



# ISSUE BRIEF

## Healthcare Cost Burden among Adults with Employer-Sponsored Insurance

Americans are experiencing rising healthcare costs driven by increases in insurance premiums, deductibles, and other out-of-pocket expenses. Healthcare costs can be particularly burdensome for households where a significant share of income is taken up by these costs. This Issue Brief seeks to better understand and define the populations most at risk of high healthcare cost burdens among individuals with Employer Sponsored Insurance.

### OVERVIEW

The rapidly rising cost of healthcare in the United States is a major concern and a central tenet of any discussion of health policy and delivery. The Centers for Medicare and Medicaid Services recently published updated projections on national healthcare spending, indicating that total healthcare spending will continue to grow at a high rate—faster than household income.<sup>1,2</sup> Those at the lower end of the income distribution are at greatest risk for draining their income and savings on health expenditures. High healthcare cost burdens not only impact decision-making about the amount and quality of care that people seek, but can also limit access to health-related social needs such as food and housing.<sup>3</sup>

This analysis used nationally representative survey data from the 2018 and 2014 Household Components of the publicly available Medical Expenditure Panel Survey (MEPS) to examine healthcare spending among people with employer sponsored insurance (ESI). Specifically, we estimated the share of individuals covered by ESI for whom the ratio of out-of-pocket spending on medical care and premiums to income exceeds an affordability threshold. The study focused on individuals aged 18–64 who reported being covered by ESI from a current or previous employer. We considered individuals experiencing a high healthcare cost burden if they reported spending 10% or higher of their gross family income on out-of-pocket medical care and insurance premium contributions. We also examined the sociodemographic, employment, and health-related characteristics of ESI-covered adults who faced high healthcare cost burdens. All estimates are weighted to be representative of the U.S. population.

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## PREVALENCE OF HIGH HEALTHCARE COST BURDENS AMONG ESI-COVERED ADULTS

In 2018, 55% of the working-age population aged 18-64 were covered by ESI. Of them, 17.2% (representing 21,484,385 individuals in the population) had out-of-pocket spending on medical care plus health insurance premiums totaling 10% or more of their gross family income (Exhibit 1).

In 2018, the average ESI-covered adult spent \$1,891 out-of-pocket on medical care and incurred premium contributions of \$3,848. However, mean expenses on medical care and premiums were more than twice as high among ESI-covered individuals experiencing high financial burdens relative to their counterparts in the lower burden group (\$4,085 vs. \$1,434 for out-of-pocket spending, \$7,703 vs. \$3,045 for premiums; Exhibit 1).



**In 2018, mean expenses on medical care and premiums were more than twice as high among ESI-covered individuals experiencing high financial burdens relative to their counterparts in the lower burden group.**

Exhibit 1: Healthcare Expenses and Incomes of ESI-Covered Adults Overall and by Level of Burden, 2018

	All Adults	Adults with High Burden	Adults with Low Burden
Share of ESI-covered adults	100%	17.2%	82.8%
Average Out-of-Pocket Spending on Medical Care	\$1,891	\$4,085	\$1,434
Average Employee Premium Contribution	\$3,848	\$7,703	\$3,045
Median Family Income	\$94,014	\$62,159	\$102,927

*Note: High burden individuals had total healthcare spending (on care and premiums) ≥ 10% of their gross family income. Healthcare spending was aggregated across all family members.*

## SUBGROUP PREVALENCE OF HIGH HEALTHCARE COST BURDENS AMONG ESI-COVERED ADULTS

Some subgroups of ESI-covered adults were more likely to experience high healthcare cost burdens than others in 2018. Detailed results are provided in Exhibit A in the Appendix. Key findings include:

