

INSTITUTE OF MEDICINE

Shaping the Future for Health

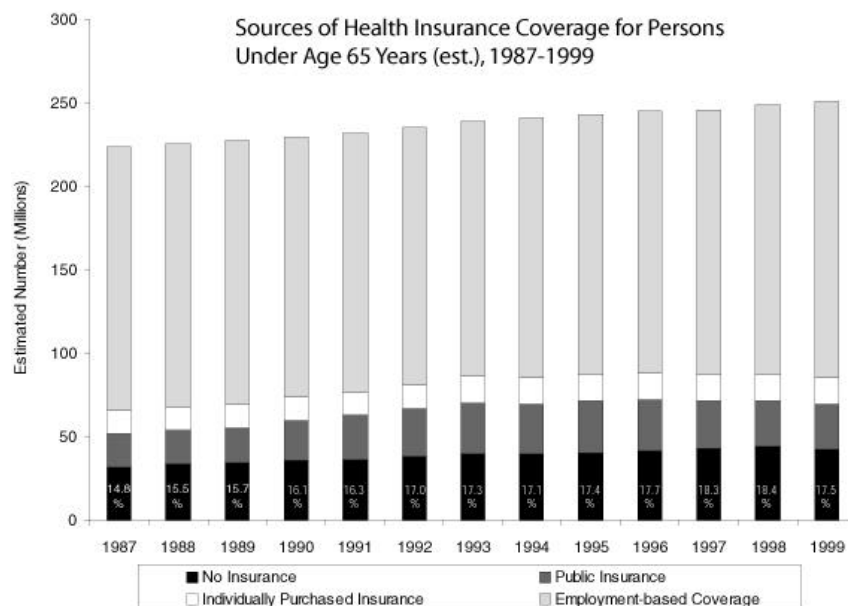
Coverage Matters: INSURANCE AND HEALTH CARE

Most Americans expect and receive health services when they and their families need care, but for the approximately 40 million people who have no health insurance, this is not always the reality. Health insurance is one of the best known and most common means used to obtain access to health care. Increasingly, the evidence points to harmful health and economic consequences related to being uninsured. These consequences may extend beyond the uninsured individual to his family and community, the health care system and society as a whole. Although the size of the uninsured population dipped slightly in 1999 and may have done so again in 2000, the trend over the past 25 years has been a growing uninsured population. What are the consequences for all of us of having tens of millions of Americans uninsured?

The Institute of Medicine's Committee on the Consequences of Uninsurance will study uninsured Americans in a series of six reports over the next two years, beginning with this report. The committee will assess what is known about the health, social, financial and economic consequences of being uninsured and how that status affects individuals, their families, their communities, and society as a whole.

Through this series of studies, the committee hopes to provide accurate information about Americans without health insurance, thereby expanding and contributing to the ongoing debate about this problem and eventual solutions.

This first report provides background for the committee's subsequent reports by presenting an overview of health insurance in America, based on findings from health services, economics, and clinical literature. The report re-



views how coverage is gained and lost, why so many people are uninsured, and who lacks insurance, as individuals and as members of groups within the general population. In addition, the report introduces the committee's analytic plan for the entire series of reports and presents the conceptual framework that will guide their work.

Myths and Realities About Uninsured Americans and Health Care

FACT

Uninsured adults are less than half as likely as those with insurance to receive needed care for a serious medical condition.

Studies indicate that Americans generally have insufficient or incorrect information about the size of the uninsured population, the reasons people are uninsured, and why health insurance coverage matters. Below, we respond to common misperceptions or myths about uninsured persons and populations.

Myth: People without health insurance get the medical care they need.

Reality: The uninsured are much more likely to do without needed medical care. They are less likely to see a doctor within a given year, have fewer visits annually, and are less likely to have a regular source of medical care. Uninsured persons receive fewer preventive services and less care for chronic conditions than the insured.

Myth: People without health insurance are young, healthy adults who decline health insurance offered by the workplace because they feel they don't need it.

