



National Association of Health Underwriters

Who Are America's Uninsured?

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According to U.S. Census Bureau estimates¹, there were 45.7 million Americans who lacked health insurance coverage in 2007— that's approximately 15.3 % of the population. It's a staggering figure, and it produces staggering images. Our nation's largest football stadium holds 102,501 people. Can you see it filled 458 times over with just uninsured Americans?

The numbers also produce staggering questions about what this really means. Chief among them:

- What constitutes being uninsured in America?
- Who are these uninsured Americans, and why don't they have coverage?
- What are we doing to address this problem?
- What else can we do to fix the problem of the uninsured?

What constitutes being uninsured in America?

The most widely cited data on the number of uninsured Americans is collected on an annual basis by the U.S. Census Bureau each March, and is released each August. The Census Bureau surveys approximately 78,000 households, and their survey includes detailed health insurance questions asked of the household respondent for every household resident. Respondents are asked about health insurance coverage in the previous calendar year. The Census Bureau then counts the individuals reported as not being covered by either an employer-sponsored health insurance program, individual private health insurance, a government sponsored health coverage program (such as Medicaid or Medicare) or some other type of health insurance plan (such as a purchasing pool or a state high-risk pool) as being uninsured.²

What's interesting about those numbers is that they don't indicate how long these individuals go without health insurance coverage. For most individuals, being uninsured is a temporary situation. Just as many people spend some time during their lives as unemployed, many people go without health insurance for a short period. According to a Congressional Budget Office (CBO) study³ of the non-elderly population, approximately 45% of uninsured Americans go without coverage for four months or less. Seventy-one percent of Americans obtain health insurance coverage within 12 months of being uninsured, and 84% have health insurance coverage within 24 months. Only 16% of the uninsured population goes without coverage for more than 24 months.

Another thing that's very interesting about the Census Bureau's numbers is that they have been deemed too high by other very reputable sources. "The Congressional Budget Office (CBO) estimates that between 21 million and 31 million people were uninsured for the entire year in 1998—the most recent year for which reliable comparative data were available [when their study was conducted in 2003]. Since then, the number who are uninsured all year probably has not changed substantially, given historical trends."⁴ Further supporting the CBO data are two more recent studies, one by the Urban Institute and one by the Actuarial Research Corporation. Both of these studies were commissioned by the federal Department of Health and Human Services in 2004, and both found that the Census data may overestimate the number of American uninsured.⁵ The Urban Institute study used data from 2001, 2003 and 2004, and it concluded that the Census surveys might have overestimated the number of uninsured by up to 4 million people.⁶ An

analysis by the Actuarial Research Corporation focused on 2003, and concluded that 9 million, or 20%, of the 45 million people identified by the U.S. Census Bureau as uninsured in 2003 actually did have health insurance coverage.⁷

Both the Urban Institute study and the Actuarial Research Corporation's report concluded that an undercount of Medicaid recipients was likely the reason for the discrepancy.⁸ Another reason the Census numbers bear scrutiny is that while they are supposed to represent people who were uninsured at any point during the given year, they actually more closely represent the number of people who are uninsured at a specific point in time during the year. Also, because the data is collected from individual respondents, and because health insurance is such a complicated topic, the probability of human reporting errors impacting the data is high.

Who are these uninsured Americans and why don't they have coverage?

Regardless of which uninsured number you use, the fact remains that millions of people go without health coverage every year, which impacts their ability to obtain needed health care services. And to be able to help solve the problem of the uninsured, it's critical to know more about this population and why they do not have coverage. Education and income level have been shown to impact health insurance status, with higher levels of both leading to a higher likelihood of being insured. In addition, race has been determined to play a factor, particularly among the Hispanic population. Of all racial and ethnic groups, they have the highest uninsured rate at 32.1 percent.⁹ Another interesting fact about the uninsured is that the vast majority of them are part of working families. The CBO estimates that nearly 90 percent of the people who were uninsured all year in 1998 were in families in which at least one person worked, either part time or full time. CBO indicates that 75% of the uninsured in these working families did not have access to insurance through their employer, while the remainder declined employer-based health insurance.¹⁰