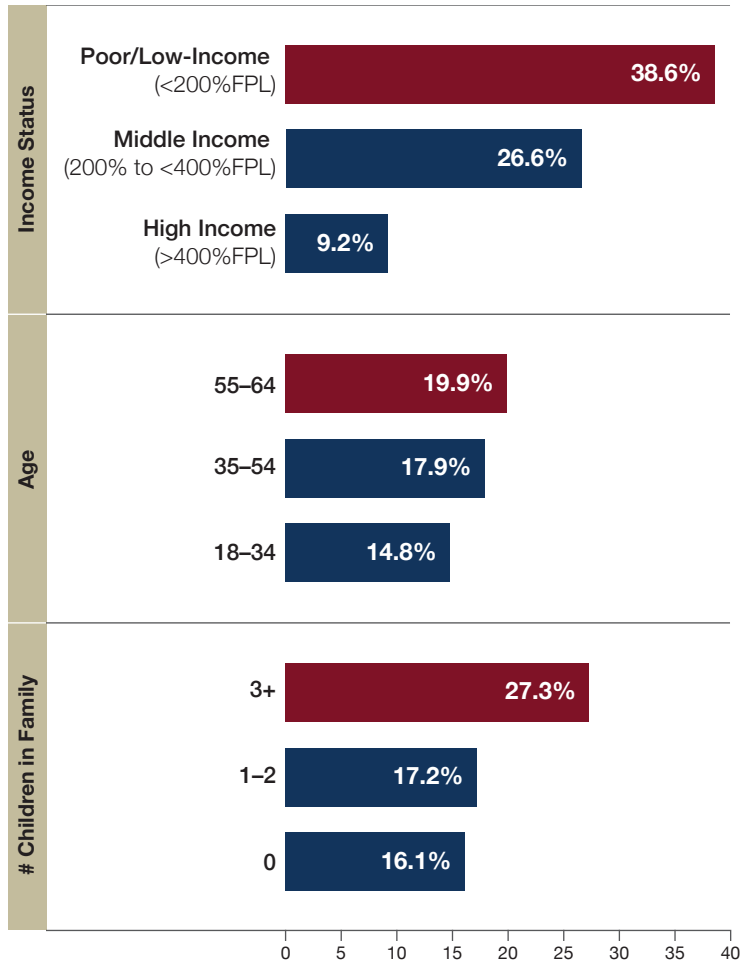
- **Income.** As expected, the risk of incurring a high healthcare cost burden increased with poverty (Exhibit 2). Among individuals with ESI, low-income adults (incomes less than 200% of the Federal Poverty Level (FPL)) were 4 times more likely to incur a high healthcare cost burden than high-income individuals (incomes at least 400% of FPL). Over a quarter (26.6%) of middle-income individuals experienced high financial burdens paying for their healthcare.



**In 2018, low-income adults on ESI were 4 times more likely to incur a high healthcare cost burden than high-income individuals. Among middle-income individuals, over a quarter experienced high financial burdens paying for their healthcare.**

- **Age.** As shown in Exhibit 2, high healthcare cost burden rates were significantly higher among ESI-covered adults aged 55-64 (19.9%) and 35-54 (17.9%) than their younger counterparts aged 18-34 (14.8%). This is to be expected, since healthcare expenses generally rise with age reflecting greater healthcare needs.
- **Number of Children.** Those with no children were less likely to incur a high healthcare cost burden (16.1%) than those with children (17.2% among those with 1-2 children, 27.3% among those with 3 or more children; Exhibit 2).
- **Race/Ethnicity.** Non-Hispanic Whites were more likely to incur healthcare cost burdens at or above 10% of family income than non-Hispanic Blacks, Hispanics, or individuals of another race (18.6% vs. 15.8%, 15.5% and 12.8%, respectively).
- **Education.** Rates of a high healthcare cost burden were also significantly higher among those with only a high school diploma (21.6%) or less (21.3%), compared to those with some college (18.2%) or a 4-year college degree or higher (13.6%).

**Exhibit 2. Percent of ESI-Covered Adults Experiencing High Healthcare Cost Burdens by Income, Age, and Number of Children**



*Note: High burden individuals had total healthcare spending (on care and premiums)  $\geq$  10% of their gross family income. Healthcare spending was aggregated across all family members. FPL=federal poverty level.*

Health status was a risk factor for experiencing a high healthcare cost burden. As shown in Exhibit 3, ESI-covered adults in fair or poor general health had a 27.2% chance of incurring high healthcare cost burdens compared to their counterparts in better health (16.5%). A similar pattern is seen among those in fair or poor mental health and those with physical limitations.

