



# Paying Out-of-Pocket

The Healthcare Spending of 2 Million US Families

## Executive Summary



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Healthcare costs are rising for families. In 2015 the US spent 18 percent of Gross Domestic Product (GDP) on healthcare, up from 13 percent in 2000.<sup>1</sup> For every dollar spent on healthcare, families paid 11 cents out-of-pocket and 28 cents after including insurance costs.<sup>2</sup> While the Centers for Medicare and Medicaid Services projects healthcare spending to continue to grow faster than GDP through 2025, the future of family-paid healthcare costs also rests with policy choices currently being debated. Out-of-pocket costs are a key piece of that picture, as family healthcare spending has a meaningful impact on families' financial lives and their ability to access credit.

The JPMorgan Chase Institute set out to better understand out-of-pocket healthcare spending among US households. Building off a sample of 2.3 million de-identified core Chase customers aged 18 to 64 between 2013 and 2016, we assembled the JPMorgan Chase Institute Healthcare Out-of-pocket Spending Panel (JPMCI HOSP) data asset in order to explore the levels, concentration, and growth of out-of-pocket healthcare spending and the implications for household financial health. The JPMCI HOSP provides a first-ever look into out-of-pocket healthcare spending for households on a month-to-month basis, at the state, metro, and county level, and as recent as 2016. In this report, we describe the creation of, and initial insights gleaned from, this new data asset.

## JPMCI HOSP Data Asset

From a universe of 37 million checking account holders, we assembled a de-identified sample of approximately 2.3 million Chase customers. We offer a family perspective on out-of-pocket healthcare spending among adults aged 18 to 64.

**37 MILLION**

checking account holders

**2.3 MILLION**

Chase customers met the following three criteria between 2013 and 2016:

- ✓ Had at least five outflows from a personal checking account in each month and at least \$5,000 in take-home income each year.
- ✓ Spent less than 50 percent of expenses using paper checks, non-Chase credit cards, or cash in each calendar year.
- ✓ Were between 18 and 64 years of age.

## OUR LENS ON OUT-OF-POCKET HEALTHCARE SPENDING

We offer a family perspective on out-of-pocket healthcare spending among adults aged 18-64.

- ✓ Includes payments made using a credit card, debit card, or electronic bill pay.
- ✗ Excludes healthcare payments made via cash, check, and non-Chase cards (e.g. health reimbursement accounts), premium payments, and health insurance reimbursements.

Timing is based on when a payment was made, and not when healthcare services were received.

### SUB-CATEGORIES INCLUDE:

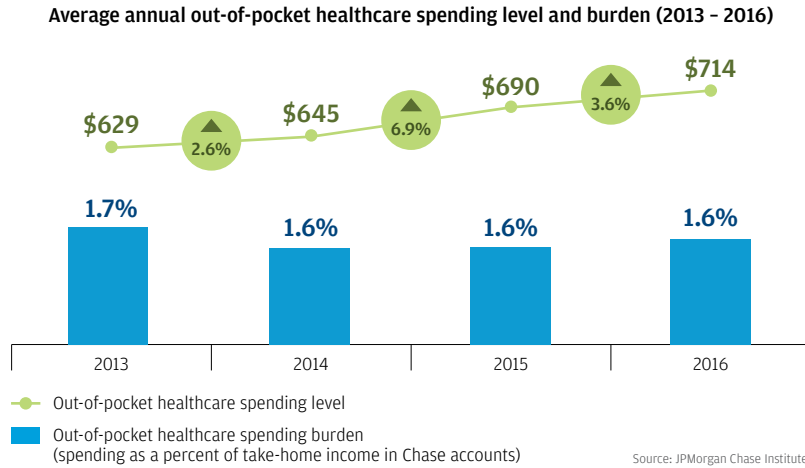
- |  |  |  |
|--|--|--|
|  Dental |  Hospital |  Drug         |
|  Doctor |  Vision   |  Chiropractor |

Source: JPMorgan Chase Institute

## Finding One

Out-of-pocket healthcare spending grew between 2013 and 2016, but remained a relatively constant share of take-home income.

