

**RESEARCH PAPER**

# THE CURRENT RECESSION AND HEALTHCARE CONSUMERS

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GARY PICKENS, PHD  
GEORGE POPA

CENTER FOR HEALTHCARE IMPROVEMENT



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# INTRODUCTION

We know the current recession has caused concern for hospitals, but how is it impacting consumer healthcare behaviors, attitudes, and use? To find the answers, Thomson Reuters analyzed consumer data from our PULSE Healthcare Survey.

## **PULSE HEALTHCARE SURVEY AND MARKET RESEARCH**

The PULSE Healthcare Survey is the largest and longest-running, privately funded household survey on health behavior and utilization in the nation. More than 100,000 households participate in this nationally representative survey on an annual basis. The study has nine waves<sup>1</sup> covering more than 80 healthcare topics, including health status, insurance coverage, physician and ambulatory care services, hospital inpatient services, health behaviors and attitudes, and current healthcare topics and issues.

This study focuses on PULSE consumer data collected between January 2006 and February 2009. All results have been weighted to be representative of the U.S. adult population.

## **KEY QUESTIONS**

To analyze the effect the recession is having on healthcare consumers, we asked questions regarding:

- Household employment status
- Primary household insurance coverage
- Reasons for lack of insurance
- Impact of the recession on paying for care
- Postponement or delays in receiving care

# EMPLOYMENT AND INSURANCE COVERAGE

Insurance coverage is key to accessing and utilizing healthcare services. The Institute of Medicine has noted, and clinical literature shows, that those who are uninsured receive poorer medical care and are less likely to receive important prevention services, are more likely to delay physician visits, and often incur medical debt. The growing number of Americans without health insurance not only strains health, but also a family's sense of well-being.

Rapidly rising healthcare costs are making it increasingly difficult for employers to offer healthcare coverage to workers, and employees are often declining coverage when it is offered because they cannot afford the premiums. In the U.S., employer-sponsored insurance (ESI) remains the primary form of health coverage. Consequently, a weakening economy may translate into shifts in coverage, with rising unemployment negatively affecting access to insurance.

Thomson Reuters used the PULSE Healthcare Survey to track the percentage of households with at least one person employed ("Household Employment"), by year and wave of survey from 2006-2009 (Wave 1). Primary respondents to the PULSE Survey are householders younger than 65 years of age. As shown in Figure 1, the percent of households with at least one employed member began to decline in 2006, somewhat earlier than the beginning of the current recession, and reached a series low in Wave 1 of 2009.<sup>2</sup> The shaded area represents the current recession that began in the fourth quarter of 2007.

**FIGURE 1: PERCENTAGE OF HOUSEHOLDS WITH AT LEAST ONE PERSON EMPLOYED**

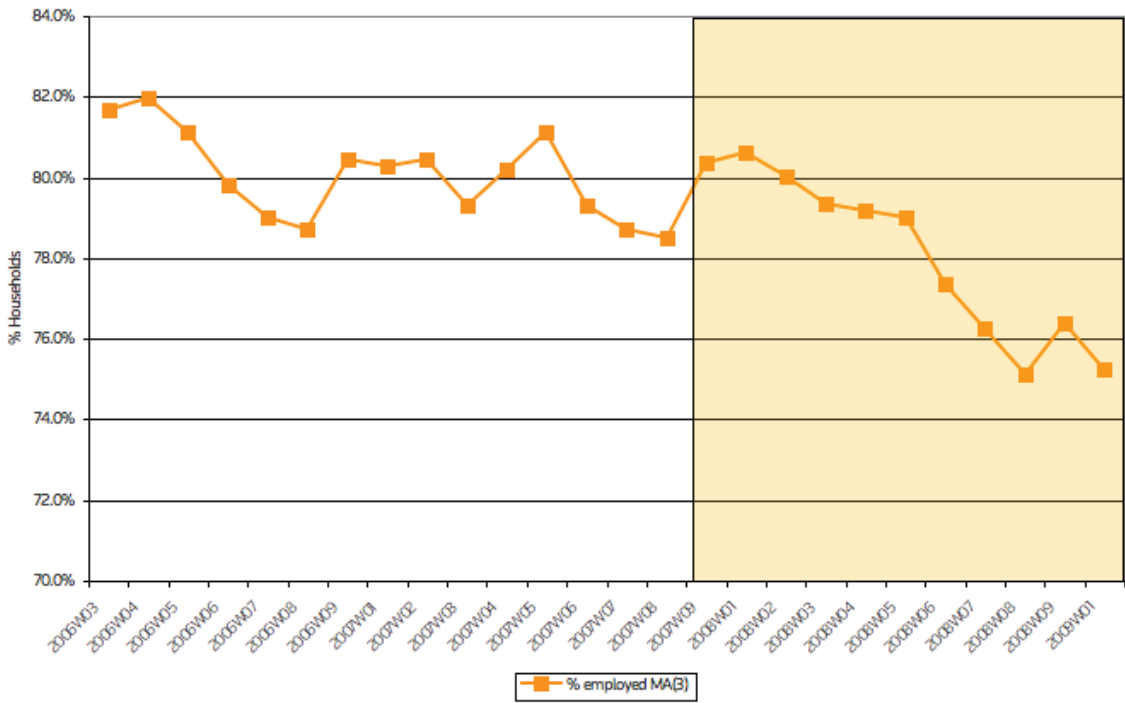
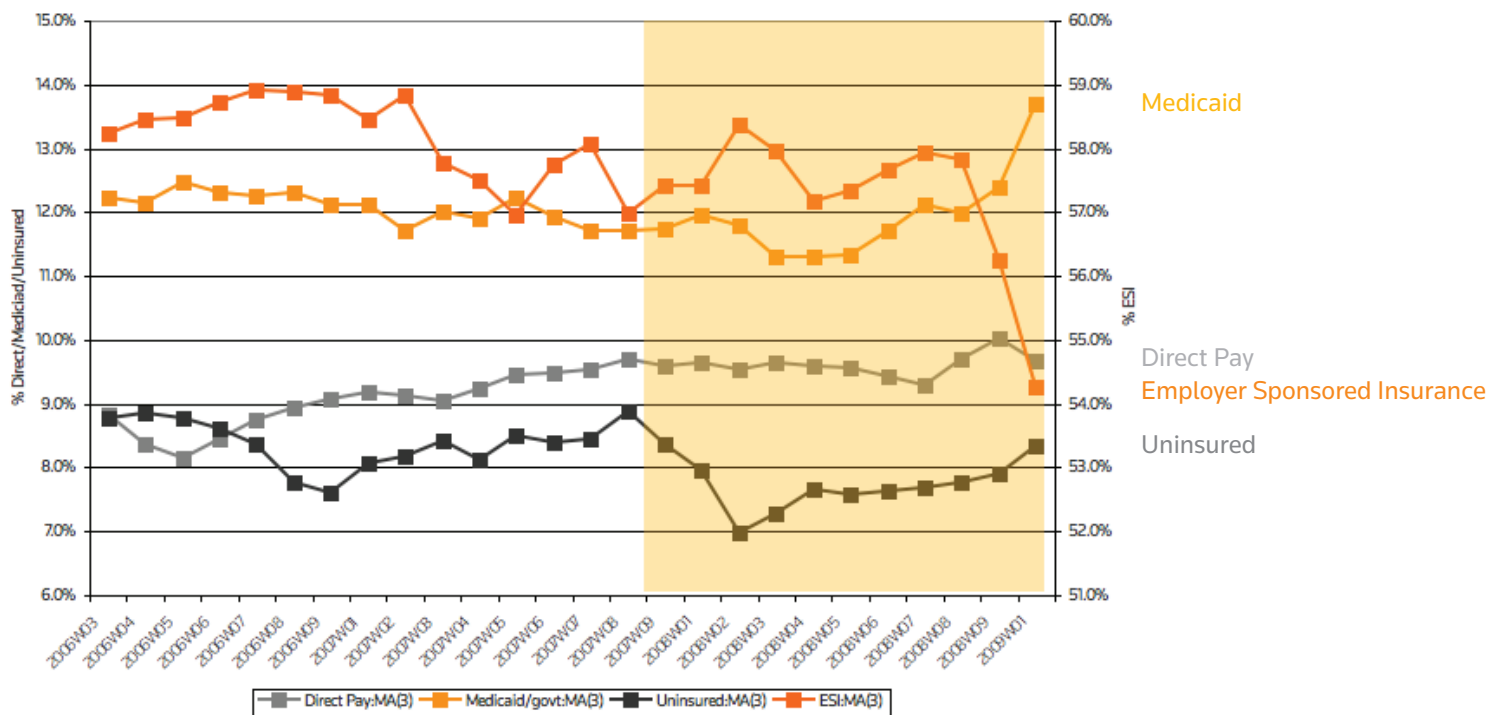


