

Undercoverage: The Uninsured and Undercovered Medical Services

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Introduction

The United States is the only industrialized country in the world that does not offer its citizens guaranteed healthcare coverage. According to the U.S. Census Bureau, in 2003 the number of uninsured Americans rose to 45 million²⁶, an increase of over 4 million people over the last five years²⁵. In addition to the 45 million uninsured, there are another 16 million people who are thought to be underinsured⁴⁷.

At first glance, the adverse effects of being uninsured may seem to be limited mostly to the uninsured individual's physical health. Yet, upon closer inspection, the consequences of being uninsured are far deeper than that. Indeed, there are four primary areas affected by the lack of health insurance:

- Physical Health
- Community Wellbeing
- Financial Implications for the Family
- Emotional Health

EXHIBIT 1

Costs Consequent To Uninsurance

Internal or private costs (for individuals, families, and firms)	External or spillover costs
Greater morbidity and premature mortality	Diminished quality and availability of personal health services
Developmental losses for children	Diminished public health system capacity
Family financial uncertainty and stress, depletion of assets (resource and transfer costs)	Diminished population health (such as higher rates of vaccine-preventable disease)
Lost income of uninsured breadwinner in ill health	Higher taxes, budget cuts, loss of other uses for public revenues diverted to uncompensated care (primarily transfer costs, except for administrative costs)
Workplace productivity losses (absenteeism, reduced efficiency on the job)	Higher public program costs connected with worse health (Medicare, disability payments) (primarily transfer costs)
Diminished sense of social equality and self-respect	Diminished workforce productivity
	Diminished social capital; unfulfilled social norms of caring, equal opportunity, and mutual respect

SOURCE: Adapted from Institute of Medicine Committee on the Consequences of Uninsurance, *Hidden Costs, Value Lost: Uninsurance in America* (Washington: National Academies Press, 2003), 31, Figure 2.2.

In addition to the uninsured, the notion of “undercoverage” also applies to services that are not covered adequately under public and private insurance. This primer will limit the discussion of undercovered services to mental health care, although there are many other examples, including long-term care, prescription drugs,

dental coverage, optometry, and fields that lie outside the realm of traditional medicine (e.g. podiatry, chiropractics, and complementary and alternative medicine).

Who Are the Uninsured?

Employment status

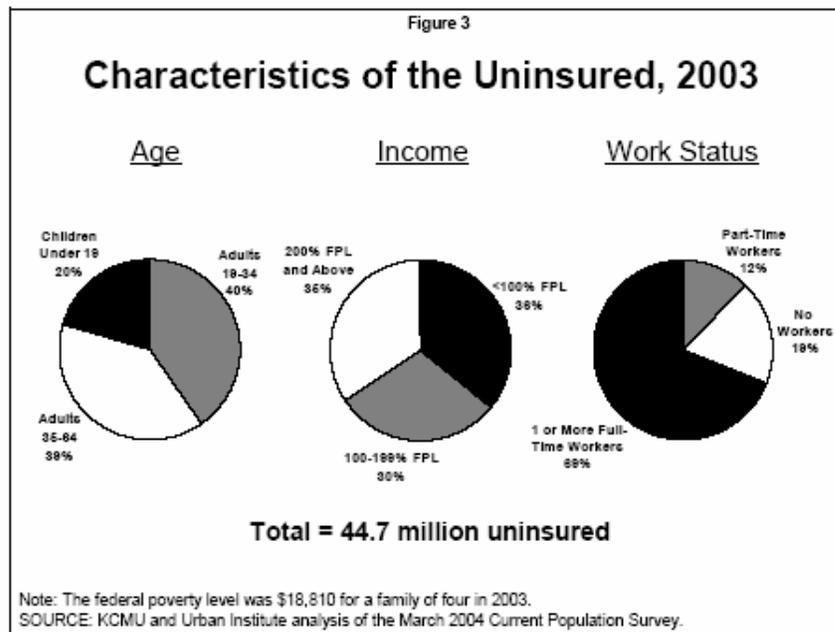
The majority of the uninsured are from working families with low to moderate incomes. 70% of the uninsured are in families with one or more full-time workers, but for these families, insurance is either not offered by their employer or is not affordable⁴⁰. Even among the uninsured with an income less than the federal poverty level (\$18,850 for a family of four in 2004⁴⁹), 54% have at least one worker in the family⁴⁰. Over 80% of the uninsured work in blue-collar jobs⁴⁰.

