

**Cookies Notification** ✕

This site uses cookies. By continuing to browse the site you are agreeing to our use of cookies.

[Find out more.](#)

Accept



DATAWATCH

[HEALTH AFFAIRS](#) > [VOL. 5, NO. 4](#)

A Look at Catastrophic Medical Expenses and the Poor

[S.E. Berki](#)

[AFFILIATIONS](#) >

University of Michigan School of Public Health

PUBLISHED: WINTER 1986 **No Access** <https://doi.org/10.1377/hlthaff.5.4.138>

 [View Article](#)

A Look At Catastrophic Medical Expenses And The Poor

by S. E. Berki

Catastrophic illness, or, more precisely, financially catastrophic illness, affects a relatively small percentage of the population, yet it accounts for a substantial share of national health expenditures. The relative national magnitude of the problem depends entirely on how one defines a catastrophic level of expenditure, and who incurs the expense. Several coronary artery bypass procedures at \$25,000 to \$30,000 apiece may represent a catastrophic expenditure for a small, newly established health maintenance organization (HMO) even though it may not be financially catastrophic for the patients if their health benefits pay for them. On the other hand, even a relatively low-cost disease, involving no more than a \$2,000 expenditure, may be financially disastrous for a low-income family without health insurance. From society's perspective, a disease may have catastrophic financial implications if it results in high productivity losses, what economists call the indirect costs of illness, resulting from premature mortality and high morbidity in the working-age population. It is important, therefore, to distinguish between high-cost and financially catastrophic illness and to specify both the bearer of cost for whom financial catastrophe is implied as well as the point at which expenditures become catastrophic.

Current discussion of catastrophic health insurance focuses on expenditures by the family. An expenditure for medical care becomes financially catastrophic when it endangers the family's ability to maintain its customary standard of living. Based on the belief that the basic spending unit is the family and not the individual (since the welfare of each individual within the family is interdependent), expenditures per family rather than per capita are the appropriate units of analysis and of policy. Thus the threshold at which a level of out-of-pocket expenditure becomes financially catastrophic should be defined relative to family income.¹ A hospital episode costing \$5,000 is not financially catastrophic for any family whose health insurance (whether private, Medicare, or Medicaid) fully pays for it. It may not be catastrophic for a family—even

S.E. Berki is professor of health services management and policy at the University of Michigan School of Public Health. He is an economist who has resided at the University of Michigan for two decades.

TOPICS

[CLINICAL CARE](#) | [COSTS AND SPENDING](#) | [OUT-OF-POCKET EXPENSES](#) | [CATASTROPHIC HEALTH INSURANCE](#) | [LOW INCOME](#) | [PRIVATE HEALTH INSURANCE](#) | [HEALTH SERVICES](#) | [INCOME LEVELS](#) | [NATIONAL HEALTH EXPENDITURES](#) | [HEALTH MAINTENANCE ORGANIZATIONS](#)

Health Affairs Comment Policy

Comment moderation is in use. Please do not submit your comment twice -- it will appear shortly.

Please read our Comment Policy before commenting.

Got it

0 Comments

1 Login ▾



LOG IN WITH

OR SIGN UP WITH DISQUS ?



• Share

Best Newest Oldest

Be the first to comment.

Subscribe Privacy Do Not Sell My Data

DISQUS

HealthAffairs

PUBLISHING

1101 Connecticut Ave NW #500

Washington, DC 20036

T 202 408 6801

F 301 654 2845

customerservice@healthaffairs.org

TOPICS

Access & Use
Costs & Spending
COVID-19
Health Equity
Health Reform
Leading To Health
More Topics

CONTENT

Journal
Forefront
Scholar
Briefs
Events
Podcasts
Collected Works

INFORMATION FOR

Authors
Request For Abstracts
Reviewers
Subscribers
Advertisers
Media News Room
Funders
Event Attendees

SERVICES & RESOURCES

Submit Content
Subscribe
Renew
Manage My Account
Purchase Content
Permissions
Alerts
Newsletter Sign Up
Advertising Kit

ABOUT

About Health Affairs Publishing
Terms & Conditions
Privacy Policy
Jobs
Fellowships
Contact Us



Standard of
Excellence
Winner



[Terms and conditions](#) | [Privacy](#) | [Project HOPE](#)

Health Affairs Publishing is pleased to offer [Free Access for low-income countries](#). Health Affairs Publishing gratefully acknowledges the support of many [funders](#).

Health Affairs is an official journal of [AcademyHealth](#).



Health Affairs Publishing, LLC, is a subsidiary of [Project HOPE](#), a nonprofit global health and humanitarian organization. Health Affairs Publishing is editorially independent from Project HOPE.

Copyright 1995 - 2026 by Health Affairs Publishing, LLC, eISSN 2694-233X.