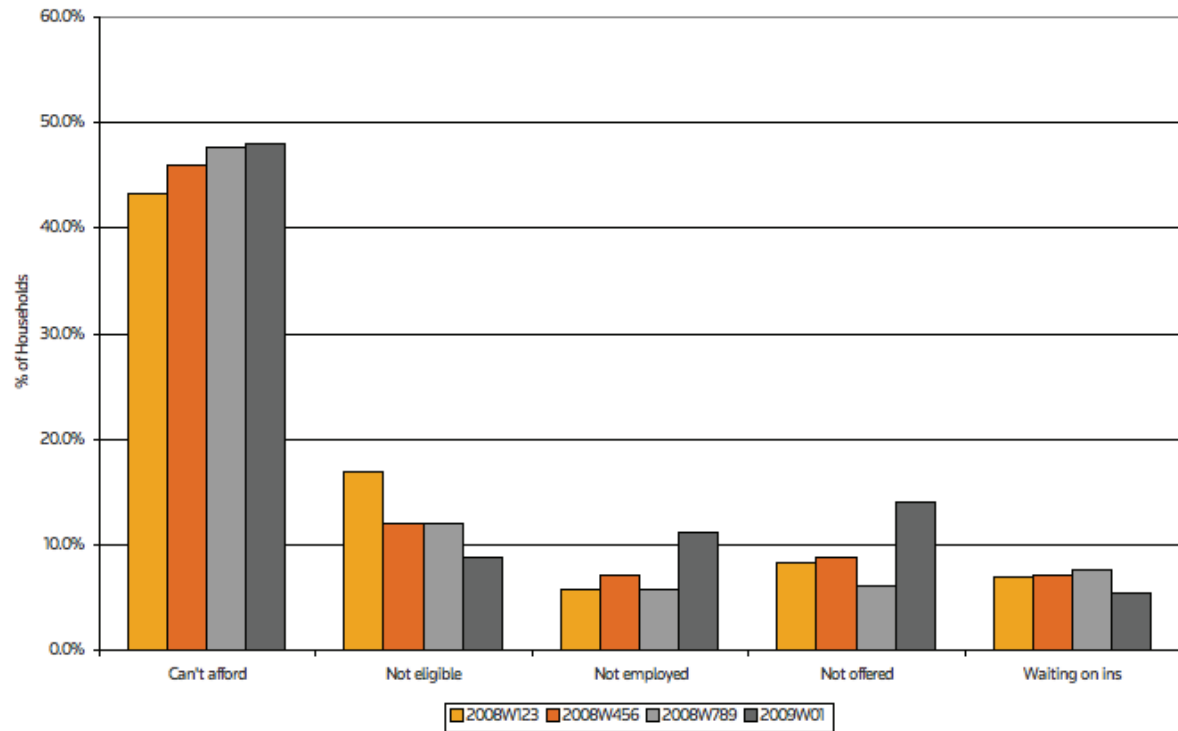
Figure 2 displays the primary insurance status of households by year and wave for 2006-2009 (Wave 1). ESI (dark orange markers) showed a variable downward decline during the study period, with a notable downturn since the start of the recession (approximately the middle of Wave 7), reaching a series low of about 54 percent of households (right axis). The percentage of households with direct pay plans (grey markers) reached a series high in last wave of 2008 and those with Medicaid (light orange) continued to increase through 2009 Wave 1. The percentage of households without healthcare insurance remained within the historic range throughout the study period, showing a slight upward trend in recent months.<sup>3</sup>

