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How Much Does Health Insurance Affect Health?

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There have been a number of claims that lack of insurance is life threatening. The most recent and well known is an Institute of Medicine (IOM) study claiming that 18,000 people die every year because they do not have health insurance.[1] Using a similar methodology, a study for the Physicians for a National Health Program expanded that number to 44,789.[2] Families USA, a nonprofit advocacy group, went as far as to predict the number of deaths by state.[3] “More than eight people die each day in California because they don’t have health insurance,” the organization asserts.[4] Careful analysis by such scholars as the former Congressional Budget Office director June O’Neill[5] and health economist Linda Gorman[6] find these studies are defective.

Helen Levy and David Meltzer, scholars with an interest in healthcare, found that most studies that attempt to find a causal link between health insurance and health status were poorly designed. They conclude that, although health insurance can make a difference to selected subpopulations of people, for most people, the effect is very modest.[7] In a more thorough study, former Clinton adviser Richard Kronick found that insurance had virtually no effect on mortality rates.[8]

Moreover, in the decision about where to invest finite resources to improve health outcomes, universal coverage may not be the low-hanging fruit. Michael Cannon, the director of health policy studies at the Cato Institute, points out that if improving health status is the primary goal, there is no evidence that universal coverage would accomplish this any better than, say, boosting education or expanding community health centers. If saving lives is the primary goal, the IOM’s own estimates suggest that reducing preventable medical errors would save far more lives than boosting health coverage.[9]

As I discuss in my new book *Priceless: Curing the Healthcare Crisis*, the conventional wisdom among health experts across the ideological spectrum is that people need health insurance to get good healthcare. Indeed, to some politicians the terms “no healthcare” and “no health insurance” are interchangeable. Almost as widely accepted is the view that some health plans are a ticket to better healthcare than others. But a RAND Corporation study shatters those assumptions:[10]

- Among people who seek care (actually see a doctor), RAND researchers found virtually no difference in the quality of care received by the insured and uninsured.
- They also found very little difference in the care provided by different types of insurance—Medicaid, managed care, fee-for-service, and so forth.

Unfortunately, the care everyone received was less than ideal. The study concluded that patients received recommended care only about half the time.

The implication is that reforming the supply side of the medical marketplace is far more important than getting everyone on the demand side insured.

For people who have a hard time imagining a world in which health insurance does not matter, consider the case of Parkland Memorial Hospital in Dallas, Texas. Both uninsured and Medicaid patients enter the same emergency room door and see the same doctors. The hospital rooms are the same, the beds are the same, and the care is the same. As a result, patients have no reason to fill out the lengthy forms and answer the intrusive questions that Medicaid enrollment so often requires.

Furthermore, the doctors and nurses who treat these patients are paid the same, regardless of patients' enrollment in an insurance plan. Therefore, they tend to be indifferent about who is insured by whom, or if they're even insured at all. In fact, the only people concerned about who is or is not enrolled in what plan are hospital administrators, who worry about how they will cover the hospital's costs.