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Out-of-Pocket Health Care Expenses in the U.S. Civilian Noninstitutionalized Population by Age and Insurance Coverage, 2014

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Introduction

In 2014, about one of every eight dollars spent on health care for the U.S. civilian noninstitutionalized population (excluding health insurance premiums) was paid out of pocket by individuals and families. Annual levels of out-of-pocket expenses for individuals are affected by several factors, including whether the person is insured, the generosity of insurance for those with coverage, and the frequency of health care use. Variations in out-of-pocket expenses across different segments of the population are important to understand because of their financial burden implications and potential impact on access to and use of health care.

This Statistical Brief uses data from the Agency for Healthcare Research and Quality's (AHRQ) Medical Expenditure Panel Survey Household Component (MEPS-HC) for 2014 to examine levels of out-of-pocket payments for the U.S. civilian noninstitutionalized population with expenses for health care. Estimates are shown according to age, family income, and insurance coverage since levels of out-of-pocket expenses vary substantially according to these characteristics. Differences between estimates discussed in the text are statistically significant at the 5 percent level or less¹.

Findings

Variations by age

In 2014, an average of \$688 was paid out of pocket for health care among people with some health care expenses² (figure 1). This average ranged from \$288 for children under age 18, to \$1,253 for the elderly age 65 and older. The overall average (\$688) was substantially larger than the overall median (\$204) because a small proportion of people had extremely large out-of-pocket expenses. Median out-of-pocket expenses were also substantially lower than averages across all age groups.

In 2014, 15 percent of people paid nothing out of pocket toward their health care expenses (figure 2). However, this proportion decreased with age, ranging from 38.3 percent for children under 18 to 3.0 percent for people aged 65 and older. Conversely, the percentage of people with high levels of out-of-pocket expenses increased with age. Overall, 18.5 percent of people had out-of-pocket expenses greater than \$1,000, and 8.4 percent had out-of-pocket expenses greater than \$2,000. However, the percentage with greater than \$1,000 in out-of-pocket expenses ranged from 7.0 percent for children under age 18 to 35.4 percent for the elderly aged 65 and older. Further, 17.3 percent of people aged 65 and older had expenses greater than \$2,000 versus only 7.8 percent for younger adults and 3.5 percent for children under 18.

Variations by family income

Annual out-of-pocket expenses for people who had health care expenses in 2014 increase with their family income level. While people in poor and near-poor families spent an average of \$428 out of pocket, those in high-income families spent substantially more (\$887). People in low or middle income families spent \$611 out of pocket (figure 3). Median out-of-pocket expenses however, are substantially lower than the averages and vary from only \$39 for poor/near-poor families to \$367 for high-income families.

Figure 4 depicts the distribution of people with health care expenses in 2014³ by out-of-pocket payment for different levels of their family income. The percentage of people who did not have any out-of-pocket expenses in 2014 decreases from a high of 32.4 percent in poor/near-poor families to 6.7 percent in high-income families. However, the percentage of people who spent more than \$2,000 out of pocket in 2014 increases from a low of 4.8 percent in poor/near-poor families to 11.2 percent in high-income families.

Variations by insurance coverage

Average annual out-of-pocket expenses varied by type of insurance coverage among those with some health care expenses⁴ (figure 5). For example, the average of \$236 for people under age 65 with public insurance (primarily Medicaid or the State Children's Health Insurance Program) was notably lower than for those under 65 who had private coverage (\$656) or were uninsured (\$752). Among people aged 65 and older, the average out-of-pocket expenses of \$427 for those with Medicare and supplemental public coverage (primarily Medicaid) were markedly lower than for those with Medicare only (\$1,231) or Medicare and supplemental private coverage (\$1,438). Figure 5 also shows median out-of-pocket expenses, which are much lower than corresponding averages, a sign that averages were being driven by individuals with particularly high out-of-pocket expenses. People under age 65 with public insurance only, had a median out-of-pocket expense amount of about \$1, indicating that more than half had little or no out of pocket expenses.