**FIGURE 2: PRIMARY INSURANCE COVERAGE OF HOUSEHOLD**



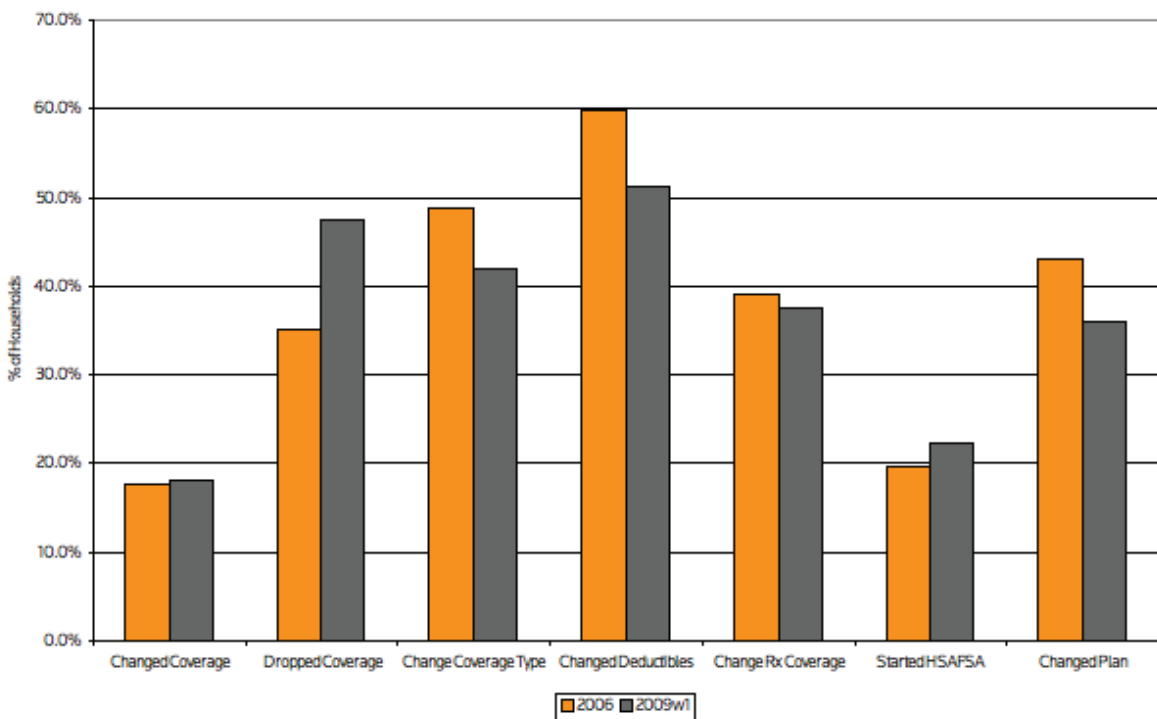
In Figure 3, we examined the reported reasons for uninsured households in 2008. Survey waves were grouped to increase the size of our samples. Throughout 2008, there was a marked upturn in the percentage of uninsured households reporting affordability as the main reason for having no insurance. By Waves 7-9 of the survey (grey columns), affordability was cited by approximately 48 percent of uninsured households as the primary reason, a percentage that remained constant in Wave 1 of 2009. Eligibility, unemployment, plan availability, or waiting on enrollment were cited as reasons for lack of health insurance less than half as often.

**FIGURE 3: PRIMARY REASONS FOR LACK OF INSURANCE, 2008**



PULSE Survey results clearly show that affordability is a primary driver for lack of insurance in the household. To gain insight into the ways that economic factors affect healthcare insurance, respondents were asked about changes made to coverage as a result of changes in healthcare costs. Figure 4 compares responses in 2006 — prior to the current economic downturn — to responses in Wave 1 of 2009, when the country was solidly in the midst of recession. In 2006 and 2009, approximately the same percentage of households reported making some change to healthcare coverage. However, the type of change differed markedly between the two years. In 2009, a substantially larger proportion of households dropped coverage than in 2006. Except for changing coverage and starting a Health Savings Plan/Financial Savings Plan (HSA/FSA), which were slightly higher in 2009, reports of all other plan modifications (e.g., changing deductibles) were lower in 2009 than in 2006.<sup>4</sup> Almost 50 percent of all households now mention that they dropped healthcare coverage in response to changes in healthcare costs.

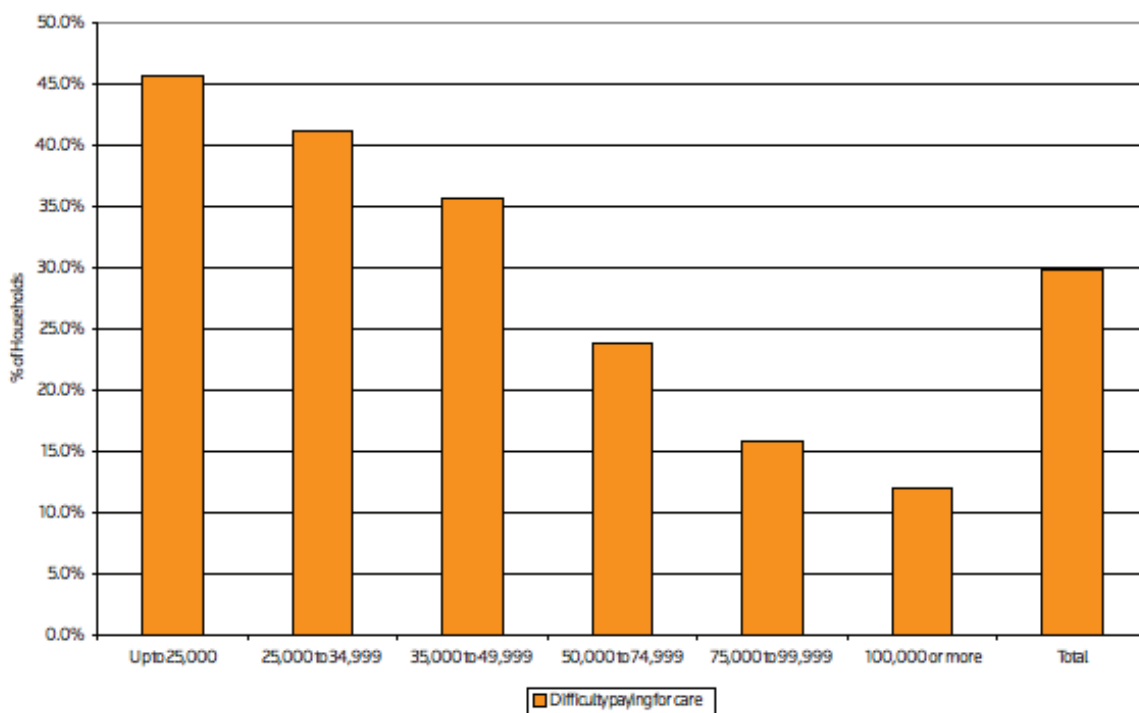
**FIGURE 4: IMPACT OF ECONOMY ON CONSUMER INSURANCE CHOICES**



# ECONOMIC FACTORS AND BARRIERS TO CARE

The PULSE Survey has shown that the economy has indeed had an impact on insurance coverage in a number of ways. To learn how economic factors may have affected access to care, in January 2009, PULSE respondents were asked directly whether the current economic climate was making it difficult for any household member to pay for healthcare. When responses were segregated by household income, we found a strong negative correlation between payment difficulty and income, and this is shown in Figure 5. The lowest income households (<\$25K) were almost four times as likely to experience difficulty as those with the highest income level (>\$100K).