Income

The poor and near-poor have a greater risk of being uninsured because of the high cost of health care and health insurance. The rate of being uninsured among the poor is twice as high as the rate nationally, 36% versus 18%, respectively⁴⁰. Two-thirds of the uninsured are low-income, making less than 200% of the federal poverty level⁴⁰.

Age

The majority of the uninsured are between the ages of 19-64 years, with children under 19 making up only 20% of the uninsured population⁴⁰. The rate of lacking health insurance decreases with age: adults 19-24 have a 32.4% chance of being uninsured while adults between 55-64 years have a 13% chance⁴⁰.



Race

Minorities are more likely to be uninsured than white Americans. The rates of uninsurance by race are: Hispanics (34.3%), Native Americans (28%), African-Americans (21%), Asian-Americans (20.4%) and white Americans (12.9%)⁴⁰.

Citizenship

While the rate of being uninsured among non-citizens is 40-50%, the majority (79%) of the uninsured are American citizens⁴⁰.

Key Points

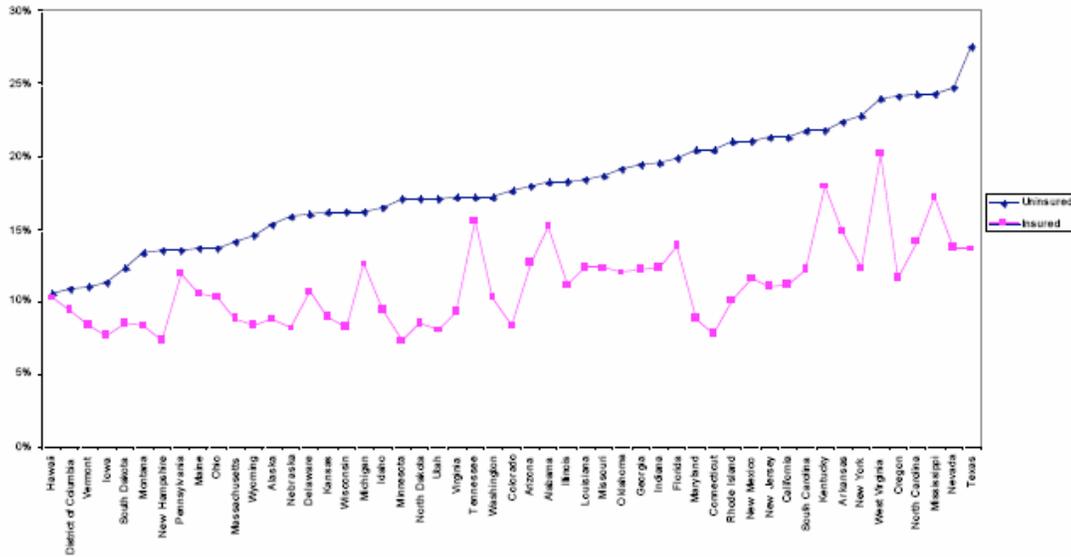
- Most of the uninsured either work or coming from a working family.
- There is a higher incidence of uninsurance in the low-income, younger adults, and minority populations.
- Most of the uninsured are U.S. citizens.