When trying to determine why people do not have health insurance coverage, the common denominator seems to be price. Seventy-one percent of the non-elderly uninsured, and 97.5 percent of the non-elderly uninsured that go without coverage for more than one year, indicate cost as the driving factor for their lack of coverage. Another leading cause is the lack of employer-sponsored health insurance coverage, which relates directly back to the cost issue. CBO states that 61% of uninsured non-elderly adults report the lack of group coverage as a contributing factor in their insurance status¹¹, and research shows that cost, combined with a weak labor market has resulted in many smaller employers either dropping their group coverage or requiring employees to pick up more of the cost of premiums. From 2000-2004, a *Health Affairs* study indicated that the percentage of employers with between three and 1,999 employees who offered health benefits dropped from 68 to 63%.¹²

What is being done to address this problem?

Despite the frequent claim that the United States is the only major industrialized country not to provide universal access to health care for its citizens, the federal government actually has a number of programs and measures in place to provide access to coverage, and the federal government spends upwards of \$99 billion per year to provide care for the uninsured¹³. Federal law mandates that providers treat all individuals that enter hospital emergency rooms, regardless of health insurance status, the federal Medicare program provides comprehensive health coverage to all Americans over the age of 65, and Medicaid is a state-federal partnership program that provides a safety net of coverage to low-income pregnant women, children, teenagers, senior citizens, and blind and disabled individuals. In addition, the State Children's Health Insurance

Program (SCHIP), which provides federal and state funding to extend health coverage to pregnant women and children up to age eighteen with family incomes of up to 185% of the federal poverty level, and many states have raised those levels up even further. Also, the federal Health Care Tax Credit Program is available to provide direct private health insurance purchasing assistance to hundreds of thousands of displaced U.S. workers. In addition to the federal initiatives, there are a multitude of programs at both the state and local levels designed to provide lower income Americans and individuals with specific conditions and medical needs with access to health care services.

The question remains, though, exactly how effective are these public programs at providing coverage? How many of the uninsured are aware of these sources of coverage, and how many access them to obtain needed health care services? Medicare provides coverage to virtually all Americans age 65 and older, but Medicaid and the state Children's Health Insurance Program do not serve millions of individuals who are eligible for the program. Research estimates that about half of eligible non-participants have private coverage and half are uninsured¹⁴ Little data is available about the effectiveness of the myriad of state and local programs that provide individuals with access to health care services, if not access to actual coverage.

What does NAHU propose to fix the problem of the uninsured?

NAHU, as a professional organization of more than 20,000 benefit specialists, is extremely concerned about the problem of the uninsured. We are particularly concerned about those individuals who are chronically uninsured, those individuals who qualify for existing programs to obtain care and coverage but for a variety of reasons do not access them, and the affordability of health insurance coverage. Seventy-one percent of the uninsured, including 97.5% of the long-term uninsured, indicate cost as the driving factor for their lack of coverage¹⁵.

Healthy Access is NAHU's road map to reform and expanded health insurance coverage in America. The following proposals set forth a series of policy recommendations building on choice and the strengths of our private health care system:

Behavior and Lifestyles Recommendations

Unhealthy behavior and lifestyle choices are two key factors in the increased cost of health care. Research shows as much as 50% of health care costs are attributable to individual behaviors such as smoking, alcohol abuse and obesity.

Solution:

Require federal and state governments to incorporate wellness and disease-management programs into all government health coverage programs and provide employers with tax incentives for wellness program creation.

System Inefficiencies Recommendations

Duplication, overuse of medical procedures that add little value, and medical errors increase medical spending unnecessarily. Both patients and providers should focus on more effective alternatives.

Solutions:

- Provide incentives for providers to improve system efficiencies and eliminate errors by using pay-for-performance, best-practice guidelines and evidence-based medicine.
- Create federal standards for interoperable electronic medical record technology to help unify the health care system.
- Enact comprehensive medical malpractice reform that limits non-economic damage awards, allocates damages in proportion to degree of fault, and places reasonable limits on punitive damages and attorney fees.