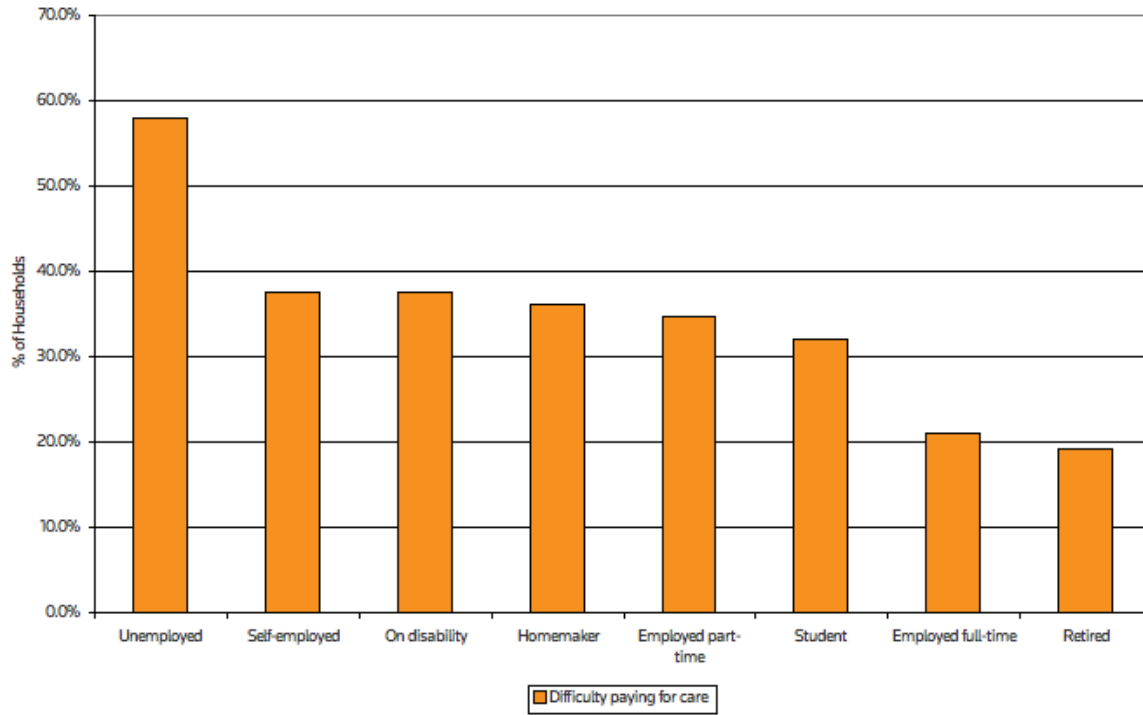
**FIGURE 5: ECONOMIC IMPACT ON PAYMENT FOR HEALTHCARE SERVICES – INCOME EFFECTS**





We looked at the same question on payment difficulty (for healthcare services) from the perspective of employment status of the household respondent; survey results are shown in Figure 6. More unemployed householders reported difficulty paying for healthcare services (approximately 60 percent) than any other group, including retirees and those employed part-time. It is interesting to note that the self-employed were the second most likely to experience payment difficulty. Employed householders (full-time or part-time) were only about 33 percent as likely to experience payment difficulty as the unemployed.

**FIGURE 6: ECONOMIC IMPACT ON PAYMENT FOR HEALTHCARE SERVICES – EMPLOYMENT EFFECTS**



In addition to asking consumers about difficulty paying for care, we also questioned them about postponement or deferral of care, and the reasons for doing so. Figure 7 displays responses to questions about postponement of healthcare services for 2006 and Wave 1 of 2009. Postponement, delay, or cancellation of treatment increased sharply in 2009, when 24 percent of households cited cost as the most important reason for treatment delay. This was an increase from 2006 when lack of time was most often mentioned as the reason for postponement, and only 20 percent cited cost. Mentions of lack of time decreased from 2006 to 2009, suggesting that care postponement in 2009 is due less to convenience factors than in the past.

