for uncompensated care by the uninsured will increase as will the need to provide further subsidies for these costs.

About This Fact Sheet

The information presented here is taken from *Cover Missouri Project: Data Book 2: The Cost of Care for Missouri's Uninsured*, written by Stephen Zuckerman, PhD; Randall R. Bovbjerg, JD; Jack Hadley, PhD; Matthew Cravens, BA; and Lisa Clemans-Cope, PhD. Data Book 2 is part of a series of research papers about the uninsured in Missouri prepared by The Urban Institute and published by the Missouri Foundation for Health.

The complete report is available online at www.mffh.org. Printed copies of Data Book 2 and this Fact Sheet are available upon request while supplies last. Please contact the MFH Health Policy staff at info@mffh.org or toll-free at 1-800-655-5560.



MISSOURI FOUNDATION FOR HEALTH

Grand Central Building, Suite 400 • 1000 St. Louis Union Station • St. Louis, MO 63103
314-345-5500 Voice • 314-345-5599 Fax • 1-800-655-5560 Toll-Free • www.mffh.org