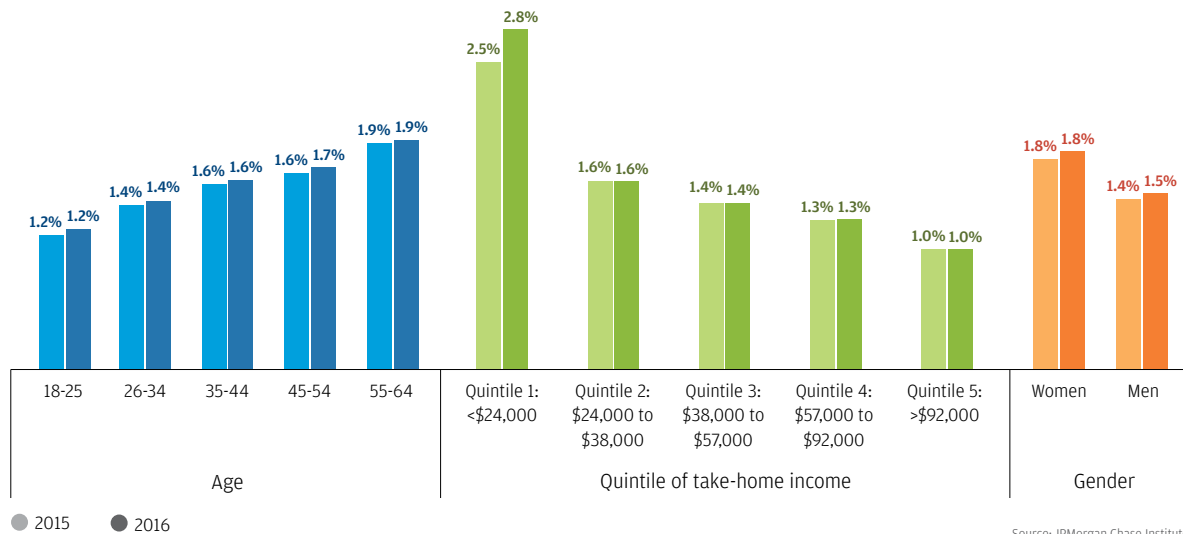
Families spent on average \$714 or 1.6 percent of their take-home income on out-of-pocket healthcare spending in 2016. Out-of-pocket healthcare spending grew by an average annual rate of 4.3 percent.



## Finding Two

The financial burden of out-of-pocket healthcare spending was highest for older, lower-income, and female account holders and increased in 2016 for low-income account holders.

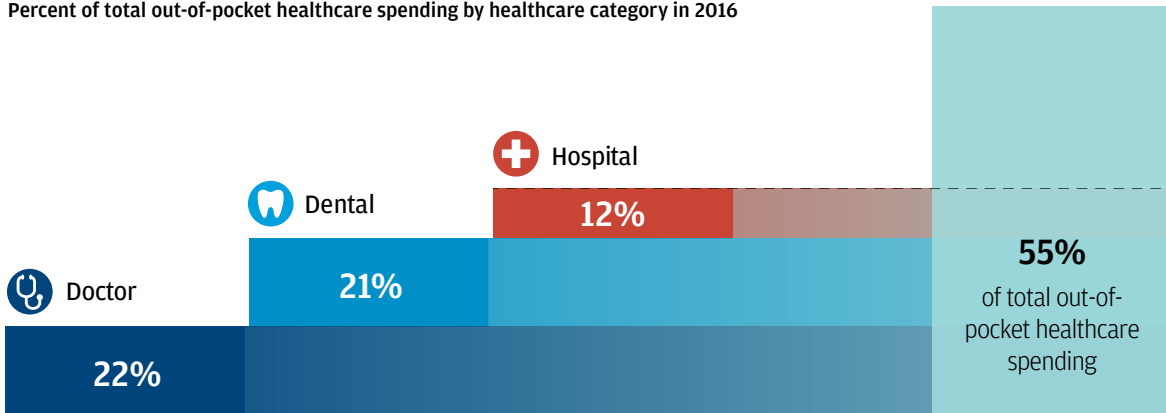
Out-of-pocket healthcare spending as a percent of take-home income by year and demographic characteristics of the primary account holder