**FIGURE 7: POSTPONEMENT OF HEALTHCARE AND REASONS**

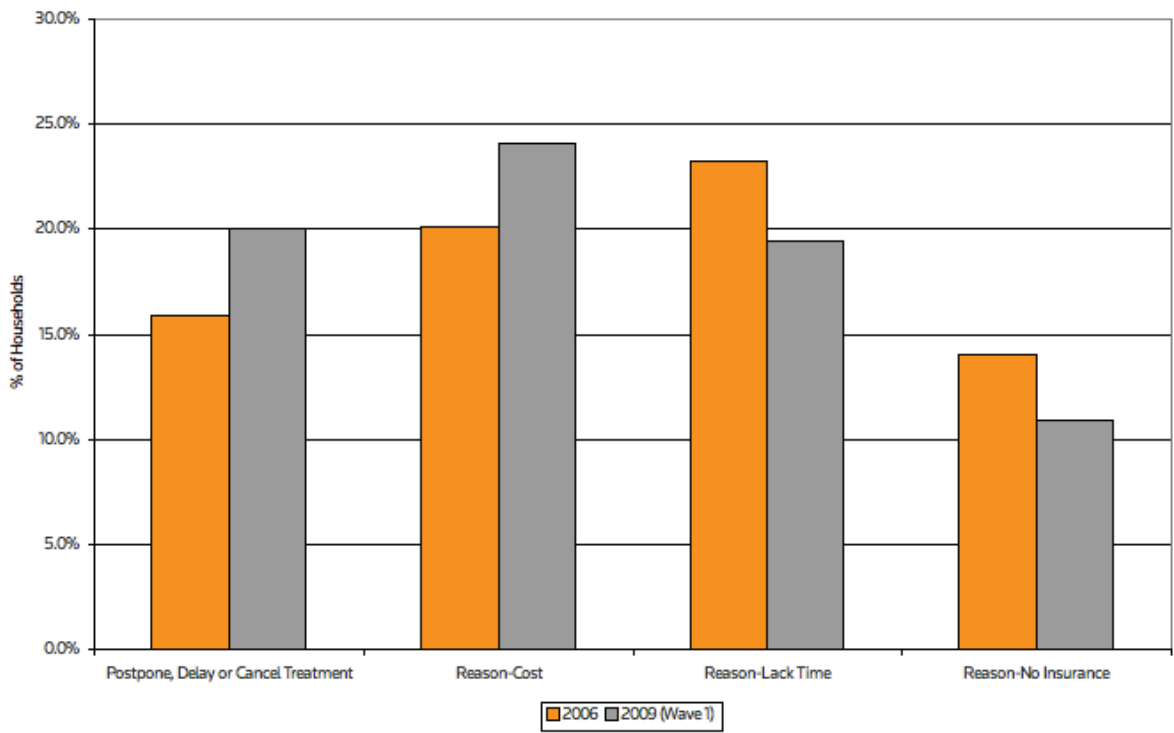
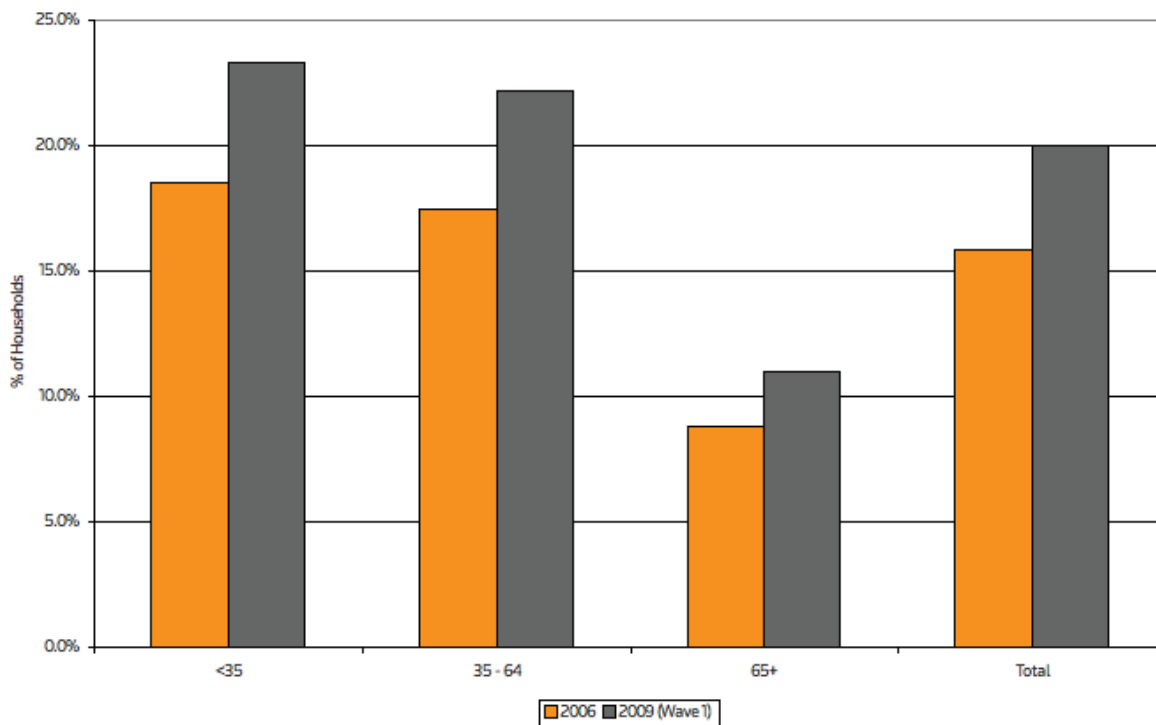


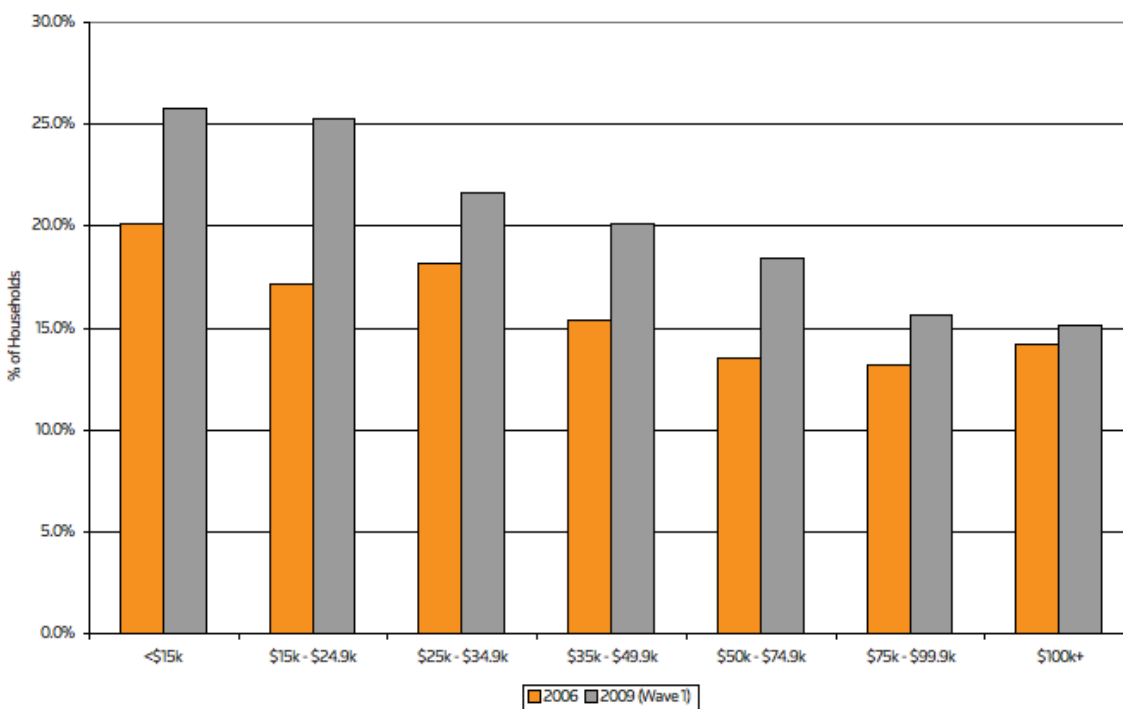
Figure 8 shows that the postponement of care increased in all age groups between 2006 and 2009, but the smallest increase occurred in older households.