Nearly half (47.8 percent) of people under 65 with public insurance coverage only had no out-of-pocket payments made for their health care versus only 9.1 percent of their privately insured and 8.5 percent of their uninsured counterparts (figure 6). Those aged 65 and older with supplemental public coverage to Medicare were also more likely than their elderly counterparts to have no out-of-pocket expenses.

¹ A 5 percent statistical significance indicates that statistical errors alone may possibly explain observed differences no more than 5 percent of the time.

² Overall, 85.1 percent of the population had some health care expenses in 2014. However, this percentage varied by age (87.3 percent for children under 18, 81.6 percent for people ages 18-64 and 96.4 percent for people aged 65 and older).

³ The percentage of the population that had some health care expenses in 2014 does not vary much across family income levels. It is 80.8 percent for people in poor or near-poor families, 82.3 percent for people in low/middle income families, and 90.6 percent for those in high-income families.

⁴ Among people under age 65, the percentage with some expenses was substantially lower for the uninsured (51.8 percent) than for those with public (85.6 percent) or private (87.7 percent) insurance coverage. Among people aged 65 and older, 94.9-97.8 percent had health care expenses across all insurance coverage categories.

Highlights

- In 2014, people with some health care expenses paid an average of \$688 out of pocket. However, the median out of pocket amount was notably lower (\$204).
- Average out-of-pocket expenses increased with age, ranging from \$288 for children under 18 to \$1,253 for people aged 65 and older.
- The percentage of people with out-of-pocket expenses over \$2,000 increased with age from 3.5 percent for children 18 or younger to 17.3 percent for people aged 65 or older.
- The uninsured paid the highest proportion of total health care expenses out of pocket while nonelderly persons with public insurance (primarily Medicaid) and elderly persons with Medicare and other public insurance coverage paid the lowest proportions.

In the aggregate, uninsured people under age 65 had about one-quarter of their total health care expenses paid out of pocket (figure 7), which was much higher than for the other subgroups. The remaining portion was paid by miscellaneous sources that are not classified as health insurance coverage in MEPS (e.g., the Indian Health Service, Veterans Administration, community and neighborhood clinics, State and local health departments, Workers' Compensation, as well as automobile, homeowner's, and liability insurance). People under age 65 with public coverage and the elderly with Medicare and other public coverage paid the lowest proportions of their health care expenses out of pocket (4.8 percent and 2.7 percent, respectively).

Definitions

Out-of-pocket expenses

MEPS total expenses include payments from all sources (including insurance and other miscellaneous third-party sources) to hospitals, physicians, other health care providers (including dental care), and pharmacies for services reported by respondents in the MEPS-HC. Out-of-pocket expenses comprise the portion of total payments made by individuals and families for services received during the year. For this Brief they do not include out-of-pocket payments made for health insurance premiums. *Family Income*

- *Poor/Near Poor*: Family income is less than 125 percent of the applicable poverty line (based on family size and composition).
- *Low/Middle*: Family income is 125 percent to less than 400 percent of the poverty line.
- *High*: Family income equals or exceeds 400 percent of the poverty line.

Health insurance status

Individuals under age 65 were classified in the following three insurance categories based on household responses to health insurance status questions:

- *Any private health insurance*: Individuals who, at any time during the year, had insurance that provides coverage for hospital and physician care (other than Medicare, Medicaid, or other public hospital/physician coverage) were classified as having private insurance. Coverage by TRICARE (Armed Forces-related coverage) was also included as private health insurance. Insurance that provides coverage for a single service only, such as dental or vision coverage, was not included.
- *Public coverage only*: Individuals were considered to have public coverage only if they met both of the following criteria: 1) they were not covered by private insurance at any time during the year, 2) they were covered by any of the following public programs at any point during the year: Medicare, Medicaid, or other public hospital/physician coverage.
- *Uninsured*: The uninsured were defined as people not covered by private hospital/physician insurance, Medicare, TRICARE, Medicaid, or other public hospital/physician programs at any time during the entire year or period of eligibility for the survey.