**Finding Three**

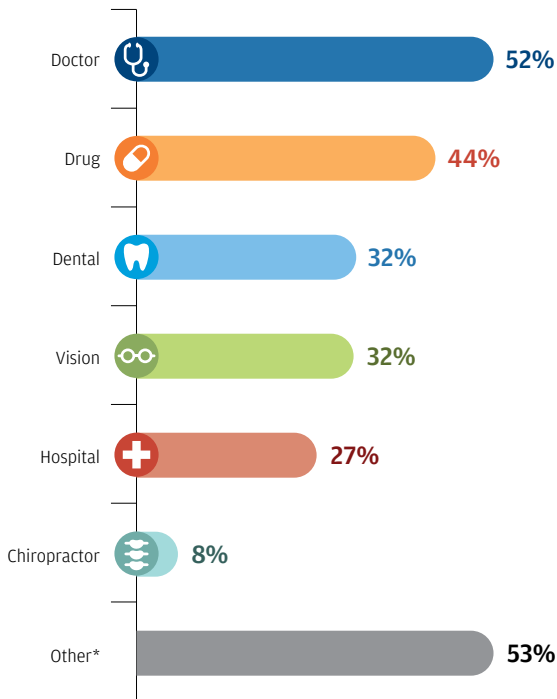
Doctor, dental, and hospital payments accounted for more than half of observed healthcare spending. Dental and hospital payments were less common but larger in magnitude.

Percent of total out-of-pocket healthcare spending by healthcare category in 2016

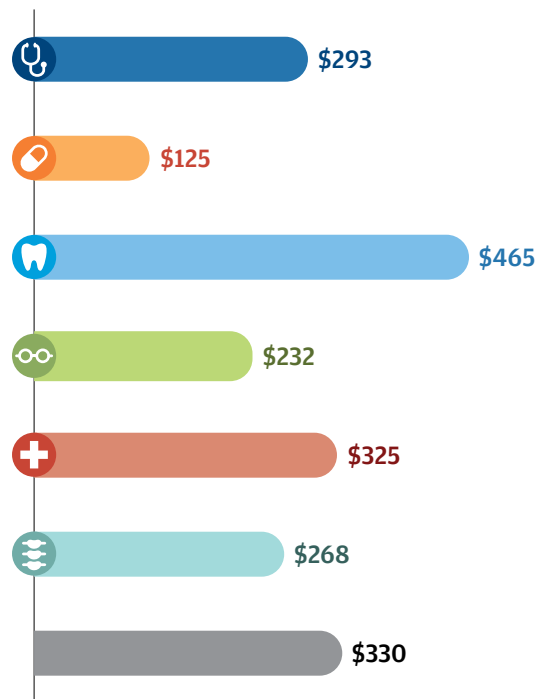


Source: JPMorgan Chase Institute

Percent of families with positive out-of-pocket healthcare spending by healthcare category in 2016



Average positive out-of-pocket healthcare spending by healthcare category in 2016



\* Other healthcare services included non-doctor services or products, such as medical supplies, lab tests, and home health services.