**FIGURE 8: POSTPONEMENT OF CARE — AGE EFFECTS**



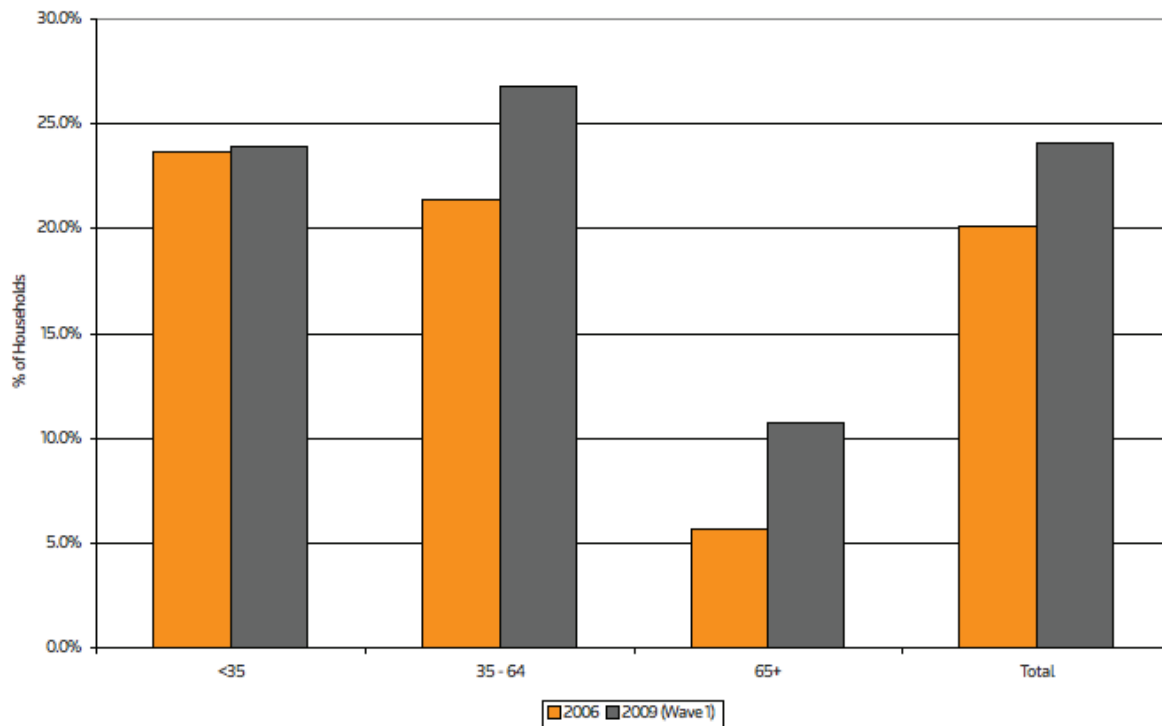
Postponement of care also increased in all income groups between 2006 and 2009. Not surprisingly, the magnitude of the increase (in care postponement) diminishes as household income increases, as shown in Figure 9.

**FIGURE 9: POSTPONEMENT OF CARE — INCOME EFFECTS**

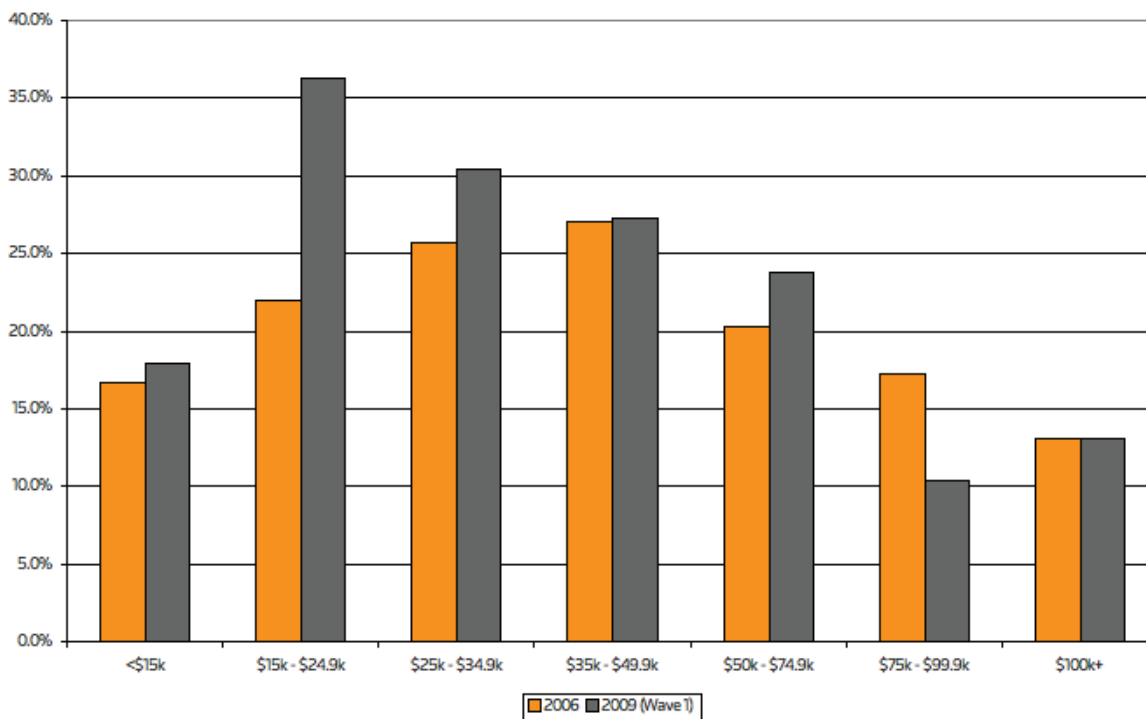


Postponement of care increased between 2006 and 2009, and PULSE responses showed that cost was the most important reason in the beginning of 2009 (Figure 7, page 10). Of those households citing cost of healthcare for treatment delay, the increase occurred across all age groups (Figure 10), but was most prominent in lower income households (Figure 11). This was true in both 2006 and 2009.