Individuals aged 65 and older were classified into the following three insurance categories based on household responses to health insurance status questions:

- *Medicare and private insurance*: This category includes people classified as Medicare beneficiaries and covered by Medicare and a supplementary private policy.
- *Medicare and other public insurance*: This category includes people classified as Medicare beneficiaries who met both of the following criteria: 1) They were not covered by private insurance at any point during the year, 2) They were covered by one of the following public programs at some point during the year: Medicaid or other public hospital/physician coverage.
- *Medicare only*: This category includes people classified as Medicare beneficiaries but not classified as Medicare and private insurance or as Medicare and other public insurance. This group includes people who were enrolled in Medicare HMOs and people who had Medicare fee-for-service coverage only.

About MEPS-HC

MEPS-HC is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the U.S. civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1406) or visit the MEPS Web site at <http://www.meps.ahrq.gov/>.

References

The following methodology reports contain information on the survey and sample designs for the MEPS Household and Medical Provider Components (HC and MPC, respectively). Data collected in these two components are jointly used to derive MEPS health care expenditure data.

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, MD. Agency for Healthcare Policy and Research, 1997.
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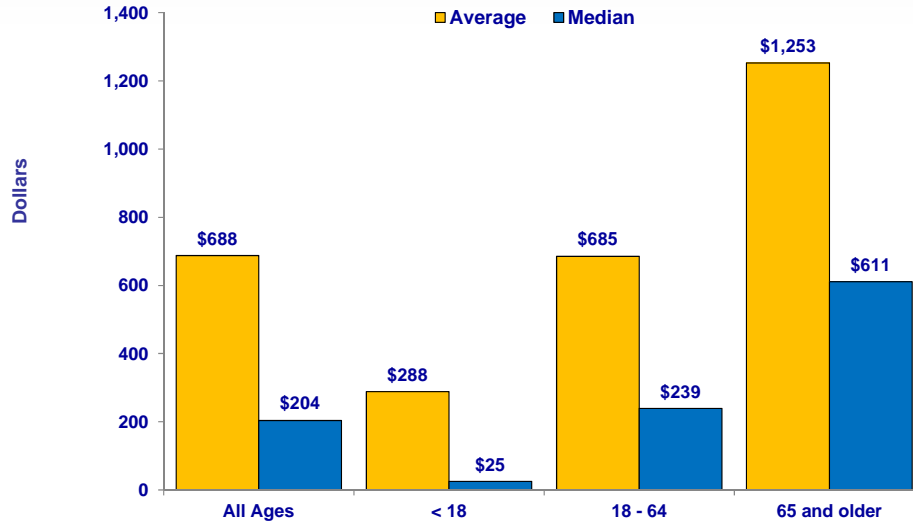
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http://meps.ahrq.gov/mepsweb/data_files/publications/st495/stat495.pdf

AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please email us at MEPSProjectDirector@ahrq.hhs.gov or send a letter to the address below:

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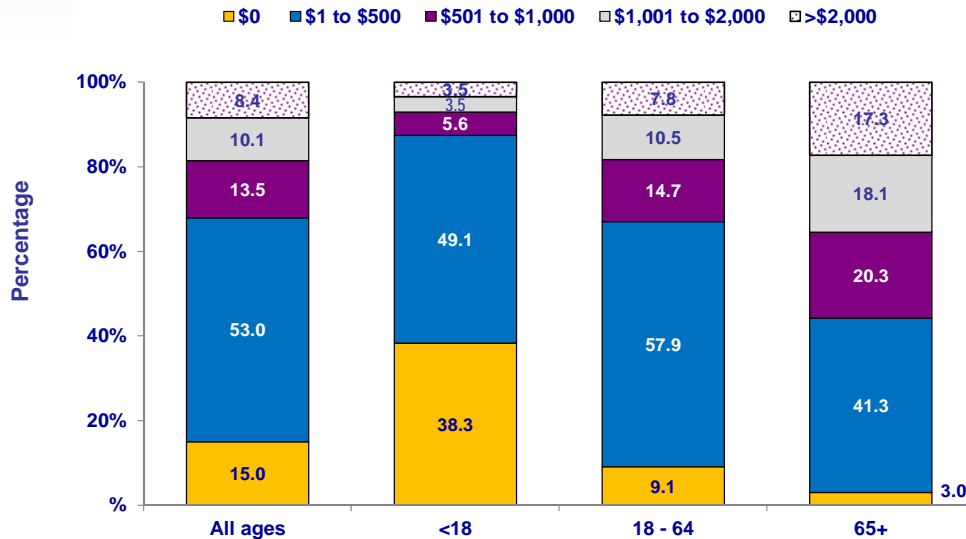
Figure 1. Average and median annual out-of-pocket payments for people with health care expenses*, by age, 2014



