US: Economic crisis forces families to cut back on healthcare

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One of the most important, and least talked about, consequences of the US financial crisis is that millions of individuals and families are being compelled to cut back on needed medical treatments. Because the US healthcare system is largely employer-based, working people who lose their jobs also lose access to decent medical care, facing an enormous double burden of lost income and worsening health.

Several studies show that Americans are already self-rationing their use of healthcare services. In November 2008, the Commonwealth Fund released a study of patients with seven chronic conditions—high blood pressure, heart disease, diabetes, arthritis, lung problems, cancer and depression. The study found that more than half of the patients did not get care because it was too expensive. They either did not visit a doctor when they were ill, missed a test or treatment, or did not fill a prescription. This was most common among the uninsured, but even 43 percent of patients with insurance skipped needed care.

The same study found that in 2007, nearly two thirds of adults either had trouble paying their medical bills, were underinsured or uninsured, or went without care they needed. Between 2001 and 2007, the number of people who said high costs stopped them from getting needed care grew from 29 to 45 percent.

A recent poll by the Deloitte Center, a nonpartisan research group, found about 80 percent of Americans are afraid the global economic crisis may lead to their not being able to pay their medical bills. Among people who had postponed or skipped a medical procedure, 27 percent said it was because they could not afford to pay for the procedure.

According to a press release January 5 from the University of Michigan's Medical School and School of Public Health, Dr. A. Mark Fendrick estimated that one in nine people are cutting pills, taking them less often than prescribed or doing something the doctor did not recommend. Doctor visits are down 10 to 15 percent, and people are putting off important health screenings and vaccinations.

These estimates conform to those of other recent reports:

• An October report by the Kaiser Family Foundation stated that nearly half of Americans said a family member has cut back on medical care or skipped pills in the last year because of costs.

• The American Hospital Association reported in November that among 736 hospitals nationwide, 30 percent saw a decline in elective procedures and nearly 40 percent had a drop in admissions overall because of the economic downturn.

• A study by the AARP released in December stated that 15 percent of adults in the US have decreased medications or not filled a prescription because they could not afford the medicine.

For people with health insurance, visiting a primary care doctor for preventative care typically requires a co-payment of $20 or so. But the uninsured have to pay the full cost up-front, which can be exorbitant. They frequently wait until they are so ill they need to go to hospital emergency rooms for treatment.

US laws prohibit hospital emergency rooms from turning people away because they cannot pay, although there are many instances of "patient dumping," when for-profit hospitals rid themselves of indigent patients by transferring them to public or nonprofit facilities.

Cutting back on treatment for medical conditions can have deadly consequences. Research during three decades shows a correlation between the condition of the economy and human health, including life expectancy. M. Harvey Brenner, a professor of public health at the University of North Texas and Johns Hopkins University, told the *New York Times*: "In recessions, with declines in national income and increases in unemployment, you often see increases in mortality from heart disease, cancer, psychiatric illnesses and other conditions."

The American press has carried accounts in recent months of the catastrophic consequences of loss of health insurance:

The *Wall Street Journal* described the case of Bowen Richards, a self-employed electrician in Florida. The recession caused his income to drop to $22,000 from $55,000 in previous years. He lost his health insurance coverage, which he received through his wife's job, when the couple divorced. When he tried to get insurance on his own, insurance companies denied him coverage because of diabetes. Treatment for complications caused him to accumulate $35,000 in unpaid medical bills. He tried postponing medical care to save money, but two toes became infected, requiring amputation.

Last September, Bill Heard Chevrolet, a national chain of car dealerships that had survived the Depression, announced that it was closing and laying off 2,700 employees. The finance manager of a Georgia dealership, according to the *Journal* report, had just bought an expensive car, had four children and a large mortgage. Worried, his wife went to the hospital the next day for a surgical procedure she had put off. In the recovery room, she heard her family had no insurance. The dealership had terminated coverage. The family has $40,000 in medical bills, are two months behind on mortgage payments and are selling the car.

Another company that announced bankruptcy and closure was Archway cookie factory in Ohio, which laid off 673 full-time employees. Employee Starla Darling was due to have a baby in October, when she heard Archway was closing. Afraid of losing her insurance coverage, she asked her midwife to induce labor. Doctors performed a cesarean, and Darling wound up with a $20,000 bill when the insurance company denied her claim. Moreover, since she was considered to be on maternity leave, she couldn't collect unemployment benefits. Archway's closure also meant she did not receive disability payments. Falling behind on bills, she faced having her electrical service disconnected and eviction.

This picture is not unusual. Medical care in the United States is dominated by private, profit-making enterprises, ranging from giant pharmaceutical firms and medical equipment companies to for-profit hospital chains and doctors in private practice, concentrated in the specialties that pay the best, frequently in six and seven figures.

Access to this enormously expensive system does not come as a basic right under a state-supported insurance scheme, as is the case in nearly every major industrial country. Instead, access is provided based on employment, although many employers, particularly small businesses, provide no coverage at all.