Consequences of Lacking Health Insurance

1. Physical Health

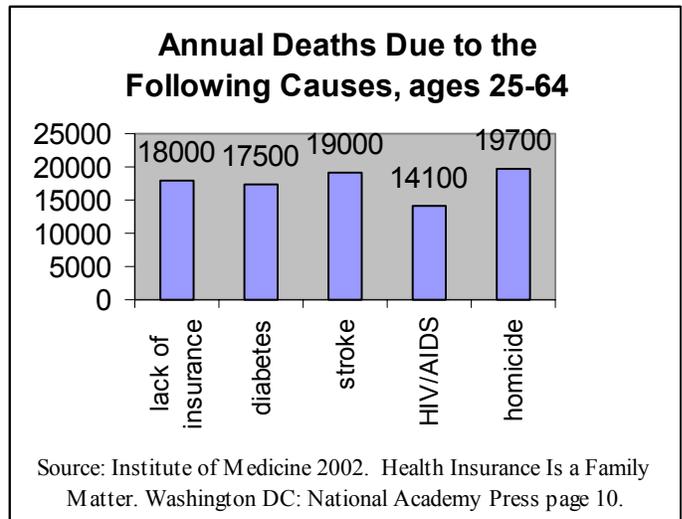
One in five uninsured individuals report fair or poor health compared to one in nine insured individuals^{33,39}.

Figure 8: Percent of Uninsured and Insured Adults (18-64) Who Report Poor or Fair Health Status



Source: 2003, Centers for Disease Control and Prevention (CDC), Behavioral Risk Factor Surveillance System Survey Data.

This disparity in health status between insured and uninsured patients is not without consequences. When hospitalized, the uninsured are more likely to die in the hospital than are insured patients³⁷. Furthermore, the Institute of Medicine (IOM) estimates that lack of health insurance causes roughly 18,000 unnecessary deaths every year among adults aged 25-64 in the United States²¹. Overall, the IOM estimates that uninsured adults have a 25 percent greater risk of premature death. This mortality difference exists even after accounting for social, demographic, health status and health behavior differences²¹.



Source: Institute of Medicine 2002. Health Insurance Is a Family Matter. Washington DC: National Academy Press page 10.

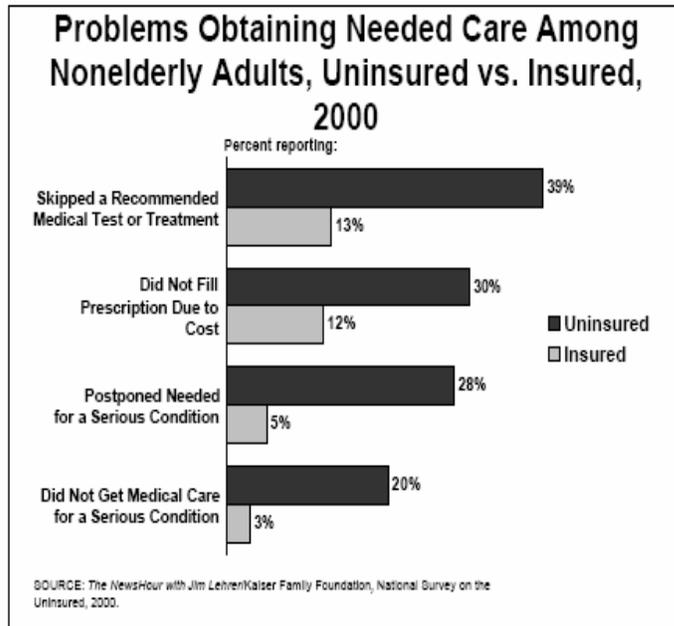
There are many reasons uninsured individuals have a worse health status than insured individuals, but here are four of the main causes:

A. Inability to Fill Prescriptions

In a recent survey, one third of uninsured Americans reported that they were unable to fill a prescription drug in the last year because of the cost⁴⁰. Studies suggest that the uninsured often must pay for up to 88% of the cost of drugs¹⁴. Because the

uninsured are ineligible for the discounted drug prices negotiated by insurance companies, the costs to uninsured for prescription drugs are often higher than the costs to insured individuals. A 19-state study found that “uninsured Americans pay 72% more on average for ten common prescription drugs than the federal government”⁴⁸.