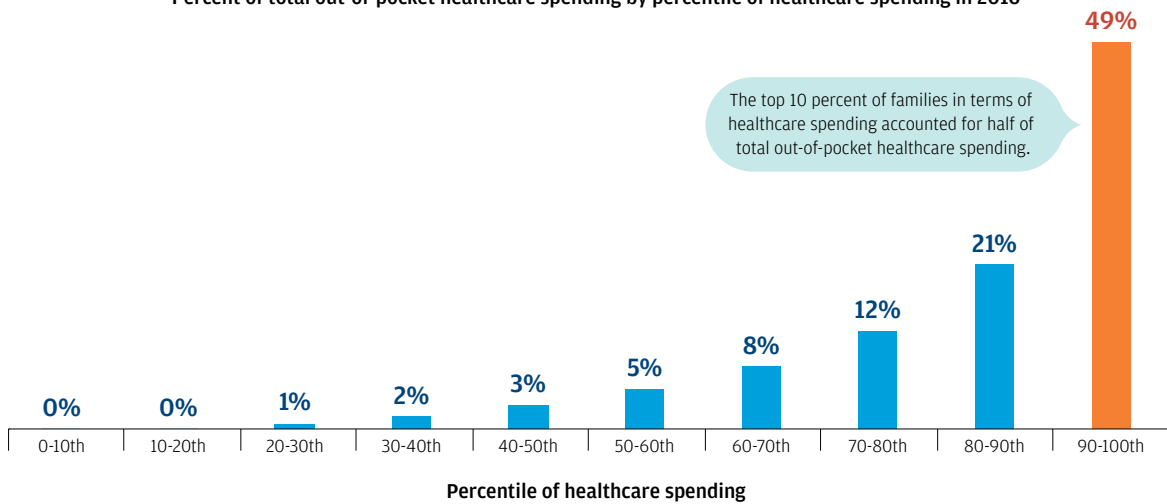
Source: JPMorgan Chase Institute

**Finding Four**

Out-of-pocket healthcare spending was highly concentrated among a few families—often the same families year-over-year. The top 10 percent spent 9 percent of their take-home income on out-of-pocket healthcare expenses.

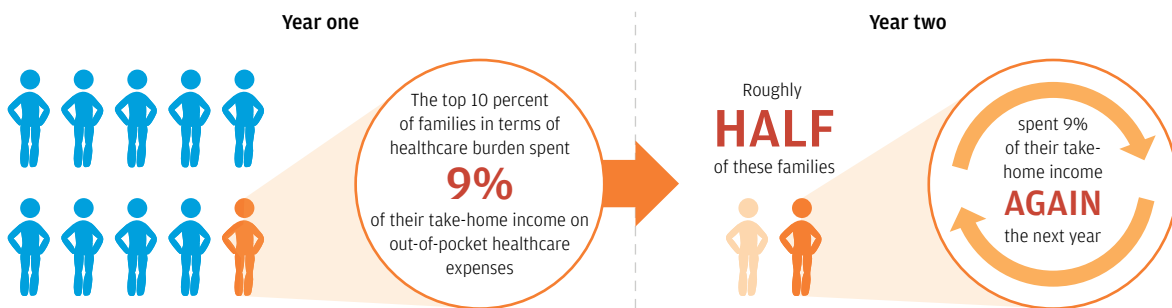
Out-of-pocket healthcare spending was highly concentrated among a small segment of the population. The top 10 percent of healthcare spenders contributed 49 percent of total out-of-pocket spending in 2016. Seventeen percent of families had no healthcare spending in 2016.

Percent of total out-of-pocket healthcare spending by percentile of healthcare spending in 2016



Source: JPMorgan Chase Institute

The top 10 percent of families in terms of healthcare burden spent 9 percent of their take-home income on out-of-pocket healthcare expenses—as much as a typical family spends on all combined utility and cell phone bills in a year—and 48 percent of them did so again the following year.