Those employers that do provide access to health insurance pay private companies for group coverage. Employees frequently pay part of the premium, deductibles (the amount an employee must pay before the insurance starts paying) and copayments (part of the cost of services, such as doctor visits, hospital care, prescriptions) as they use services. The combination of ever-rising costs and economic slump causes more and more employers to charge their employees more or drop coverage entirely.

Self-employed and professional people must buy individual policies, at an enormous cost, or go without insurance, with the danger of crippling bills in the event of a serious illness. The very poor rely on the state-run, federally funded Medicaid program, while the elderly are covered under the federal Medicare program.

This patchwork leaves a growing number of uninsured, estimated by the Census Bureau at 45.7 million in 2007, before the impact of layoffs of 2008. That figure is 15.3 percent of the population. These consist mainly of low-paid workers and their children, young adults, and those who have lost their jobs but are not yet impoverished, and so do not qualify for Medicaid.

Companies that still provide health benefits have been shifting more of the costs to employees, with higher copayments, deductibles and payments toward premiums. High-deductible plans mean employees must pay out-of-pocket costs from $500 for an individual to as much as $7,500 for a family before the insurance begins to pay for services.

As companies file Chapter 7 bankruptcy and liquidate, they usually terminate health benefits immediately. The number of liquidations surged 62 percent to 13,002 during the first six months of 2008, compared to a year earlier. For each laid-off worker losing insurance, an average of at least one child or spouse who is on the same policy also loses coverage.

As the economic crisis deepens, even companies that don't close have carried out massive layoffs, with workers losing health benefits. For these workers, some may be eligible to pay for continuation of their health benefits for a limited period of time. This coverage, under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, applies only to workers who already have insurance. Qualified individuals pay the entire premium for coverage plus a 2 percent fee.

Even this coverage is strictly limited, since the worker and dependents must have been covered under the employer plan right up to the day before losing his or her job. In the Archway case, since the company stopped the health insurance before eliminating the jobs, the workers did not qualify for COBRA.

The cost makes purchasing benefits impossible for all but a small percentage of the unemployed. According to a federal government survey, the average total premium to obtain health insurance in Colorado in 2005, for example, was $10,850 per year for family coverage. To buy this coverage, an unemployed worker would have to pay more than $11,000 a year or nearly $1,000 a month.

To put it another way, the yearly cost of this individual health insurance policy averages out to about $5.50 an hour, in a country where the minimum wage rose last summer to only $6.55 an hour. A minimum-wage worker purchasing health insurance would have virtually nothing left over for food, shelter and clothing, or any other necessity.

If a laid-off worker tries to buy nongroup health coverage for the family, the costs are equally out of reach. In addition, a health insurance company can deny coverage to those with pre-existing medical conditions, even common conditions such as asthma, depression or high blood pressure.

The budget of one of the laid-off Archway cookies workers, according to the *New York Times* account, demonstrates the bind. She receives $956 a month in unemployment benefits. Her monthly expenses are: rent, $300; car payments, $300; car insurance, $75; utilities, $220; and food, $260. Her expenses are $199 more each month than her unemployment benefits—without the cost of health benefits.

Of course, people will still try to get medical care for themselves and their children, even though they can't afford the cost. The result is a massive growth of medical debt.

For years, the full impact of unpaid medical bills was disguised as patients refinanced their homes or paid with credit cards. But falling home prices and tightening credit are blocking those options. The financial position of the uninsured is particularly difficult because hospitals and doctors frequently charge uninsured patients much higher rates than those insured, for the same services, since the group health plans negotiate for significant discounts.

The insured are affected as well. As group health plans push more of the costs of coverage onto employees, with bigger co-pays and deductibles, insured workers can incur large bills when seriously ill or injured. Even with insurance, many use up their life savings to pay for healthcare, or find themselves sued by their medical care provider.

The amounts charged for even routine procedures are astronomical. A simple stress test of one hour can produce a bill for nearly $2,000. A CT lung scan goes for $2,500. A diagnostic X-ray for $1,640. More complex procedures cost even more: angioplasty, $41,000; heart bypass surgery, $130,000. No wonder that medical bills are the leading cause of personal bankruptcy in the United States.

Faced with such bills, many face the choice of either being treated for illness or paying the mortgage. Freddie Mac, the government-sponsored home loan repurchaser, notes that illness seems to be a reason more homeowners are falling behind on payments. Fifteen percent of Freddie Mac's delinquencies in the first six months of 2008 were due to illness, behind such reasons as loss of income and high debt.

The financial collapse is leading to a healthcare collapse, under conditions where Americans already have some of the poorest health outcomes among the major industrialized countries. According to a recently published report, "America's Health Rankings," compiled by the United Health Foundation, American Public Health Association and Partnership for Prevention:

• Twenty-seven industrialized countries exceed the US in healthy life expectancy.

• The US has the worst mortality rate from treatable conditions when compared to 18 other industrialized countries.

• Among 21 developed countries, the US is next to last for child well-being as a result of high infant mortality, a high percentage of low-birth-weight babies and an average rate of immunizations.