*About 85 percent of people had some health expenses in 2014. This percentage varied by age (87.3 percent for under 18, 86.6 percent for 18–64 and 95.6 percent for 65 and older).
 Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



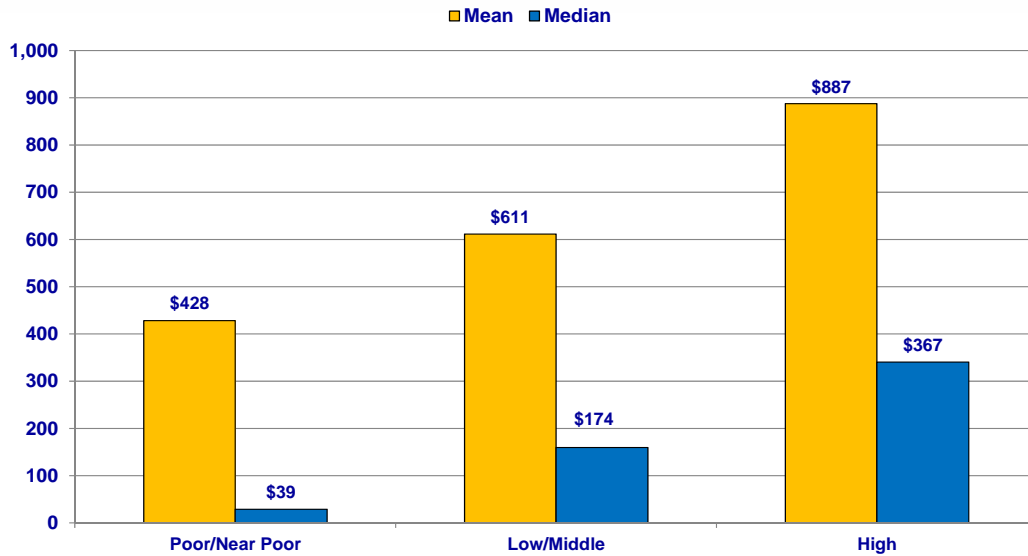
Figure 2. Distribution of people with health care expenses* by annual out-of-pocket payment amounts, and age, 2014



*About 85 percent of people had some health expenses in 2014. This percentage varied by age (87.3 percent for under 18, 86.6 percent for 18–64 and 95.6 percent for 65 and older).
 Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



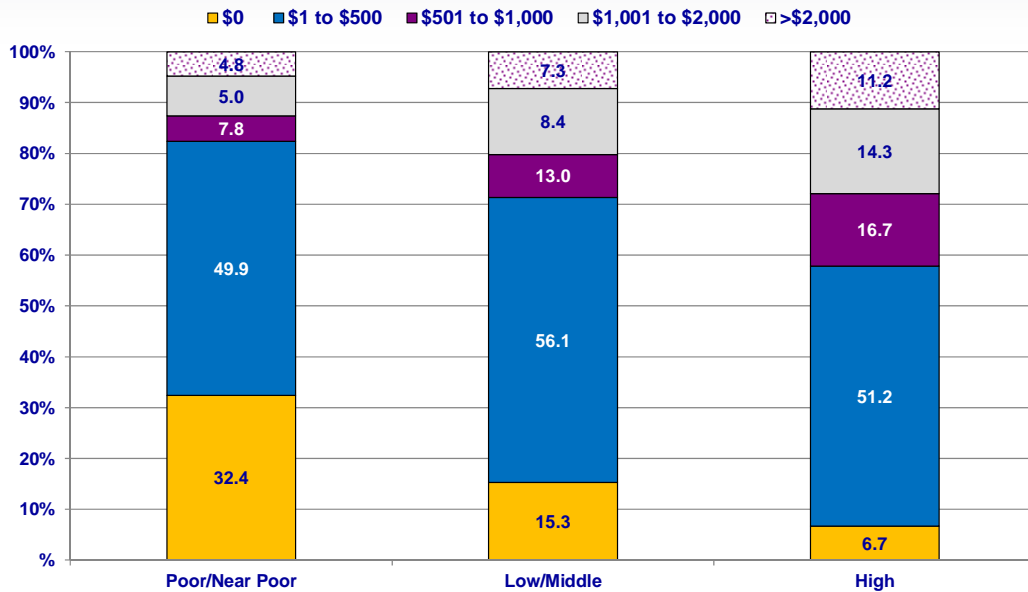
Figure 3. Average and median annual out-of-pocket payments for people with health care expenses*, by income level, 2014