the amount that one family spends on cell phone and utility bills per year

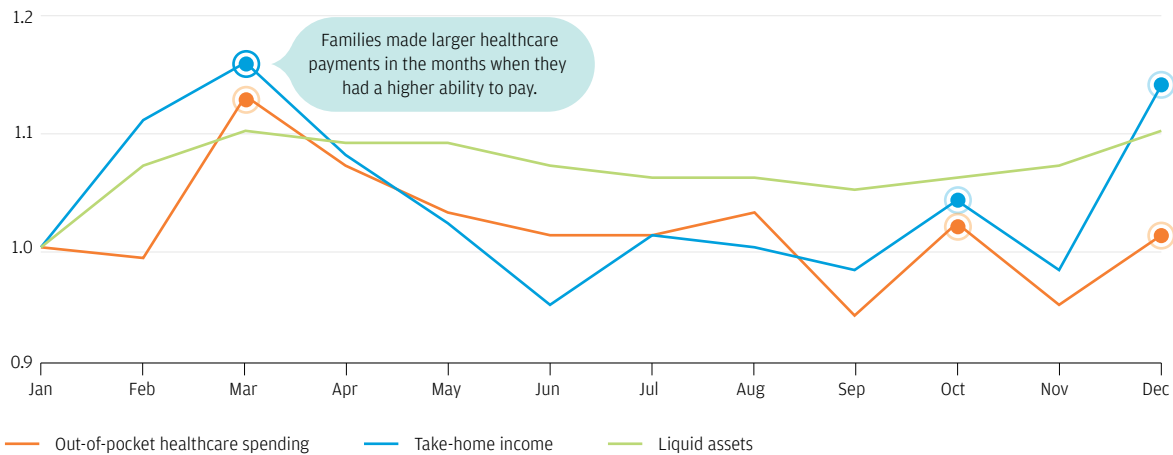
Source: JPMorgan Chase Institute

# Finding Five

Families made larger healthcare payments in the months and the years when they had a higher ability to pay. Elevated dental and hospital payments primarily contributed to high healthcare spending.

Monthly out-of-pocket healthcare spending was highly correlated with monthly take-home income. In each year during 2013-2016, families had the highest out-of-pocket healthcare spending in months of elevated income: March and April (tax refund season), October, and December.

Ratio of mean monthly out-of-pocket healthcare spending, take-home income, and liquid assets to their respective levels in January (2013-2016)



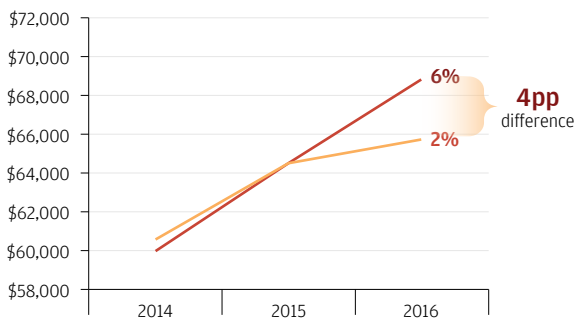
Source: JPMorgan Chase Institute

### High out-of-pocket healthcare spending:

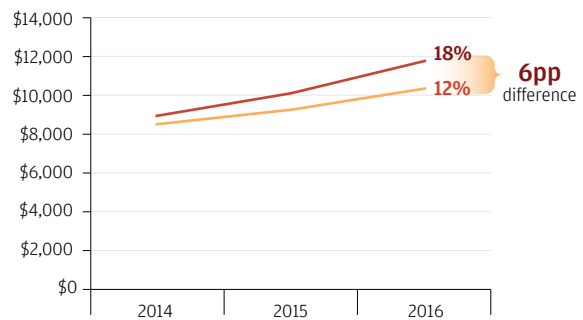
- **Large:** at least \$1,000
- **Significant:** at least 2 percent of take-home income

Among families with normal healthcare spending in 2015, those who transitioned to higher spending in 2016 also experienced faster growth in take-home income (4 percentage points higher) and liquid assets (6 percentage points higher) than families who exhibited normal healthcare spending again in 2016.