Cost-Shifting Recommendations

When one group pays less for services, another group pays more to make up the difference. The biggest contributors to cost-shifting are Medicare, Medicaid and other federal programs providing an important safety-net for the many who cannot afford private health insurance.

Solution:

Reimburse providers participating in all federal health care coverage programs, including Medicaid, Medicare and SCHIP, at the same level paid to providers serving federal employees through the Federal Employees Health Benefit Plan.

Reducing Utilization Recommendations

Utilization of health care services is increasing. Because we have insurance benefits to help pay for our health care, most Americans never know the full cost of their medical care. Americans need to be more engaged as consumers because informed shoppers are more efficient consumers, and efficient consumers spend less money.

Solutions:

- Encourage expansion of consumer-directed health insurance products.
- Make consumers fully aware of the cost of the health care that they are purchasing by incenting health plans and providers to provide greater price transparency.

Guaranteed Access to Health Insurance Coverage in Every State

All Americans should have access to affordable health care coverage. As important as affordability, however, is choice. There needs to be choice of providers, choice of payers and choice of benefits, with many price and coverage options.

Solutions:

- Require all states to have at least one private guaranteed purchasing option for all individual health insurance market consumers.
- Provide seed grants to states creating high-risk pools.
- Make subsidies available to low-income individuals who otherwise cannot afford coverage.

Tax Equity Recommendations

Most privately insured Americans receive their health insurance coverage through their employer or the employer of their spouse or parent. NAHU strongly supports the employer-based health insurance system and we believe the preservation of the federal employer tax deduction and employee tax exclusion for health benefits is critical. However, the employer-sponsored coverage isn't right for everyone and individual health insurance consumers should have tax equity.

Solution:

Equalize tax deductions so that individuals and the self-employed have the same deductions as corporations, while still providing the federal income tax exclusion for individuals happily insured under group health insurance plans.

We believe there is not a single answer to the problems of the uninsured and rising health care costs. A multifaceted approach will be required because the American population is very diverse and no one solution will fit the needs of all of our citizens. However, we believe that any attempt to provide Americans with access to health coverage should preserve the private health insurance market. Other countries have experimented with government-run health care systems, and this has resulted in high-cost, lower-quality rationed care.

Implementation of the initiatives set forth in *Healthy Access* will result in comprehensive reforms, making health insurance coverage affordable and accessible to everyone without destroying a system that works extremely well for the vast majority of consumers.

¹ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2007*. August 2008. <http://www.census.gov/prod/2008pubs/p60-235.pdf>

² U.S. Census Bureau. *Source and Accuracy of Estimates for Income, Poverty and Health Insurance Coverage in the United States: 2007*: August 2008. http://www.census.gov/hhes/www/p60_235sa.pdf

³ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

⁴ Ibid.

⁵ *American Health Line*. "Access the Uninsured: Number Might be Overstated, Studies Find." April 26, 2005. http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN_HEALTHLINE-_-POLL_TRACK-_-AD_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated

⁶ Holahan, Jon and Ghosh, Arunabh. "The Economic Downturn and Changes in Health Insurance Coverage, 2000-2003." The Urban Institute. September 1, 2004. <http://www.urban.org/template.cfm?Template=/TaggedContent/ViewPublication.cfm&PublicationID=9028&NavMenuID=95>

⁷ *American Health Line*. "Access the Uninsured: Number Might be Overstated, Studies Find." April 26, 2005. http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN_HEALTHLINE-_-POLL_TRACK-_-AD_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated

⁸ Ibid.

⁹ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2007*. August 2008. <http://www.census.gov/prod/2008pubs/p60-235.pdf>

¹⁰ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

¹¹ Ibid.

¹² John Gabel, et. al. "Health Benefits in 2004: Four Years of Double Digit Premium Increases Take Their toll on Coverage," *Health Affairs*. September 9, 2004. <http://content.healthaffairs.org/cgi/content/abstract/23/5/200>

¹³ Kaiser Family Foundation. *Daily Health Policy Report*. June 5, 2003. www.kaisernetwork.org

¹⁴ John L. Czajka, Analysis of Children's Health Insurance Patterns: Findings from the SIPP (report submitted by Mathematica Policy Research, Inc., to the Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, May 1999)

¹⁵ Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

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