B. Difficulty Accessing Health Care Services



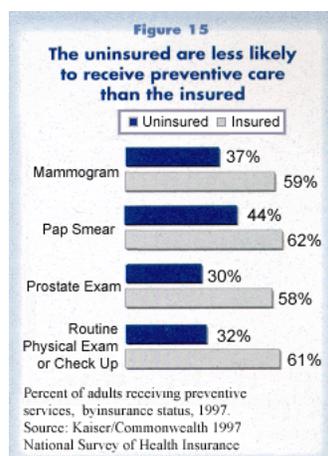
The uninsured are 3-4 times more likely than those with insurance to report problems getting needed medical care, even for serious conditions⁴⁰. Nationally, 41.3% of adults without healthcare coverage were unable to see a doctor when needed due to cost in the past 12 months, compared to 8.6% of people with healthcare coverage³⁹. In one study, more than half of the uninsured postponed needed medical care due to financial concerns, while over one third went without a physician-recommended medical test or treatment due to financial concerns.^{40,45}

Even when the uninsured are able to access health care, they use one-half to two-thirds fewer services than the privately insured, whether preventative, chronic, or acute care²⁰.

C. Lack of a regular health care provider or institution

40% of the uninsured do not have a regular place to go when they are sick or need medical advice, compared to less than 10% of the insured⁴⁰. 56.1% of the uninsured do not have a personal doctor or healthcare provider, compared to only 16.0% of the insured³⁹. As a result, 20% of the uninsured say their usual source of care is the emergency room, compared to just 3% of the insured³⁸.

D. Poor preventative care



Uninsured, non-elderly adults are 50% less likely to have received preventive care such as pap smears, mammograms, blood pressure checks, sigmoidoscopies, cholesterol screening, and prostate exams when compared to the insured^{23, 40}.

The uninsured are more likely to be forced to delay medical services, affecting the timeline of diagnosis and thus the prognosis of the disease process⁶. In one study, the time to diagnosis of late-stage cancer was compared between

uninsured and privately insured patients. The uninsured patients were 1.7 times more likely to be diagnosed late for colorectal cancer, 2.6 times more likely to be diagnosed late for melanoma, 1.4 times more likely to be diagnosed late for breast cancer, and 1.5 times more likely to be diagnosed late with prostate cancer³⁷.

E. Poor care of chronic diseases

Among non-elderly adult diabetics, a lack of insurance is associated with less glucose monitoring and fewer foot and eye exams, leading to an increased risk of hospitalization and disability²⁹. Uninsured individuals with end-stage renal disease are more likely to have progressed to a more advanced stage before beginning dialysis, which has a negative effect on health outcome²⁹. Uninsured individuals with HIV are less likely to receive the most effective drugs; in addition, they are more likely to fail to receive needed care and thus have a higher risk of mortality²⁹.



2. Community Well-Being

Loss of health insurance can have deleterious, wide-reaching effects across a community for three primary reasons.

A. Loss of certain kinds of health services

High concentrations of uninsured individuals in a community prompt hospitals to reduce the number of services provided and health care providers to move to areas in which they have a greater potential to make money¹¹. All of these effects combine to decrease a community's healthcare delivery capacity. According to the Institute of Medicine, "a community's high uninsured rate has adverse consequences for its health care institutions and providers. These consequences reduce access to clinic-based primary care, specialty health services, and hospital-based care...and may also result in lessened availability of other primary and preventive care and the closure or privatization of community hospitals"¹⁵.

