

Executive Summary

Extending health insurance coverage to the millions of Texans who lack it is an important policy and health objective. On the surface, the concept of increasing access to health insurance seems a simple one, but the findings of this report suggest that implementation may pose many vexing questions and complex challenges. With a large and diverse population, no single approach is likely to address the needs of the 4.8 million uninsured Texans.

To better understand the factors affecting the uninsured in Texas, the Texas Department of Insurance (TDI) submitted, and was awarded, a planning grant from the federal Health Resources and Services Administration (HRSA). The primary purpose of the grant was to enable Texas to develop a comprehensive plan to significantly reduce the number of individuals without health insurance.

The Public Policy Research Institute (PPRI) at Texas A&M University assisted TDI with two of the grant funded activities - focus groups and a telephone survey of uninsured individuals who were over 200% of the federal poverty level (fpl).

Focus groups were conducted in 15 Texas cities during September and October 2001. A series of three focus groups was held in each location. One focus group targeted unemployed individuals who did not have health insurance, the second targeted employed individuals who did not have health insurance, and the third targeted small business owners. A total of 323 persons participated in the focus groups. Of these, 113 were unemployed, 83 were employed and 127 were small employers. Focus group participants were asked for their thoughts on five topics. When needed, PPRI staff members were available to assist individuals who preferred to communicate in Spanish. The focus group topics were:

1. The reasons why so many Texans do not have health insurance;
2. The kinds of assistance or support that might help more Texans obtain health insurance;
3. The questions or concerns (other than financial) that were important when considering health insurance;
4. The best ways for people to learn about health insurance options; and
5. The kinds of experiences people had with health insurance agents and providers.

The telephone survey was conducted between September and December 2001. The survey instrument used for this study was modified from an instrument developed by the California Health Care Foundation and the Field Research Corporation in 1998 to conduct similar research. Approximately 600 non-poor uninsured individuals were interviewed about their attitudes and experiences with health insurance.

In order to better utilize the findings from the focus groups and the telephone survey to determine the reasons people did not purchase health insurance, PPRI developed a segment analysis using two factors (1) ability to pay for health insurance and (2) motivation to buy it. By correlating these two factors with each other, a distinct picture of four groups of non-poor uninsured people emerged. For ease of identification, PPRI named these groups as follows:

The Prepared: People who have the money to buy health insurance *and* are willing and motivated to purchase it, but could not get it;

The Reluctant: People who have the money to buy health insurance, but are not inclined to do so;

The Complacent: People who do *not* have the means to purchase health insurance, and would not buy it even if they had the money;

The Hindered: People who want to buy insurance, but do not have the money to do so.

Basic characteristics of each of these groups are detailed in the chart on page 3.

Ability To Purchase >>> High >>> <<< Low <<<	RELUCTANT: 16.2%	PREPARED: 28.3%	
	<ul style="list-style-type: none"> • Majority Male • Disproportionately Young • Unlikely to Have Dependants • Urban • Good Health • Professionals; Few Blue-Collar Workers • Have Never had Health Insurance • Prefer Other Benefits to Health Insurance • Say They Don't Need Health Insurance 	<ul style="list-style-type: none"> • Males and Females • Oldest Group • Have Dependant Children • Urban • Poorest Health • Professional and Blue-Collar Workers • Many are "Not Employed" • Most have Previously Owned Health Insurance • Seek Health Insurance on Their Own • Cite Confusion or Other Barriers 	
	COMPLACENT: 19.4%	HINDERED: 36.1%	
	<ul style="list-style-type: none"> • Men and Women • Youngest Group • Less Likely to Have Dependants • Sub-Urban • Second Healthiest Group • Retail Trade, Manufacturing; Few Professionals • Most Unlikely to Have Ever Owned Health Insurance • Prefer Other Benefits to Health Insurance • Cost is a Major Barrier • Acceptant of Free Clinics 	<ul style="list-style-type: none"> • Female • Over 40 Years Old • Most Likely to Have Dependants • Relatively Bad Health • Manufacturing, Contract-Labor • Small Employers • Have Previously Owned Health Insurance • Cost is a Major Barrier • Do Not Like Public Clinics 	
	<<< Low <<<	Motivation to Buy	>>> High >>>

These groupings can be an especially useful tool for thinking about policy. The characteristics of the individuals in each group can provide insights about different types of uninsured Texans. In turn, these insights can be used to develop policy strategies that will result in the most desired effects for the least possible cost. The general characteristics of each group, as identified through the telephone survey, can be used in conjunction with appropriate issues and suggestions identified by focus group participants and some of the telephone survey responses, to develop strategies specific to each group. In addition, policy alternatives, including possible pros and cons of each, can be developed.

The following policy implications and considerations are based on an analysis of the four groups.

The Prepared - Individuals in *The Prepared* group want health insurance and can afford it, but have not been able to obtain it. Information from the focus groups identifies two reasons individuals who could afford insurance did not have it. The first is that these individuals are denied coverage, almost always because of pre-existing conditions. The second is that these individuals do not understand how to obtain coverage. In addition to information from the focus groups, these two reasons are reflected in some of the responses from the telephone survey. Therefore, it appears that the strategies that will have the greatest success in securing health insurance for *The Prepared* are those that address rules and regulations regarding pre-existing conditions and those related to creation, access and dissemination of information about health insurance.

The Reluctant - Individuals in *The Reluctant* group can also afford health insurance, but they do not want it. These individuals were probably not present at the focus groups because health insurance is not one of their priorities. Marketing research tells us that one way to convince a person to acquire something they do not value is to change that person's mind. Information from the focus groups indicates that many Texans do not understand the importance of health insurance. The telephone survey confirmed that this is especially true of individuals who are young and healthy (as are those in *The Reluctant* group). Therefore, one strategy that might influence *The Reluctant* is an intense educational campaign about the consequences of not having health insurance.

