



## **The Effects of Rising Health Care Costs on Middle-Class Economic Security**

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Rising health care costs and declining health insurance coverage are jeopardizing the health and financial security of middle-class families.

This report examines recent trends in health care and insurance costs and how they contribute to the financial stress and insecurity experienced by middle-class American households during their working and retirement years. Some key findings:

- Health care spending grew at more than twice the rate of inflation between 2000 and 2010. Middle-income households spent 51 percent more on health care in 2010 than a decade earlier.<sup>1</sup>
- Health spending per person reached \$8,402 in 2010, a 72 percent jump from a decade earlier—and nearly triple the 1990 average.<sup>2</sup>
- In 2011, one in three people were in families facing a financial burden from medical bills, and one in five were in families having trouble paying those bills.<sup>3</sup>
- Companies shifted more health insurance costs to their workers over the last decade, more than doubling premiums for family coverage, from \$1,787 in 2001 to \$4,129 in 2011. This has contributed to reductions in health insurance coverage.<sup>4</sup>
- Health-related expenses absorb a large share of incomes for people age 65 and older, and that share is projected to grow over time to 18 percent of future retirees' household income from 8 percent today.<sup>5</sup>
- Close to half (41 percent) of middle-class people on the cusp of retirement, aged 56–62, are at risk of not being able to pay for basic living expenses and out-of-pocket health costs in their later years.<sup>6</sup>
- Long-term care services run from \$22,000 a year for a part-time home care assistant to \$91,000 for nursing home care. These costs are not covered by Medicare, and few people purchase long-term care insurance.<sup>7</sup>

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- <sup>1</sup> Source: Bureau of Labor Statistics, U. S. Department of Labor, Consumer Expenditure Survey, 2001 and 2011, <http://www.bls.gov/cex/#tables>.
- <sup>2</sup> Anne B. Martin et al., Growth in US Health Spending Remained Slow in 2010; Health Share of Gross Domestic Product was Unchanged from 2009, *Health Affairs* 31(1) (2012):208–19.
- <sup>3</sup> Robin A. Cohen et al., *Financial Burden of Medical Care: Early Release of Estimates from the National Health Interview Survey, January-June 2011*, National Center for Health Statistics, March 2012, [http://www.cdc.gov/nchs/data/nhis/earlyrelease/financial\\_burden\\_of\\_medical\\_care\\_032012.pdf](http://www.cdc.gov/nchs/data/nhis/earlyrelease/financial_burden_of_medical_care_032012.pdf).
- <sup>4</sup> Kaiser Family Foundation and Health Research & Educational Trust (KFF-HRET), *Employer Health Benefits: 2011 Annual Survey*, 2011, <http://ehbs.kff.org/pdf/2011/8225.pdf>.
- <sup>5</sup> Barbara Butrica and Mikki Waid, *What Are the Retirement Prospects of Middle Class Americans* Research Report (Washington, DC: AARP Public Policy Institute, 2013).
- <sup>6</sup> Jack VanDerhei and Craig Copeland, *The EBRI Retirement Readiness Rating: Retirement Income Preparation and Future Prospects*, EBRI Issue Brief, No. 344, July 2010, [http://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_07-2010\\_No344\\_RRR\\_RSPM1.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_07-2010_No344_RRR_RSPM1.pdf).
- <sup>7</sup> MetLife Mature Market Institute and LifePlans, Inc., *Market Survey of Long-Term Care Costs: The 2012 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs*, November 2012, <https://www.metlife.com/assets/cao/mmi/publications/studies/2012/studies/mmi-2012-market-survey-long-term-care-costs.pdf>.