B. Less effective control of communicable diseases

Communicable diseases are more likely to become a problem in communities with high levels of uninsurance because competing demands for public dollars cause a reduction in public health programs^{11,13}. These programs include disease surveillance, communicable disease control, and community immunizations. The latter is particularly important as underimmunization can increase the susceptibility of a community to

outbreaks of communicable disease, such as influenza and measles. Exacerbating this is the fact that rates of childhood immunization are correlated with insurance status, such that individuals with poor or absent health insurance coverage are less likely to be immunized and therefore more like to become vectors of preventable diseases¹⁹.

C. Losses to the community's economic base

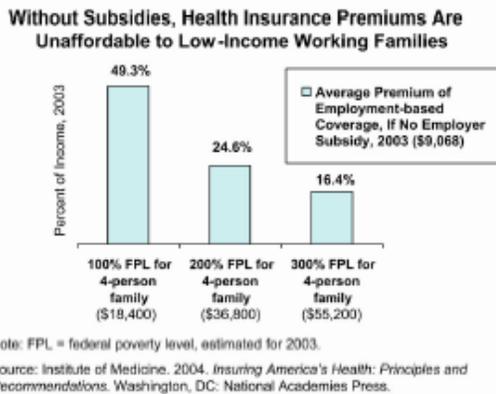
In 2005, experts estimate that \$43 billion will be spent on uncompensated medical care for the uninsured. Two-thirds of this cost is paid by people with employer-based private insurance in the form of higher premiums⁴⁶. This, in turn, raises the cost of insurance and prompts some businesses either to drop coverage for its employees or to eliminate jobs, thus eroding a community's economic base. For example, in 2005, General Motors laid off 25,000 employees, citing "runaway health care costs"³⁴.

From a national standpoint, the economic impact of uninsurance is far from trivial. According to the Institute of Medicine, the poorer health and shorter lifespans of the uninsured account for a lost economic value of between \$65 and \$130 billion annually. This total only reflects of the cost of the higher morbidity/mortality of the uninsured; it does not include "spillover losses to society as a whole of the poorer health of the uninsured population"¹². This cost far outweighs the \$34 billion to \$69 billion in health services that the uninsured would be expected to use if they gained health coverage¹³.

Key Points

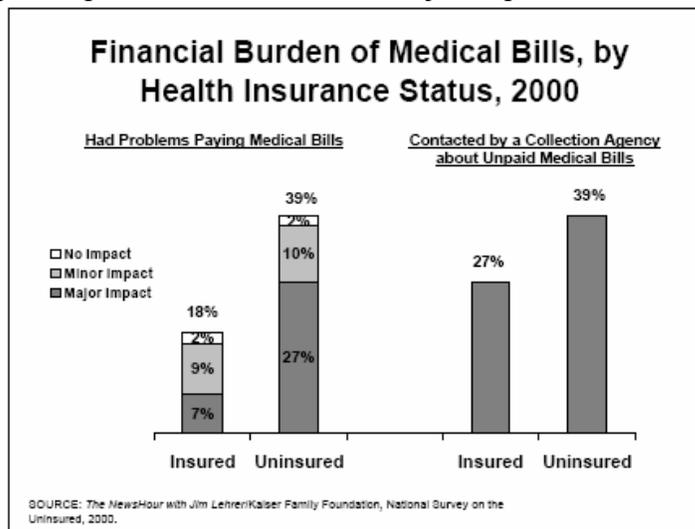
- There are three primary adverse effects of uninsurance on a community:
 - Loss of health care delivery capacity
 - Reduced availability of hospital-based services and a decrease in health care providers cause an overall decrease in health care delivery capacity.
 - Less effective control of communicable diseases
 - Decreased financing of public health programs (including immunizations), coupled with the fact that uninsured people are less likely to be immunized, increases the chance that a community will have an outbreak of a preventable communicable disease.
 - Losses to the community's economic base
 - People with employer-based insurance pay for the costs of uncompensated care in the form of higher premiums, which drives up the cost of health insurance. This, in turn, erodes employer-provided insurance or prompts layoffs.
 - There is economic loss associated with the poorer health and shorter lifespans of the uninsured.