The Hindered - Individuals in *The Hindered* group would like to have health insurance but cannot afford it. These individuals probably constituted the majority of those present at the focus groups. They understand the need for insurance and have suffered the consequences of not having it. They are motivated, they are ready, but they have no means to accomplish their objective. All of the suggestions from the focus groups would be of benefit to the individuals in this group, including new programs, the expansion of existing programs, and the revision and stricter enforcement of health insurance regulations. In addition, this group would benefit from educational campaigns explaining health insurance options and how to obtain the best health insurance for the money.

The Complacent - Individuals in *The Complacent* group cannot afford health insurance. However, they do not see this as a problem because they do not want it. Not only would *The Complacent* have to be convinced that health insurance is important, but once they were convinced they would have to receive some type of assistance in order to obtain it. At first blush this seems an overwhelming task. However, by looking at the situation from a slightly different perspective, it becomes apparent that one expedient way for individuals in this group to get health insurance is for someone to give it to them. This situation occurs in the workplace all the time. Employees receive benefits from their

employers (including some they would not seek out on their own) as a part of their employment package. The intense educational campaign designed to attract *The Reluctant*, combined with the ground-level information designed for *The Prepared* would both be appropriate here. In addition, any programs designed for *The Hindered* would most likely attract some members of this group.

Before implementing any strategy for increasing the number of individuals who have health insurance, the positive and negative consequences of that strategy must be considered. For example, strategies that cost the least may also attract the fewest people or be the slowest to show an impact, or strategies that have the quickest impact may overload the insurance system with those individuals who may be the most in need of insurance and the most expensive to serve. Therefore, it is important to understand the implications associated with policy alternatives. The sections below provide an examination of four possible scenarios for decreasing the ranks of the uninsured in Texas - (1) attracting the healthiest first, (2) attracting the poorest first, (3) attracting those who want (and need) it the most first, and (4) attracting those most likely to afford it first.

Healthiest first - Health insurance pools are about sharing risk to protect families and individuals from large financial losses associated primarily with random events. Policy makers, particularly those concerned with the cost implications of providing health insurance to the previously uninsured, are typically concerned about asymmetrical or adverse selection where those who have the greatest immediate need for health insurance are the most likely to enroll. Without the benefit of a symmetrical population of many consumers participating in the risk pool and offsetting the costs of the smaller and sicker populations, insurance costs can quickly become prohibitively expensive. Because the healthiest are most often the lowest utilizers of health care, adding the healthiest people to the health insurance risk pool first can control runaway costs. The healthy, low utilizers of health care services will build the pool, making it stronger and more symmetrical.

This strategy would target the four groups in the following sequence:

The Reluctant *The Complacent* *The Hindered* *The Prepared*

Poorest first - The cost of obtaining health insurance cannot be underestimated as a barrier to access. For those with the least ability to afford health insurance, any effort or program must address these high costs. With limited incomes and opportunities to receive employer-based health insurance, the poor and near-poor uninsured have few options that do not include some form of government assistance. Health insurance is becoming increasingly more expensive and the medical inflation rate continues to outpace the core rate of inflation.¹ As costs for health care continue to rise, thus pushing up health insurance costs, the gap

¹ Center for Economic Policy and Research (1999). <http://www.cepr.net/> Non-Energy Inflation Continues to Fall

between the amount of money consumers have to apply towards health insurance and the price for health insurance will continue to grow. The result will put health insurance further out of reach for those who cannot qualify for publicly funded health insurance programs such as TexCare Medicaid and/or the Children's Health Insurance Program (CHIP). Assisting the poor first would require little if any changes in the Texas Insurance Code regarding pre-existing conditions, but most likely would require government subsidies.

A strategy that targets the poorest first would deal with the groups in the following sequence:

The Hindered *The Complacent* *The Reluctant* *The Prepared*

Most motivated first - Science tells us that energy travels the easiest route. A strategy for reducing the number of uninsured in Texas can work along this same principle by capitalizing on the energy levels of the four groups, specifically their motivation to obtain health insurance. Each of the groups fit along a continuum that runs from those who care a great deal about having health insurance to those who are indifferent about having it. Thus, working and assisting those who most desire health insurance may bear the most fruitful results. *The Prepared* group exhibits the greatest desire to obtain health insurance and also the greatest ability to pay for the coverage. *The Prepared* are also the most likely to be denied coverage by an insurance company because of a serious illness. Evidence from the focus groups suggests that many in this group would purchase health insurance if only given the opportunity. Assistance to improve health insurance for *The Prepared* could come in the form of reducing barriers to coverage, such as placing greater limitations on pre-existing riders and exclusions that health insurance companies can place in their policies.

This strategy would target the four groups in the following sequence:

The Prepared *The Hindered* *The Reluctant* *The Complacent*

Most likely to afford it first - In a free market economy, affordability, in combination with motivation to purchase, often result in completed transactions. The voluntary nature of the health insurance market parallels this theorem. If health insurance is available for those who want it and can afford to purchase it, it is very likely that they will do so. Therefore, in order for this strategy to be effective, people will have to be convinced that health insurance is something they need and they will have to be ensured that they can purchase it if they so choose. However, each of the two groups who can afford health insurance lack one of these items. *The Reluctant* do not value health insurance and *The Prepared* cannot purchase it. An intense campaign about the importance of health insurance and the possible personal and societal consequences of not having insurance would have to be undertaken so that *The Reluctant* could be convinced. In addition, restrictions and rules governing pre-existing conditions would have to be relaxed so that *The Prepared* could be accepted.

This strategy would target the four groups in the following sequence:

The Reluctant *The Prepared* *The Hindered* *The Complacent*