**FIGURE 10: POSTPONEMENT OF CARE DUE TO COST — AGE EFFECTS**

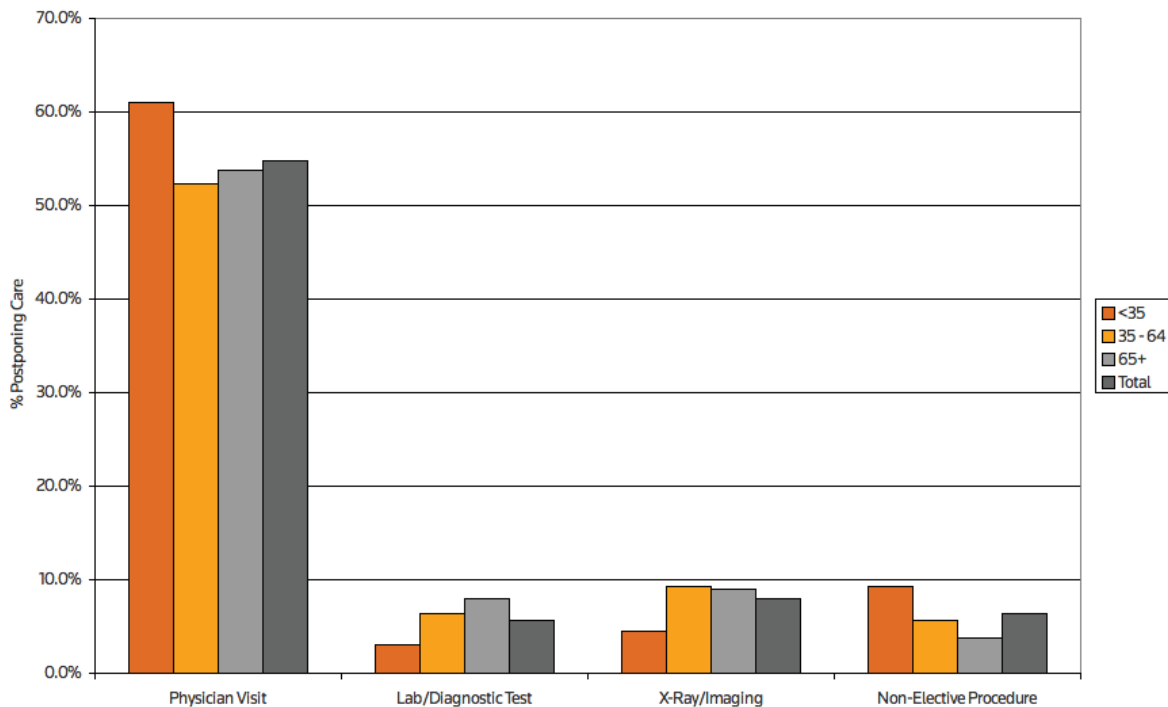


**FIGURE 11: POSTPONEMENT OF CARE DUE TO COST — INCOME EFFECTS**

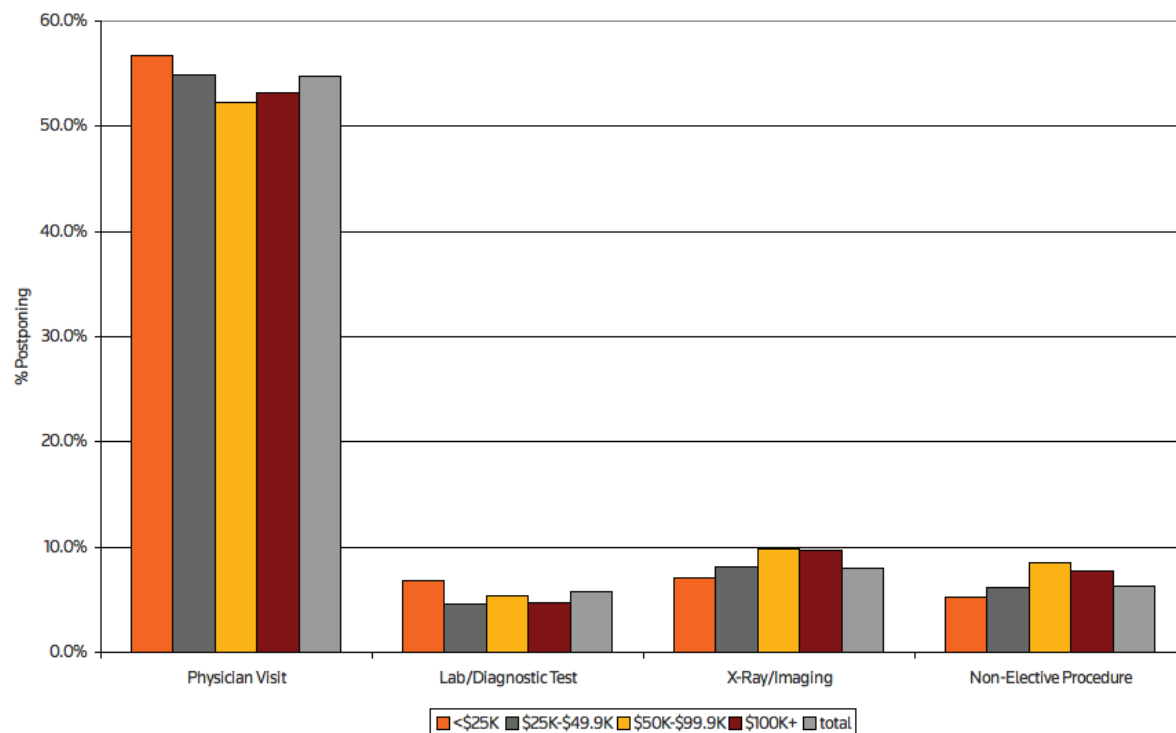


We also asked respondents in 2009 about the type of care that was deferred. The majority of postponed services (54.7 percent) was for physician visits, followed by imaging (8 percent), non-elective procedures (6.2 percent) and lab/diagnostic tests (5.7 percent). Figures 12 and 13 illustrate age and income interactions with the types of services postponed. There is not a great deal of variation in the types of services used. One exception is a tendency for younger and lower-income consumers to be more likely to postpone physician visits.