*About 85 percent of people had some health expenses in 2014. This percentage varied by age (87.3 percent for under 18, 86.6 percent for 18–64 and 95.6 percent for 65 and older).
Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



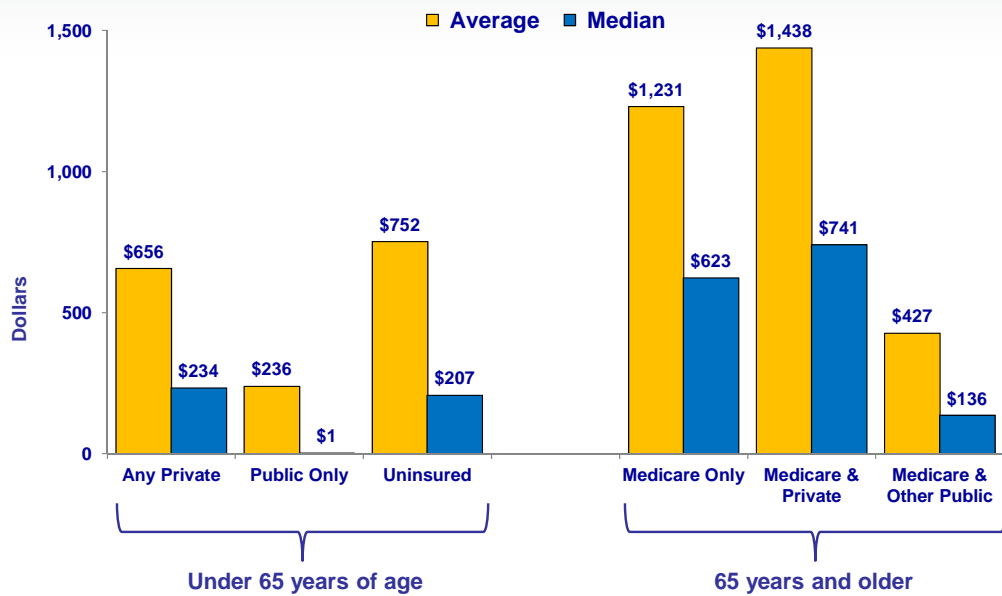
Figure 4. Distribution of people with health care expenses*, by annual out-of-pocket payment amounts, and income level, 2014



*About 85 percent of people had some health expenses in 2014. This percentage varied by age (87.3 percent for under 18, 86.6 percent for 18–64 and 95.6 percent for 65 and older).
Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



