February 5, 2020

SHADAC Data Report: New 2018 State-level Estimates of Medical Out-of-Pocket Spending for Individuals with Employer-sponsored Insurance Coverage

U.S. health care spending continues to grow, reaching $3.6 trillion and 17.7% of the GDP in 2018.[1] Unfortunately, a significant share of these costs are increasingly born by Americans in the form of increased deductibles, copayment, and coinsurance—commonly referred to as patient "out-of-pocket" (OOP) costs. Even for the 52% of Americans who have private health insurance through their own or their spouse's employer, affordability of health care is a pressing issue. Nationally, the average deductible for families in 2018 was $3,392, and almost half (49.1%) of all Americans were enrolled in high-deductible health plans with a deductible of at least $2,700 for family coverage.[2,3]

The State Health Access Data Assistance Center (SHADAC) at the University of Minnesota continues to monitor trends in coverage, access, and affordability. This brief highlights the affordability of coverage for those with employer-sponsored health insurance (ESI). Using data from the Annual Social and Economic Supplement (ASEC) of the 2019 Current Population Survey (CPS; data year 2018), we estimated family out-of-pocket costs for people with employer coverage across all 50 states and the District of Columbia (D.C.). For individuals with ESI, we looked at: (1) the family median out-of-pocket costs by state, and (2) an estimate of the high medical cost burden where family out-of-pocket spending is greater than 10% of household income. For additional estimates, please visit SHADAC's State Health Compare web tool.

Median Medical Out-of-Pocket Costs (Including Premiums)

"Out-of-pocket" (OOP) is the term used to describe the costs of health care that are typically not covered by health insurance but paid for out of an individual's own resources. These costs include the employee share of premiums and medical expenses not covered by their medical plan, including copays for doctor and dentist visits, diagnostic tests, prescription medicine, glasses and contacts, and medical supplies.

For this analysis, we estimated OOP costs for individuals with employer-sponsored insurance using the ***median*** as the rate of measure for each state, as using the average or ***mean*** may be distorted by a few outliers representing particularly high rates of OOP spending.

Table 1. Median Family Out-of-Pocket Costs Including Premiums, 2018

United States Median Out-of-Pocket Costs	$3,300
States with Highest Median Out-of-Pocket Costs	
1. Minnesota	$5,000*
2. South Dakota	$5,000*
3. Nebraska	$4,692*
4. Maine	$4,500*
5. Wisconsin	$4,444*
States with Lowest Median Out-of-Pocket Costs	
1. Hawaii	$1,700*
2. New York	$2,200*
3. District of Columbia	$2,360*
4. California	$2,400*
5. Nevada	$2,435*

*Difference with the U.S. statistically significant at the 95% confidence level.

Source: SHADAC analysis of the 2019 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) Public Use Microdata
Note: Out-of-pocket estimates in this analysis include premium contributions, as well as total amount paid for medical expenses such as copays for doctor and dentist visits, diagnostic tests, prescription medicine, glasses and contacts, and medical supplies that were not covered by their employer plan.

As shown previously in Table 1, the annual median U.S. family medical out-of-pocket cost for individuals with ESI coverage was $3,300 in 2018. There was considerable variation across states. Individuals enrolled in ESI in Minnesota had the highest family median out-of-pocket costs at $5,000—nearly three times that of Hawaii's family median out-of-pocket costs, which was $1,700. The five states with the lowest median OOP costs ranged from Hawaii with a median annual rate of $1,700 to Nevada with a median annual rate of $2,435.

Medical Cost Burden among Individuals with ESI

High medical cost burden is commonly defined as "annual out-of-pocket spending on health care that accounts for more than 10 percent of annual income."[4,5] As shown in Table 2, 18.8% of individuals in the U.S. with employer-sponsored insurance had family health care costs greater than 10% of their household income. We found considerable variation across states. In the five states with the largest health care cost burden (South Dakota, Wyoming, North Carolina, West Virginia, and Wisconsin), close to one out of every four individuals with ESI were estimated to incur family health care costs greater than 10% of their household income. The five states with the lowest share of high-burden health care spending range from a low of 9.0% in the District of Columbia to a high in New York, where individuals with high cost medical spending represented almost 15% (14.8%) of individuals with ESI.

Table 2. Percent of Individuals with Employer Coverage in Families with a High Medical Burden, 2018

United States	18.8%
States with Largest High Medical Cost Burden	
1. South Dakota	26.6%*
2. Wyoming	26.5%*
3. North Carolina	24.3%*
4. West Virginia	23.7%
5. Wisconsin	23.6%*
States with Smallest High Medical Cost Burden	
1. District of Columbia	9.0%*
2. Washington	11.9%*
3. Oregon	11.9%*
4. California	14.3%*
5. New York	14.8%*

*Difference with the U.S. statistically significant at the 95% confidence level.

Source: SHADAC analysis of the 2018 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) Public Use Microdata.

Note: Out-of-pocket estimates in this analysis include premium contributions, as well as total amount paid for medical expenses such as copays for doctor and dentist visits, diagnostic tests, prescription medicine, glasses and contacts, and medical supplies that were not covered by their employer plan.