**FIGURE 12: TYPE OF CARE POSTPONED – AGE EFFECTS**



**FIGURE 13: TYPE OF CARE POSTPONED – INCOME EFFECTS**

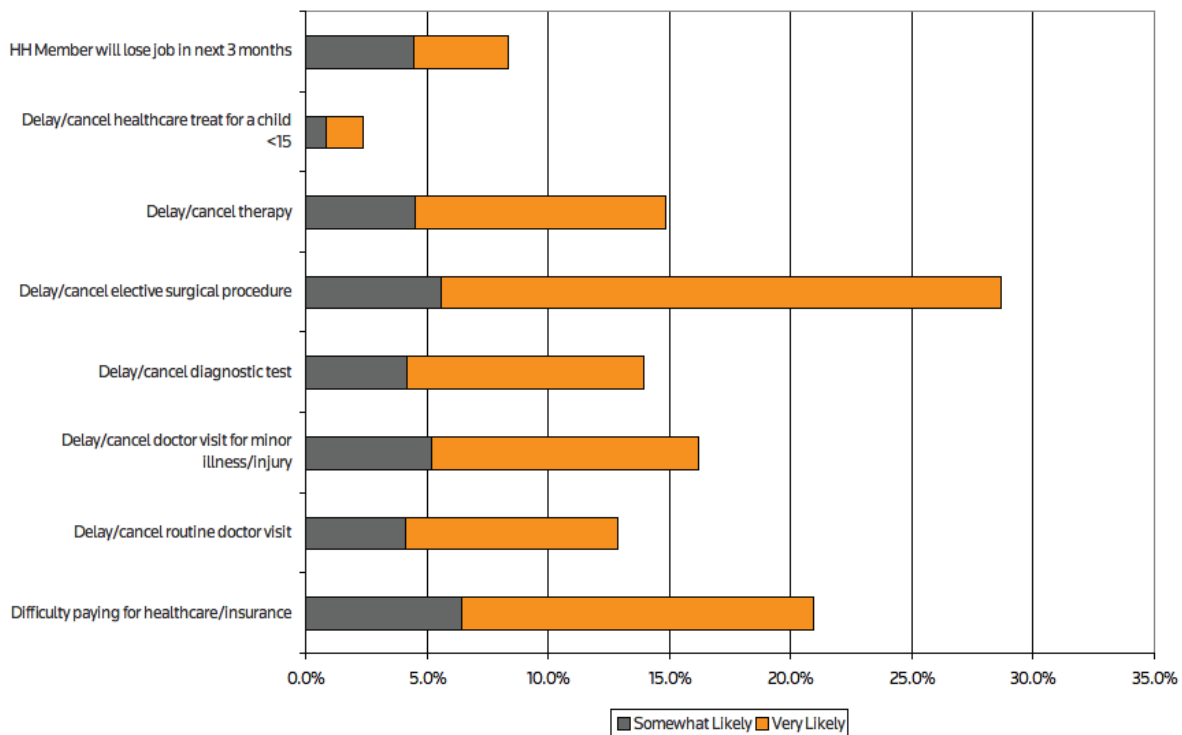


In March 2009, we began assessing consumer expectations about future use of and payment for care. Our intent is to track expectation measurements over time to obtain an understanding of potential decreases or increases in the use of various types of care, in a fashion similar to general surveys of consumer confidence. We employed a three-month prospective time frame in assessing consumer expectations. Using a scale of 1 to 5, with 1 representing “Not at all Likely” and 5 representing “Very Likely,” we asked consumers to rate the likelihood of the following events occurring within the next three months:

- Household member will lose job
- Delay or cancel healthcare treatment for a child under the age of 15
- Delay or cancel therapy such as physical therapy, rehabilitation therapy, respiratory therapy, etc.
- Delay or cancel an elective surgical procedure such as LASIK eye surgery or plastic/cosmetic surgery
- Delay or cancel a diagnostic test such as blood work, x-ray, mammogram, etc.
- Delay or cancel a doctor visit for treating a minor illness or injury such as flu, earache, sprained ankle, etc.
- Delay or cancel a routine doctor visit such as an annual physical
- Have difficulty paying for healthcare services or health insurance

Figure 14 summarizes the results of our first wave of interviews on consumer expectations for future healthcare use in the subsequent three months and provides a baseline for tracking in subsequent survey waves. One in five consumers expects to have difficulty paying for health insurance or services. The most likely services to be deferred are elective procedures (28 percent) and care for minor injuries or illnesses (16 percent). Postponement of care for children is by far the least likely type of service to be deferred (2.5 percent).

**FIGURE 14: EXPECTATIONS FOR USE OF AND PAYMENT FOR HEALTHCARE — THREE MONTHS**



# SUMMARY

Responses to the PULSE Healthcare Survey began to reflect the onset of the recession between Waves 5 and 6 (June-July) 2008 when the percent of households with at least one employed member started to decline. Effects of the economic downturn were also seen in changes to primary insurance coverage reported by PULSE respondents. Employer-sponsored insurance declined sharply, with corresponding increases in Medicaid coverage and insurance paid for directly by householders. The end of 2008 saw a marked upturn in the proportion of households that reported expense as the reason for their lack of healthcare insurance. Affordability was cited by about 48 percent of uninsured households as the primary reason.

The recession has impacted the healthcare insurance of households in a variety of ways. Although the same percentage of households reported having made changes to their healthcare coverage in 2006 and in 2009, the types of changes made in the midst of recession were quite different, representing strategies aimed at cost-saving. A considerably larger proportion of households completely dropped coverage in 2009. However, reports of nearly all other plan modifications were lower in 2009 than in 2006.

Householders with higher incomes reported difficulty paying for healthcare insurance less often than those in poorer households. The lowest income households (<\$25K) were about five times as likely to experience difficulty as those with the highest income levels (>\$100K). Not surprisingly, the unemployed and self-employed had the greatest difficulty paying. Employed householders were approximately 33 percent as likely to have difficulty paying for healthcare insurance, even if employed part-time.

Survey respondents have also chosen to modify their approaches to healthcare treatment in response to the recession. Postponement, delay, or cancellation of treatment increased sharply in 2009, when 26 percent of households cited cost as the most important reason for treatment delay. In 2006, lack of time was most often mentioned as the reason for postponement of care, and only 20 percent cited cost. Although care postponement increased in all age groups and at all income levels between 2006 and 2009, the smallest increase occurred in younger and more affluent households. Physician care was the most frequent service postponed, true for all ages and household income levels.

The PULSE Survey also has started to track consumer expectations about use of and payment for healthcare in future months. One in five consumers expects to have difficulty paying for care. Elective procedures are most likely to be deferred and care for children is the least likely type of service to be deferred.

# NOTES

1 Mean survey completion dates by year and wave are as follows:

<u>Year</u>	<u>Wave</u>	<u>Mean Completion Date</u>
2006	1	2/13/2006
2006	2	3/15/2006
2006	3	4/9/2006
2006	4	5/15/2006
2006	5	6/20/2006
2006	6	7/21/2006
2006	7	8/26/2006
2006	8	10/3/2006
2006	9	11/8/2006
2007	1	2/15/2007
2007	2	3/21/2007
2007	3	4/26/2007
2007	4	5/30/2007
2007	5	6/29/2007
2007	6	8/7/2007
2007	7	9/5/2007
2007	8	10/1/2007
2007	9	11/22/2007
2008	1	2/14/2008
2008	2	3/26/2008
2008	3	4/18/2008
2008	4	5/31/2008
2008	5	7/8/2008
2008	6	8/12/2008
2008	7	9/21/2008
2008	8	10/22/2008
2008	9	11/23/2008
2009	1	2/22/2009

2 The mean survey completion date was February 22, 2009.

3 Sampling techniques employed by the PULSE Healthcare Survey may be responsible for differences in the lower percentage of uninsured and Medicaid reported here compared with estimates reported in surveys such as the Current Population Survey of the U.S. Census and the National Health Interview Survey from the Centers for Disease Control. Telephone surveys may be inherently limited in reaching uninsured population segments and those with Medicaid coverage. In addition, the PULSE Survey assigns the respondent's choice of insurance to the entire household.

4 The context of the 2006 and 2009 "changed coverage" questions differed slightly.



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- Avoid reliance on opinion
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Thomson Reuters  
777 E. Eisenhower Parkway  
Ann Arbor, MI 48108 USA  
Phone +1 800 366 7526

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