3. Financial Burden on the Family



The Washington Business Group on Health reported that the average premium of an employer-sponsored family health plan rose from \$8,000 in 2002 to exceed \$10,000 in 2004^{30,2,42}. Based on this price, a non-group family insurance policy for a four-person family would amount to approximately 21% of the pre-tax median income (\$43,318), in the United States^{26,18}, an amount greater than many families can afford.

Families without health insurance are twice as likely to spend more than 5% of their income on out-of-pocket health care¹⁸. They also on average pay up to 40% of their medical care costs out-of-pocket and finance 88% of their prescription drug costs themselves¹⁴. The majority of the uninsured who had difficulties paying medical debt within the last year report that this debt has a major impact on their families' lives⁴⁰.



The uninsured are also more likely to be charged substantially more in health care costs than their insured counterparts, whose insurance companies negotiate discounted rates with providers and healthcare facilities¹⁷. For example, in 1999 the cost of in-patient treatment of pneumonia for an insured adult patient ranged from \$100-\$3,434 but was \$9,812 for a person without health insurance¹⁸.

Key Points

- Employer-sponsored insurance premiums are increasing, forcing many families to forego health insurance
- The financial burden on uninsured families is inversely proportional to family income, such that poorer families are disproportionately affected by the cost of health insurance.
- The uninsured are more likely to be charged significantly more for health care costs because they cannot take advantage of the discounted rates insurance companies negotiate with health care providers and facilities.

4. Emotional Health

A lack of health insurance often leaves individuals and families with the fear that they will be denied health care or that a catastrophic illness or accident will bankrupt them financially. In a Harvard School of Public Health study, one participant stated that not having health insurance “affected us more emotionally than any thing...my marriage broke up” and another said it was “a tremendous strain mentally and financially to pay the medical bills”⁴⁴. Even one uninsured individual in a family can jeopardize the financial stability and health of the entire family through the burden of increased financial risk of medical care and the psychosocial stress of being uninsured⁵. Furthermore, uninsured individuals are faced with the burden of choosing which preventative and follow-up medical services are the most crucial because they must pay for the majority of these visits out-of-pocket.

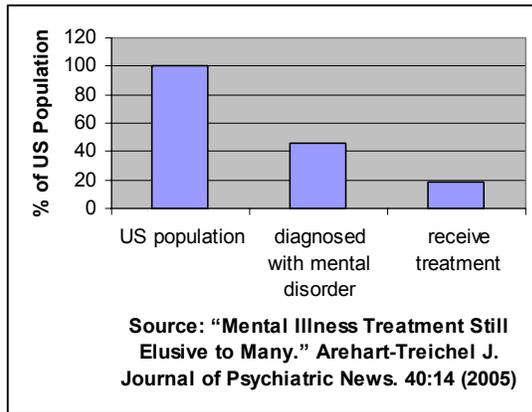
According to the Institute of Medicine, on a community level, a high concentration of uninsured individuals “weakens social cohesiveness and exacerbates other social inequalities. Disparities among neighbors and fellow citizens in health insurance status...may erode feelings of social belonging and trust within communities”⁴³.

Key Points

- Being uninsured affects the emotional health of individuals and families by:
 - Creating a fear of being denied health care or being bankrupt by illness
 - Forcing individuals to choose which medical services to utilize
- The social cohesiveness of communities is eroded by a high level of community uninsurance.

Undercovered Services: Mental Health

46% of Americans will meet the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) criteria for a mental disorder over the course of their lifetime. Of these individuals, only less than half (41%) will receive treatment¹. When treatment is obtained, there is an average delay of six to eight years for mood disorders and from nine to 23 years for anxiety disorders¹.