There is quite a bit of overlap between states that have the lowest medical cost burden and lowest median out-of-pocket spending (California, New York, and D.C.) and states that have the highest medical cost burden and highest median out-of-pocket costs (South Dakota and Wisconsin). Minnesota is one exception to this pattern, with the highest median out-of-pocket spending at $5,000 but a relatively low medical cost burden of 16.9% (see Table 3). One potential reason for this difference is that Minnesotans with ESI coverage have higher incomes comparatively to most other states. As a result, families have to spend more on medical care before they reach the 10% of income threshold.

Table 3. Annual Family Medical Out-of-Pocket Spending for People with Employer Coverage

State	Percent with a High Medical Cost Burden	Median Medical Out-of-Pocket Spending ($)
Alabama	19.5%	$2,550 *
Alaska	18.4%	$2,487 *
Arizona	18.1%	$4,025 *
Arkansas	20.2%	$3,250
California	14.3% *	$2,400 *
Colorado	16.9%	$3,300
Connecticut	18.2%	$3,980
Delaware	22.6%	$3,080
District of Columbia	9.0% *	$2,360 *
Florida	20.7%	$2,650 *
Georgia	18.0%	$2,500 *
Hawaii	15.0% *	$1,700 *
Idaho	20.1%	$3,250
Illinois	20.0%	$4,040 *
Indiana	20.8%	$3,700
Iowa	19.9%	$3,640
Kansas	20.8%	$3,700
Kentucky	17.3%	$2,660 *
Louisiana	18.5%	$3,160
Maine	21.5%	$4,500 *
Maryland	17.0%	$4,000 *
Massachusetts	18.3%	$4,160 *
Michigan	21.0%	$3,500
Minnesota	16.9%	$5,000 *
Mississippi	19.4%	$2,800 *
Missouri	21.9%	$3,800 *
Montana	18.7%	$3,200
Nebraska	20.6%	$4,692 *
Nevada	20.8%	$2,435 *
New Hampshire	18.6%	$4,000 *
New Jersey	20.4%	$4,346 *
New Mexico	18.3%	$2,500 *
New York	14.8% *	$2,200 *
North Carolina	24.3% *	$3,700
North Dakota	21.4%	$3,600
Ohio	20.4%	$4,200 *
Oklahoma	22.5%	$3,625
Oregon	11.9% *	$3,120
Pennsylvania	18.3%	$3,612
Rhode Island	20.2%	$4,300 *
South Carolina	23.5% *	$3,360
South Dakota	26.6% *	$5,000 *
Tennessee	19.1%	$2,820
Texas	22.5% *	$3,642 *
Utah	22.9% *	$4,200 *
Vermont	19.4%	$3,800
Virginia	15.4% *	$3,600
Washington	11.9% *	$3,000
West Virginia	23.7%	$3,415
Wisconsin	23.6% *	$4,444 *
Wyoming	26.5% *	$4,100 *
United States	18.8%	$3,300

*Difference with the U.S. statistically significant at the 95% confidence level.

Source: SHADAC analysis of the 2019 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) Public Use Microdata.

Conclusion

Health care spending in the U.S. continues to grow, and individuals across the nation are experiencing high out-of-pocket payments required by most insurers. Even those with private, employment-based coverage are not immune from the high medical cost burden imposed by out-of-pocket spending requirements. The annual median U.S. family medical out-of-pocket cost for individuals with ESI coverage was $3,300 in 2018, and we estimate that almost one in five (18.8%) Americans currently face high medical cost burden. Our brief highlights these rates of medical cost burden across states for those with employer-sponsored insurance. Access to health insurance coverage plus the affordability of care are critical requirements for any health care system.

Notes

All of the out-of-pocket estimates in this analysis include premium contributions and medical expenses not covered by an employee's medical plan, including copays for doctor and dentist visits, diagnostic tests, prescription medicine, glasses and contacts, and medical supplies. They do not include non-prescription health care products such as vitamins, allergy and cold medicine, pain relievers, and aids to quit smoking. The high medical cost burden estimate is defined as "the share of individuals with ESI who are in families where out-of-pocket spending on health care, including premiums, accounted for more than 10 percent of annual income."

Family is defined as "a Health Insurance Unit (HIU), based on individuals who would likely be considered a family unit in determining eligibility for coverage." Employer-sponsored insurance coverage includes policyholders and dependents, and is based on the SHADAC primary coverage hierarchy used for State Health Compare and discussed in our brief "SHADAC's Coverage Hierarchy for American Community Survey (ACS) Estimates on State Health Compare."

Suggested Citation

State Health Access Data Assistance Center (SHADAC). (2020, February). *New 2018 State-level estimates of medical out-of-pocket spending for individuals with employer-sponsored insurance coverage* [SHADAC data report]. University of Minnesota, School of Public Health. Minneapolis, Minnesota.

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[2] State Health Access Data Assistance Center analysis of the 2018 American Community Survey microdata.

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