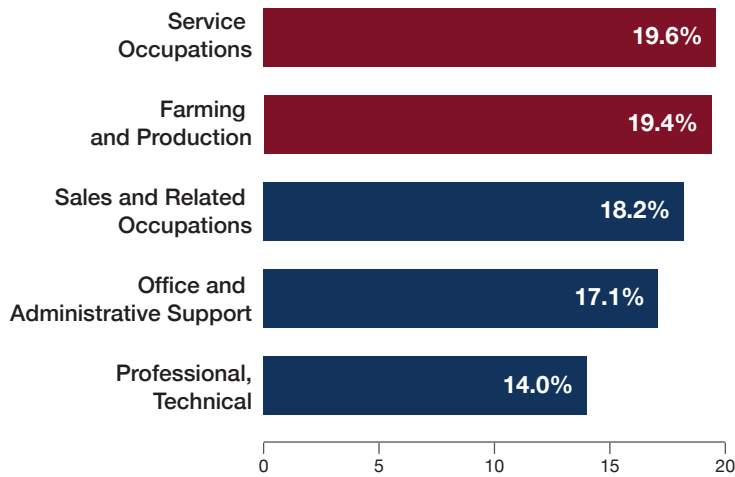
**Exhibit 3. ESI-Covered Adults Experiencing High Healthcare Cost Burdens by Health, 2018**

Health Characteristics	% with High Healthcare Cost Burdens
<b>General Health Status</b>	
Fair, Poor	27.2%
Excellent, Very Good, Good	16.5%
<b>Mental Health Status</b>	
Fair, Poor	26.2%
Excellent, Very Good, Good	16.8%
<b>Any Physical Limitations</b>	
No	16.7%
Yes	26.8%

*Note: High burden individuals had total healthcare spending (on care and premiums)  $\geq$  10% of their gross family income. Healthcare spending was aggregated across all family members.*

Focusing on the occupation of employment, as Exhibit 4 shows, ESI-covered adults employed in service occupations (19.6%) and farming and production (19.4%) were the most likely to experience financial burdens at or above 10% of their gross family incomes.

**Exhibit 4. Percent of ESI-Covered Adults Experiencing High Healthcare Cost Burdens by Occupation of Employment, 2018**



Note: High burden individuals had total healthcare spending (on care and premiums)  $\geq$  10% of their gross family income. Healthcare spending was aggregated across all family members.

## TREND IN HIGH HEALTHCARE COST BURDENS AMONG ESI-COVERED ADULTS BETWEEN 2014 AND 2018

As previously noted, in 2018, 17.2% of ESI-covered adults incurred healthcare cost burdens of at least 10% of gross family income. The corresponding share in 2014 was 15.2%. This reflects a 13.9% increase in the share of people experiencing a high financial burden for health care over the four years, driven by increases in both medical care expenses and premiums. For example, average spending on medical care rose by 28% between 2014 (\$1,481) and 2018 (\$1,891), while premiums over the same period grew by 8% (after accounting for inflation) (Exhibit 5). While family incomes also rose, their pace of growth (8%) lagged well behind rising out-of-pocket spending on medical care.



**Between 2014 and 2018, ESI-covered adults with high healthcare cost burdens experienced a 48% increase in mean medical care spending as compared to a 3% growth in their premiums.**

Notably, those in the high-burden group experienced a 48% increase in mean medical care spending (\$2,762 in 2014 to \$4,085 in 2018) as compared to only a 3% growth in their

premiums (\$7,486 in 2014 to \$7,703 in 2018). Even though premiums account for a larger share of overall spending, they tend to be more stable and therefore can be better planned for, as compared to the volatile and uncertain nature of out-of-pocket costs. The significant growth in out-of-pocket expenses relative to premiums could also reflect shifts toward high deductible plans among ESI-covered individuals.

