

Increasing Access to Health Insurance Benefits Everyone *Health System Impacts*

AUGUST 2017

The health care system's ability to serve both insured and uninsured consumers is compromised when a significant number of people are uninsured. Expanding access to affordable health care benefits both insured and uninsured community members.

In communities with high rates of uninsurance:

- residents are more likely to have unmet health care needs,
- vital health services are less likely to be available, and
- hospitals are more likely to close, causing adverse health and economic impacts.

Residents of communities with high rates of uninsurance are more likely to have unmet health needs, even if they have insurance. Researchers compared indicators of health care access, use, and quality in communities with high and low proportions of uninsured residents and found that, on average, a five percent increase in the community's rate of uninsurance was associated with a 10.6 percent increase in residents' reporting of unmet health needs.¹

High rates of uninsurance reduce the availability of vital health services at local hospitals. Hospitals in areas with high rates of uninsurance struggle with recruiting on-call specialists, resulting in longer wait times for emergency room visitors regardless of their health insurance status.² In eliminating or limiting unprofitable services, hospitals typically cut back on services used by uninsured patients, including maternity care, emergency services, and substance abuse care.³

The loss of these vital services can have a profound effect on community health. A recent study found increased rates of deaths among inpatients in facilities located in hospital service areas where an emergency department had closed. The study, which was limited to California, found a 10 percent increase in deaths among nonelderly adults and a 15 percent increase among patients who had heart attacks.⁴

Hospitals in communities with high rates of uninsurance are more likely to close. There is a national trend of **acute care hospital closure**, which particularly affects rural areas. Expanded access to coverage, specifically Medicaid, can help hospitals stay open. Researchers found that hospitals in states that expanded Medicaid experienced significant declines in uncompensated care costs, from 3.9 to 2.3 percent of operating costs, between 2013 and 2015. This effect was most pronounced among hospitals that cared for a disproportionate number of low-income and uninsured patients, which saw uncompensated care costs decline from 6.2 to 3.7 percent of operating costs. Hospitals in nonexpansion states experienced small declines of less than half a percentage point.⁵

The reduction in uncompensated care costs could have a significant impact on hospitals' financial sustainability; roughly 40 percent of the hospitals studied had operating margins of

LOS ANGELES (Headquarters)
3450 Wilshire Blvd. #108 – 62
Los Angeles, CA 90010
213 639-3900
213 639-3911 fax



WASHINGTON, DC
1121 14th Street, NW, Ste. 200
Washington, DC 20005
202 216-0261
202 216-0266 fax

less than 1.6 percent of operating costs in 2011.⁶

When hospitals close, the longer distances patients must travel for care can be deadly for patients who require emergency treatment and can cause others to delay or forgo care.

Hospital closures can compromise the overall availability of health care in a community. A study of rural hospital closures found that many physicians and other providers left communities after hospitals located there closed. While patients in some communities could receive primary care at community health centers, gaps in access to specialty care were exacerbated by a lack of referring physicians and the absence of a community hospital for specialists to visit.⁷

The **economic impact of hospital closures ripples beyond** the loss of jobs connected to the facility and its suppliers, affecting all businesses that serve the hospital's visitors and employees. This effect, as well as the relocation of people who worked at the hospital, diminishes the local tax base. In addition, communities without acute care hospitals may have difficulty attracting industries and employers because some employers will not locate in a community that doesn't have a hospital emergency department.⁸

SOURCES

¹ Mark V. Pauly and Jose A. Pagan, "Spillovers and Vulnerability: The Case of Community Uninsurance," *Health Affairs* 26, No. 5 (2007): 1304–1314.

² *A Shared Destiny: Community Effects of Uninsurance* (The National Academies Press, 2003), www.nap.edu/catalog.php?record_id=10602.

³ *Id.*

⁴ Charles Liu, Tanja Srebotnjak, and Renee Y. Hsia, "California Emergency Department Closures Are Associated with Increased Inpatient Mortality at Nearby Hospitals," *Health Affairs*, Vol. 33, No. 8, Aug. 2014, pp. 1323–29.

⁵ David Dranove, Craig Garthwaite, and Christopher Ody, *The Impact of the ACA's Medicaid Expansion on Hospitals' Uncompensated Care Burden and the Potential Effects of Repeal* (The Commonwealth Fund, May 2017), www.commonwealthfund.org/publications/issue-briefs/2017/may/aca-medicaid-expansion-hospital-uncompensated-care.

⁶ *Id.*

⁷ Jane Wishner, Patricia Solleveld, Robin Rudowitz, Julia Paradise, and Larisa Antonisse, *A Look at Rural Hospital Closures and Implications for Access to Care: Three Case Studies* (Kaiser Family Foundation, July 2016), www.kff.org/medicaid/issue-brief/a-look-at-rural-hospital-closures-and-implications-for-access-to-care/.

⁸ *Id.*