Reality: Young adults aged 19–34 are uninsured more often than other age groups largely because they are ineligible for workplace health insurance – they are too new in their jobs or work in firms that do not provide coverage to employees. Only 4 percent of all workers ages 18–44 (roughly 3 million people) are uninsured because they decline available workplace health insurance. Nearly four times as many, another 15 percent (11 million) of workers between those same ages, are uninsured because they are not offered health insurance at work and do not obtain it elsewhere. For some in this group, poor health can be a barrier to purchasing health insurance outside of work, because it is too expensive, excludes preexisting conditions or simply is unavailable because the insurance companies consider them a bad risk.

FACT

During 1999, the estimated total number of uninsured people was greater than the populations of Texas, Florida, and Connecticut, combined.

Myth: The number of uninsured Americans is not particularly large and has not been increasing in recent years.

Reality: During 1999, about 15 percent of the population was uninsured. Almost three out of every ten Americans—more than 70 million people—were uninsured for at least a month over a 36-month period from 1993 to 1996. Although the uninsured population decreased slightly in 1999, the long-term trend has been a growing uninsured population. Without substantial restructuring of the opportunities for coverage, this trend is likely to continue.

Myth: Most of the uninsured are uninsured because they don't work, or live in families where no one works.

Reality: More than eighty percent of uninsured children and adults under age 65 live in working families. While working improves the chances that both the worker and his or her family will be insured, even people in families with two full-time wage earners have almost a one-in-ten chance of being uninsured.

Myth: Recent immigration has been a major source of the increase in the uninsured population.

Reality: A recent analysis shows over 80 percent of the net increase in the size of the uninsured population consisted of U.S. citizens. Immigrants who have arrived within the past 4 years are nearly three times as likely as members of the general population to be uninsured. However, they comprise only about 6 percent of the whole uninsured population and the uninsured rate for immigrants declines with increasing length of residency.

FACT
8 of 10 uninsured persons are members of working families.

Factors Influencing the Likelihood of Being Uninsured

The kind of job a person has is often related to where he or she lives and both have a strong influence on the chances that a person will be uninsured. Much of the differences in peoples' chances of being uninsured reflect variations in their income, occupation and firm size, education, health status, age, gender, race and ethnicity, citizenship status, length of residency in the U.S. and geography.

Full-time, full-year employment offers families the best chances of having health insurance, as does an annual income of at least a moderate level (greater than 200 percent of the federal poverty level (FPL), which is \$34,100 for a family of four in 2000. Two-thirds of all uninsured persons are members of families which earn less than 200 percent of FPL, and nearly one-third of all members of families earning less than a moderate level are uninsured.

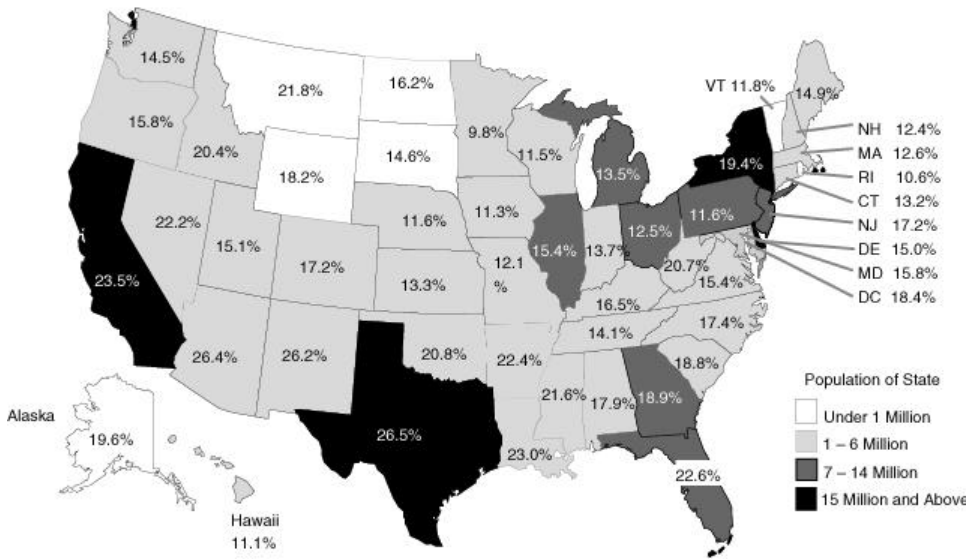
A person's chances of being uninsured are lower during childhood and higher than average as a young adult. There is a gradual decline in probability of being uninsured as one grows older and has a more long-lasting connection to the labor force. Once most people reach age 65, they become automatically eligible for Medicare Part A, and only those few who do not qualify for Medicare remain vulnerable to being uninsured. Married couples and parents of young children are less likely to be uninsured than are other adults because family relationships give them potentially more opportunities to be covered.