**Exhibit 5: Trends in Healthcare Expenses and Incomes of ESI-Covered Adults Overall and by Burden Status, 2014 vs. 2018**

Healthcare Cost Burden Component	2014*	2018
<b>All Adults</b>		
Average Out-of-Pocket Spending on Care	\$1,481	\$1,891
Average Employee Premium Contribution	\$3,558	\$3,848
Median Family Income	\$86,778	\$94,014
<b>Adults with High Burden</b>		
Average Out-of-Pocket Spending on Care	\$2,762	\$4,085
Average Employee Premium Contribution	\$7,486	\$7,703
Median Family Income	\$56,263	\$62,159
<b>Adults with Lower Burden</b>		
Average Out-of-Pocket Spending on Care	\$1,254	\$1,434
Average Employee Premium Contribution	\$2,862	\$3,045
Median Family Income	\$95,081	\$102,927

\* All dollar amounts are expressed in 2018 dollars.

Note: High burden individuals had total healthcare spending (on care and premiums)  $\geq$  10% of their gross family income. Healthcare spending was aggregated across all family members.

Although not shown, the risk of experiencing a high healthcare cost burden increased between 2014 and 2018 for most segments of the ESI-covered population. The largest increases (i.e., greater than 3 percentage points) occurred for individuals:

- Aged 35-54;
- Living with 3 or more children;
- With a high school diploma;
- Of middle-income status; and
- Employed in office or administrative support occupations

## CONCLUSION

ESI coverage does not shield adults from experiencing high healthcare cost burdens. In fact, we estimate that over 21 million Americans with ESI incurred healthcare expenses that exceeded 10% of their incomes in 2018. Perhaps more concerning is the trend that this problem is worsening over time due to increases in medical care expenses and premiums.

Individuals with ESI experiencing high healthcare cost burdens tend to be older, White, with three or more children, with no more than a high school education, and low income. Additional research and analysis is needed to further understand the components driving high healthcare cost burdens, particularly for some subgroups. For example, examining the reasons for why non-Hispanic White individuals were more likely to face high healthcare cost burdens than other racial/ethnic groups would be useful. One recommendation is to explore restricted-use MEPS data in the Insurance Component to study trends in the relative contributions of employers to health insurance premiums. This will provide more understanding as to whether employer contributions have also risen over time, and what the pace of growth has been relative to employee contributions.

Individuals facing high healthcare cost burdens may also experience a scarcity of resources so they are then forced to “tunnel,” or focus on their most pressing needs, while neglecting other important ones. Comparing health-related social needs (e.g., food insecurity) for the ESI population between those with and without high healthcare cost burdens may further shed light on the tradeoffs faced by those incurring high burdens.



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Solely funded by philanthropists Gary and Mary West, West Health is a family of nonprofit and nonpartisan organizations including the Gary and Mary West Foundation and Gary and Mary West Health Institute in San Diego, and the Gary and Mary West Health Policy Center in Washington, D.C. West Health is dedicated to lowering healthcare costs to enable seniors to successfully age in place with access to high-quality, affordable health and support services that preserve and protect their dignity, quality of life and independence.

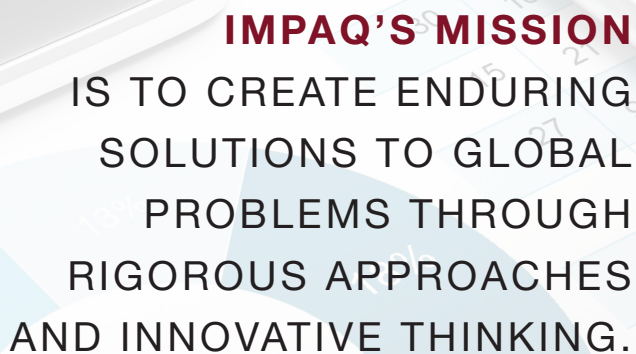
Exhibit A: Sociodemographic, Health and Employment Characteristics of ESI-Covered Adults Overall and by Burden Status, 2018