Take-home income



Liquid assets

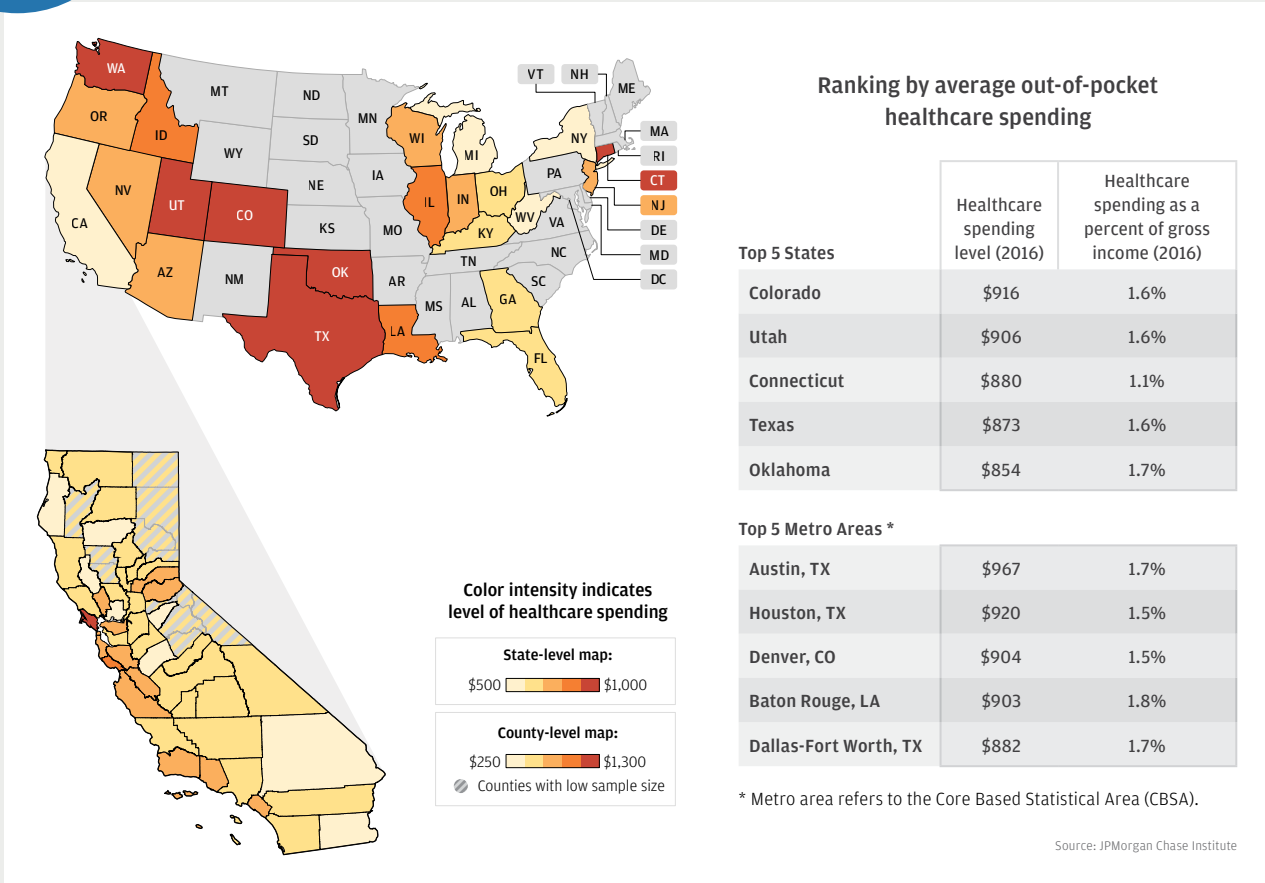


— Families with normal healthcare spending in 2015 and 2016  
 — Families with normal healthcare spending in 2015 and high healthcare spending in 2016

Source: JPMorgan Chase Institute

## Finding Six

There was dramatic variation in out-of-pocket healthcare spending across and within our 23 states. Families in Colorado spent the most on healthcare, while families in Louisiana spent the highest fraction of their gross income on healthcare.



## Conclusion

The JPMorgan Chase Institute Healthcare Out-of-pocket Spending Panel (JPMCI HOSP) offers several key insights as we evaluate proposed changes to our healthcare policies. First, out-of-pocket healthcare expenses represent a stable share of household income in aggregate, but are a source of financial strain for certain families. Healthcare reform should take into consideration the impact on households who are more financially burdened by healthcare expenses—specifically older, low-income, and female account holders. Second, healthcare spending may be large, unexpected, and concentrated in the months and years when families have a higher ability to pay. As such, consumers would benefit from more transparent pricing and payment options to better manage healthcare expenses. Third, cost containment measures, including value-based care, could have meaningful impacts on costs borne by families, not just by insurers and healthcare providers. Finally, wide variation in levels and burden of healthcare spending across geographies underscores the importance of healthcare as a state and local policy issue.

# Endnotes

- 1 Estimates based on National Health Expenditure Accounts data.
- 2 According to the National Health Expenditures Accounts 2015 data, the federal government pays for 29 percent of health care spending, households 28 percent, private business 20 percent and state and local governments 17 percent. Broken down by major source of fund, Medicare represents 20 percent, Medicaid 17 percent, private health insurance (including employee and individual premium payments) 33 percent, and out-of-pocket spending 11 percent (NHEA, 2015).

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