Non-Hispanic whites make up half of all uninsured persons. African Americans, however, are twice as likely as non-Hispanic whites to be uninsured, and Hispanics are three times as likely as non-Hispanic whites to be uninsured. Foreign-born residents are almost three times as likely to be uninsured as those born in this country. Among the foreign born, non-citizens are more than twice as likely as citizens to be uninsured.

The higher-than-average rates of being uninsured among racial and ethnic minorities and recent immigrants reflect, on average, lower rates of employment-based coverage and lower family incomes than among non-Hispanic whites and U.S.-born residents.

Gender disparities in coverage reflect the different experiences of adult men and women in the workplace and with public programs. While men are more likely than women to be uninsured, women have a lower rate of employment-based coverage. Because women are more likely to obtain coverage through individual policies and public programs, their insurance status tends to be less stable, with more opportunities for gaps in coverage.

Probability of Being Uninsured for Population Under Age 65, By State, 1997-1999



Differences in population characteristics, industrial economic base, eligibility for public insurance, and the relative purchasing power of family incomes shape geographic disparities in insurance coverage rates. Residents of the South and West are more likely than average to be uninsured. Most uninsured persons live in metropolitan areas, although rural and urban residents are about equally likely to be uninsured.

Being Uninsured: Not a Matter of Choice

In the United States, health insurance is a voluntary matter, yet many people do not choose to be without health insurance. Competing demands on family budgets limit the options for coverage. There is no guarantee for most people under the age of 65 years that they will be eligible for or able to afford to purchase or retain health insurance.

Almost seven out of every ten Americans under age 65 years are covered by employment-based health insurance, either through their job or through a parent or spouse. Three quarters of workers are offered health insurance by their employers, and most decide to purchase or take up the offer of coverage. Of the 17 percent of workers who decline an employer’s offer, about a quarter, or 4 percent of workers overall, remain uninsured.

Individually purchased policies and public insurance (primarily Medicaid) together cover one out of five persons under age 65. Both have limitations. Poor

health status or low income may preclude the purchase of an affordable individual policy. The combination of strict eligibility requirements and complex enrollment procedures often makes public coverage difficult to obtain and even more difficult to maintain over time.

A change in insurance premiums or terms, as well as changes in income, health, marital status, terms of employment, or public policies, can trigger a loss or gain of health insurance coverage. For about one-third of the uninsured population, being without coverage is a temporary or one-time interruption of coverage. The average (median) amount of time without insurance is between 5 and 6 months. Uninsured persons in low-income families and those with less education tend to experience longer periods without coverage.

Insurance industry underwriting practices, the costs of health services, and the patchwork of public policies regarding insurance coverage all contribute to the economic pressures on employers, insurers, and government programs offering health insurance. Small employers are especially likely to face high premium costs in offering a health insurance plan to their employees.

Workers who accept an employer's offer of a subsidized health benefit typically pay directly between one-quarter and one-third of the total cost of their insurance premium, in addition to deductibles, copayments, and the costs of health services that are not covered or partially covered by their plan. For families earning less than 200 percent of the federal poverty level, these expenses could easily amount to over 10 percent of their annual income.

Since the mid-1970s, growth in the cost of health insurance has outpaced the rise in real income, creating a gap in purchasing ability that has added roughly one million persons to the ranks of the uninsured each year. Despite the economic prosperity of recent years, between 1998 and 1999 there was only a slight drop in the numbers and proportion of uninsured Americans. Through the early 1990s, the rising uninsured rate reflected a decline in employment-based coverage. Since the mid-1990s, increases in employment-based coverage have been offset by steady or declining rates of public and individually purchased coverage.