	All Adults (n=9,888)	Adults with High Burden (n=1,859)	Adults with Lower Burden (n=8,029)	P-value
<b>DEMOGRAPHIC CHARACTERISTICS</b>				
<b>Age</b>				
18-34	3,175 (34.6)	521 (14.8)	2,654 (85.1)	0.0001
35-54	4,480 (44.0)	851 (17.9)	3,629 (82.1)	
55-64	2,233 (21.4)	487 (19.9)	1,746 (80.1)	
<b>Number of Children in Family</b>				
0	5,721 (60.0)	1,023 (16.1)	4,698 (83.9)	<0.001
1-2	3,361 (33.2)	629 (17.2)	2,732 (82.8)	
3+	806 ( 8.8)	207 (27.3)	599 (72.7)	
<b>Race/Ethnicity</b>				
Non-Hispanic Black	1,358 (11.4)	256 (15.8)	1,102 (84.2)	0.0046
Hispanic	1,732 (13.8)	300 (15.5)	1,432 (84.5)	
Other	949 (10.0)	133 (12.8)	816 (87.2)	
Non-Hispanic White	5,849 (64.8)	1,170 (18.6)	4,679 (81.4)	
<b>SOCIOECONOMIC CHARACTERISTICS</b>				
<b>Education Level</b>				
< High School	837 ( 6.9)	189 (21.3)	648 (78.7)	<.0001
High School diploma	2,600 (22.4)	583 (21.6)	2,017 (78.4)	
Some college	2,415 (26.6)	486 (18.2)	1,929 (81.8)	
4+ years of college	3,973 (44.0)	585 (13.7)	3,388 (86.3)	
<b>Income Status</b>				
Poor / Low-Income (<200% of FPL)	1,266 ( 9.8)	475 (38.6)	791 (61.4)	<.0001
Middle-Income (200% to <400% of FPL)	3,262 (29.5)	855 (26.6)	2,407 (73.4)	
High-Income (≥400% of FPL)	5,360 (60.7)	529 (9.2)	4,831 (90.8)	
<b>HEALTH CHARACTERISTICS</b>				
<b>Perceived General Health</b>				
Fair, Poor	758 ( 4.9)	220 (27.2)	538 (72.8)	<.0001
Excellent, Very Good, Good	9,130 (95.1)	1,639 (16.5)	7,491 (83.5)	
<b>Perceived Mental Health</b>				
Fair, Poor	496 ( 4.9)	137 (26.2)	359 (73.8)	<.0001
Excellent, Very Good, Good	9,392 (95.1)	1,722 (16.8)	7,670 (83.2)	
<b>Physical Limitations</b>				
No	9,347 (95.0)	1,700 (16.7)	7,647 (83.3)	<.0001
Yes	541 ( 5.0)	159 (26.8)	382 (73.2)	
<b>EMPLOYMENT CHARACTERISTICS</b>				
<b>Occupation</b>				
Service Occupations	1,187 (12.6)	247 (19.6)	940 (80.4)	<.0001
Farming And Production	1,674 (17.5)	328 (19.4)	1,346 (80.6)	
Sales And Related Occupations	688 ( 7.4)	140 (18.2)	548 (81.8)	
Office And Administrative Support	1,041 (12.0)	204 (17.1)	837 (82.9)	
Professional, Technical	4,003 (50.5)	611 (14)	3,392 (86)	

Note: High burden individuals had total healthcare spending (on care and premiums) ≥ 10% of their gross family income. Healthcare spending and premiums were aggregated across all family members. All values are number (percentage). All numbers are unweighted; percentages were unadjusted estimates calculated by using MEPS weights. P values derived from the Pearson  $\chi^2$  test for categorical variables;  $P < .05$  was considered significant.

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3. Benz, J., Titus, J., Tompson, T., & Leitz, S. (2018). Americans' Views of Healthcare Costs, Coverage, and Policy. NORC at the University of Chicago



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