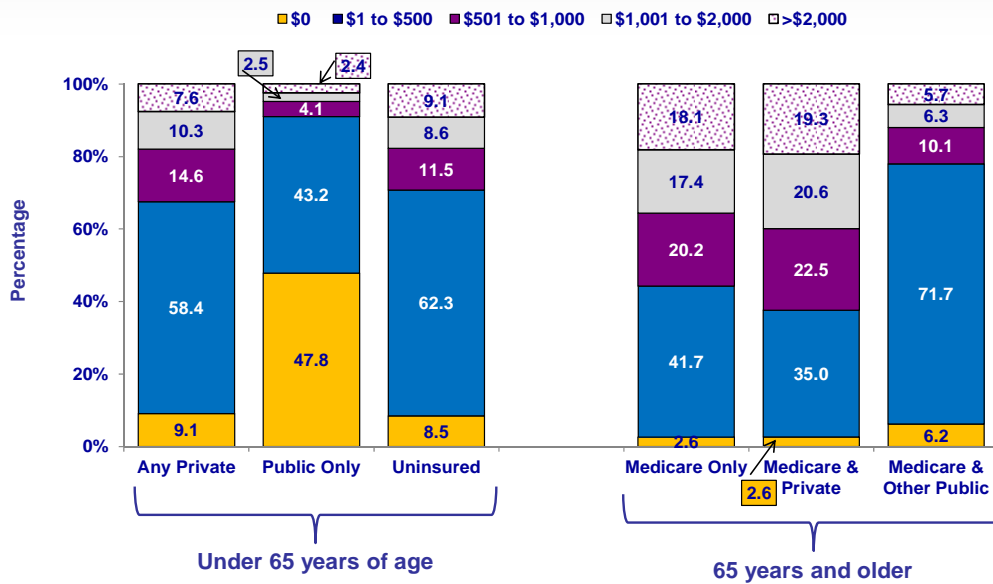
Figure 5. Average and median annual out-of-pocket payments for people with health care expenses*, by insurance coverage, 2014



*Among people under 65, the percentage with expenses was substantially lower for the uninsured (51.8 percent) than for those with public only (85.6 percent) or private (87.7 percent) insurance. Among people age 65 and older, 94.9–97.8 percent had health expenses across all insurance coverage categories. Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



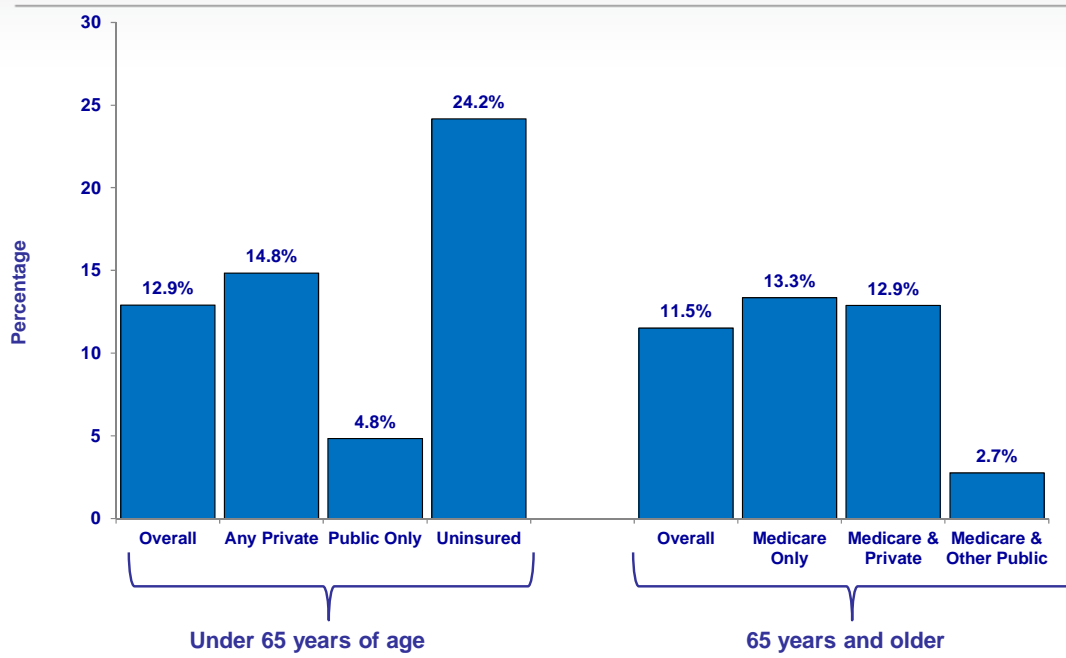
Figure 6. Distribution of people with health care expenses*, by annual out-of-pocket payment amounts, and age/insurance coverage, 2014



*Among people under 65, the percentage with expenses was substantially lower for the uninsured (51.8 percent) than for those with public only (85.6 percent) or private (87.7 percent) insurance. Among people age 65 and older, 94.9–97.8 percent had health expenses across all insurance coverage categories. Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014



Figure 7. Percentage of annual health care expenses paid out of pocket, by age/insurance coverage, 2014



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2014