Despite the clear need for mental health treatment, large gaps exist in the coverage of mental health services. According to the Department of Health and Human Services, "In general, mental health benefits are not as extensive as medical/surgical benefits and will require higher deductibles and co-payments in addition to any regular, fixed payments"³¹. Health insurance plans continue to exclude services related to treatment for mental illnesses⁷. The gaps in coverage for mental health services is problematic, as adults without mental health coverage are less likely to receive mental health services that are consistent with clinical guidelines than individuals with mental health coverage⁴.

In an attempt to rectify the gaps in mental health coverage, Congress passed the Mental Health Parity Act in 1996. This law prohibits health plans from instituting dollar limits (either on an annual or lifetime basis) on mental health coverage that differ from the limits used for general medical care. However, insurance plans can still use explicit day and visit limits on mental health treatment, mandate higher cost sharing for mental health treatment, and refuse to offer mental health benefits (though some states do provide regulation). Furthermore, some plans are able to escape the law's requirements if they can demonstrate that, by expanding mental health coverage, their annual costs will increase by 1% or more^{31, 27}.

Because the Mental Health Parity Act fails to establish a minimum standard for health insurance coverage of mental health treatments, many states have passed their own laws. While these laws have helped improve access to treatment in the respective state, they have also created state-to-state disparities²⁸. The national and state laws also do not protect an individual from losing health insurance coverage following the diagnosis of a mental health condition. In a survey released by the Institute of Medicine, individuals who reported having symptoms of mental disorders were more likely to lose their insurance coverage within one year of their diagnosis than those without a mental disorder⁸.

Public health insurance programs such as Medicare and Medicaid remain important sources of mental health coverage, especially for individuals disabled by severe mental illness. However, these programs are not sufficient to fix the gaps in mental

health coverage. For example, individuals with severe mental illness may have difficulty maintaining continuous coverage of Medicare or Medicaid due to requalification requirements⁹. As a result, 20% of adults diagnosed with schizophrenia or manic-depressive disease are uninsured¹³. Even though public health insurance recipients are less likely to be able to afford higher co-payments, federal health insurance plans are not exempt from payment parity. Over the last forty years, Medicare has required outpatient psychiatric patients to pay 50% of the cost of their mental health care out-of-pocket, while other medical treatment only requires a 20% payment³². This high co-payment persists despite older Americans having higher rates of suicide than any other age group³⁶.

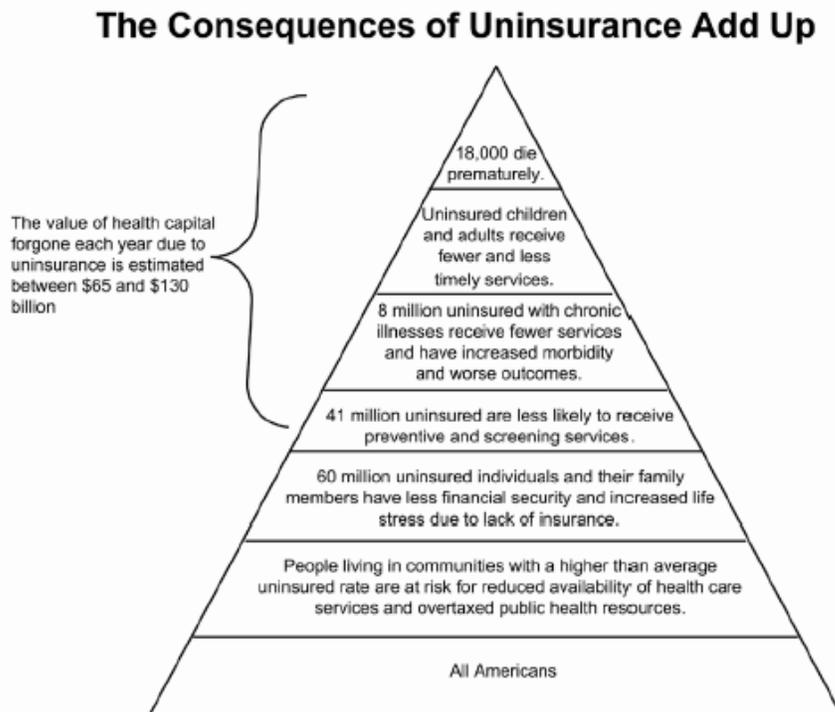
The Congressional Budget Office has estimated that comprehensive parity legislation would increase the costs of group health insurance plans by less than one percent. Despite this, twenty-nine states cut funding for mental health services in 2002 and most states anticipate more cuts to mental health services in the future⁴¹. The 1999 Surgeon General's Report estimated that the inequality of coverage for mental health treatments causes more than \$70 billion worth of direct business costs per year²⁸.

