

# Health care financing system deepens poverty and income inequality

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Households' payments for medical premiums, copayments and deductibles pushed more than 7 million Americans into poverty in 2014, according to a study appearing in the *American Journal of Public Health*. Such payments also dramatically worsened overall income inequality.

The researchers analyzed data on household medical payments from the Census Bureau's 2010-2015 Current Population Survey, the standard source for estimating income and poverty. First, the researchers calculated the number of people who were below the poverty level before taking into account their medical expenses. Then they compared that to the number whose income fell below the [poverty level](#) after subtracting payments for [health insurance](#) and out-of-pocket medical expenses.

After taking account of households' medical payments, the incomes of the poorest 10% of the population fell by 47.6 percent. In addition, the burden of [health care](#) spending fell steadily as income rose. Such spending cut the incomes of households at the median income by about 8 percent, while it reduced the income of the wealthiest 1 percent by only 1.3 percent.

In their analysis, the researchers found that families' [health care spending](#) markedly increased overall income inequality. Using economists' standard measure of income inequality, the Gini index, they found that the index worsened by 1.37 points after taking account of [health care expenditures](#). If employer-paid premiums were considered

part of an employee's compensation (a standard assumption in economics), the effect of medical payments on income inequality was even greater, a worsening of 1.70 points. These [health](#) spending impacts on incomes were equivalent to transferring between \$149.6 billion (1.37 percent) and \$185.6 billion (1.70 percent) from households with incomes below \$75,738 to wealthier households in 2014.

The study also found that the Affordable Care Act slightly improved this pattern (by 0.10 points) even before considering the effects of its \$22 billion increase in Medicare taxes on the top 2 percent of earners.

Dr. Steffie Woolhandler, a study author who is a distinguished professor of [public health](#) at the City University of New York at Hunter College (CUNY/Hunter) and lecturer in medicine at Harvard Medical School commented: "In many other countries, health care helps cushion the effects of poverty. But our health care financing system drives millions of Americans into poverty and worsens inequality. That's not just a financial problem, it's a medical one because poverty breeds ill-health."

According to Dr. David Himmelstein, a distinguished professor at CUNY/Hunter and staff physician at Montefiore Medical Center in the Bronx: "In recent years, the gaps between rich and poor in both [income](#) and life expectancy have widened. Today, the richest Americans live 10 to 15 years longer than the poorest. A national health insurance program funded from progressive taxes instead of premiums and out-of-pocket payments would shift the financing burden to those who can afford it, and improve the health of our nation."

**More information:** Andrea S. Christopher et al, The Effects of Household Medical Expenditures on Income Inequality in the United States, *American Journal of Public Health* (2018). [DOI: 10.2105/AJPH.2017.304213](https://doi.org/10.2105/AJPH.2017.304213)

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