Does it Matter Whether Rural Residents Spend More Out-of-Pocket on Their Health Care Expenses than Urban Residents?

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“Yes,” say Lister Hill scholar Paige Powell and colleagues. “The burden of out-of-pocket spending is greater among rural residents than urban residents because their incomes are lower. This may indicate that rural residents are more sensitive to higher co-payments, deductibles, and other out-of-pocket spending than their urban counterparts. Increased cost sharing may cause delays in seeking care, foregoing care, and reduced effectiveness of care sought.”

As many as 1.6 million American families are at risk of entering poverty as a result of their out-of-pocket medical expenses. The financial burden of medical expenses can be assessed by examining the ratio of expenses to total income which shows that ratios differ by age, health status, and service type. Rural residents face unique barriers to care and therefore should be analyzed separately from other populations. Rural counties tend to have fewer minorities, a higher percentage of people living below the poverty line, fewer health care providers, and higher rates of certain diseases, such as coronary heart disease and lung disease.

The data analyzed came from the 1998 Medical Expenditure Panel Survey (MEPS) data file, maintained by the Agency for Healthcare Research and Quality (AHRQ). In 1998, rural African Americans spent nearly 16 percent of their total income for health care, compared to 11.4 percent for urban African Americans, 13.1 percent for rural Whites, and 8.9 percent for urban Whites. Rural women had an expenditure to total income ratio that was 34 percent higher than that of urban women. Previous studies have shown that as patients share more of the cost of health care, their utilization decreases which can reduce the effectiveness of care received and potentially produce a lagged increase in hospitalizations.

“Policy makers have considered the need of lower income individuals in designing aspects of the Affordable Care Act,” say the researchers. “Expanding Medicaid to 133% of the FPL, offering premium tax credits, and most importantly, limiting the total dollar amount of out-of-pocket costs, are all strategies that will benefit those with higher out-of-pocket to total income ratios and will likely reduce the overall financial burden of seeking care. Rural residents may benefit more from this than urban residents due to lower incomes and higher rates of uninsurance in rural areas.”