Key Points

- Mental health benefits are generally not as extensive as medical/surgical benefits and require higher deductibles and co-payments
- Mental Health Parity Act of 1996 prohibited health plans from instituting dollar limits on mental health coverage that differ from limits on general health care but loopholes limit the effectiveness of this Act and as a result many states have passed laws that provide more extensive regulation
- Medicare and Medicaid are important sources of mental health coverage, especially for individuals disabled by severe mental illness

Conclusion

According to the Institute of Medicine, “it is both mistaken and dangerous to assume that the prevalence of uninsurance in the United States harms only those who are uninsured... Uninsurance at the community level is associated with financial instability for health care providers and institutions, reduced hospital services and capacity, and significant cuts in public health programs, which may diminish access to certain types of care for all residents, even those who have coverage”^{16, 29}. A lack of health insurance and incomplete coverage of medical services results in fragmented care, which has grave implications for the physical health, emotional health, and financial health of society.



Source: 21 <http://www.iom.edu/report.asp?id=17632>

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By The Numbers:

I. Effects of Being Uninsured on Physical Health

- One in five uninsured individuals report fair or poor health compared to one in nine insured individuals^{33,39}
- There are 18,000 unnecessary deaths among Americans aged 25-64 each year as a result of not having health insurance²¹
- Uninsured adults have a 25% greater risk of premature death than insured adults²¹

Inability to Fill a Prescription

- Uninsured often pay for up to 88% of the cost of their prescription medications¹⁴

Reduced Access to Health Services

- 40% of the uninsured do not have a place to go to for health care compared to 10% of the insured⁴⁰
- 56.1% of the uninsured do not have a healthcare provider³⁹ compared to 16% of the insured⁴⁰

Reduced Use of Health Services

- Uninsured individuals use one-half to two-thirds less services than the insured²⁰
- More than half of the uninsured went without a recommended medical test or treatment for illness^{40,45}

II. Effects of Being Uninsured on Community Well-Being

- \$43 billion was estimated to be spent on uncompensated medical care for the uninsured in 2005⁴⁶
- Poorer health and shorter lifespans of the uninsured account for a lost economic value between \$65 and \$130 billion annually¹²

III. Effects of Being Uninsured on Family Finances

- Families without health insurance are twice as likely to spend more than 5% of their income on out-of-pocket health care¹⁴
- Families without health insurance pay up to 40% of their medical care costs out-of-pocket¹⁴

IV. Effects of Being Uninsured on Emotional Health

- Even one uninsured individual in a family can jeopardize the health of the entire family though the psychosocial stress of being uninsured⁵

V. Undercovered Services: Mental Health

- 46% of Americans will meet the DSM-IV criteria for a mental disorder over the course of a lifetime and of these individuals 41% will receive treatment¹
- 20% of adults diagnosed with schizophrenia or manic-depressive disease are uninsured¹³
- Medicare requires outpatient psychiatric patients to pay 50% of the cost of their mental health care out-of-pocket while other medical treatment has a 20% copay³²
- 29 states cut funding for mental health services in 2002⁴¹
- Inequality in the coverage of mental health treatments causes more than \$70 billion worth of direct business costs per year²⁸