Some Ways In Which People May Gain and Lose Health Insurance

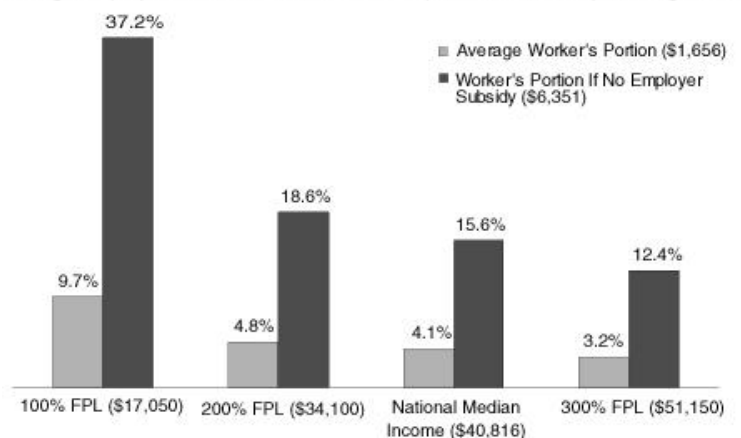
How People Gain Coverage

- Get a job where insurance is offered and premiums are affordable
- Purchase insurance on your own, if you qualify and can afford the premiums
- Marry someone with insurance and if family out-of-pocket premiums are affordable
- Qualify for Medicaid, SCHIP, or Medicare

How People Lose Coverage

- Lose a job where insurance was offered, so employer no longer subsidizes premiums
- Lose Medicaid or SCHIP eligibility once you or your children grow up or if your family's income increases
- Lose your spouse due to separation, divorce, or death
- Attain the age of 18 or graduate from college and lose eligibility under parents' plan
- Your insurer goes out of business or cancels its contract with you, or your employer denies coverage to you
- Be priced out of the market when the cost of premiums increases

How Much of a four-person family's yearly income would be needed to purchase a average employment-based health insurance premium for family coverage in 2000



NOTE: FPL is the federal poverty level, estimated on an annual basis

The Work of the Committee on the Consequences of Uninsurance

In future reports the committee will look at the distinctive effects of uninsurance on successively larger and more complex entities, from the individual to society as a whole. These reports are described below.

Report #2

We know that insurance coverage improves access to health services, but what effects does the lack of health insurance have on health? In this report, the committee will assess evidence about how being uninsured may affect many aspects of health for adults, including overall health status, the care those without coverage receive for specific illnesses, and the probability of dying prematurely. The committee plans to issue its second report in May 2002.

Report #3

In its third report, to be released in September 2002, the committee will examine how a family's economic stability and security, as well as children's health and well-being, are affected when either a parent or a child in that particular family is uninsured. Because children depend on their parents or other adults to obtain health insurance and medical care for them, their parents' experiences with the health care system, their ability to negotiate it on behalf of their children, and their purchasing power, may have important effects on the children's health and the family's well-being.

Report #4

The fourth report, to be issued in the winter of 2003, will examine how a community's health, its health care institutions, its residents' access to health services, and its economy are affected by the presence of substantial numbers of uninsured residents. The institutional and economic impacts of a sizable uninsured population will be examined for communities in both rural and urban areas and for communities with different types of economic bases.

Report #5

The committee will release its fifth report in the spring of 2003. The report will look at the costs to us as a nation of having roughly 40 million people, one out of every six or seven Americans, uninsured. It will look at the direct public and private costs of providing health care to uninsured persons and at potential indirect costs tied to the increased burden of disease and disability which may result from the lack of health insurance.

Report #6

In its final report, to be issued in late summer 2003, the committee will consider selected programs and models that states, localities, government agencies, and private businesses have undertaken to expand health insurance coverage. The committee will develop policy criteria for use in assessing the features of alternative reform strategies.



For More Information...

Visit the Committee's website at **www.iom.edu/uninsured**

Copies of *Coverage Matters: Insurance and Healthcare* are available for sale from the National Academy Press; call (800) 624-6242 or (202) 334-3313 (in the Washington metropolitan area), or visit the NAP home page at **www.nap.edu**.

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