

BRIEF ANALYSIS

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The Myth of Universal Coverage

In his State of the Union address, President Clinton said he would veto any health care bill that does not create "universal health insurance coverage." If so, the President would have to veto his own bill. Neither the President's plan nor any other proposal that requires individuals to pay part of their own health insurance premiums will cause everyone to be insured.

How Many People Are Uninsured? The latest estimates suggest that at any one time 39 million Americans are uninsured. And during the course of a year 58 million are uninsured for at least one month. However, most of these uninsured spells are temporary. As the figure shows:

- Half of all uninsured spells will last less than six months.
- Three-fourths of them will be insured within 12 months.
- Only 18 percent of all uninsured spells last for more than two years.

Being uninsured, then, is similar to being unemployed. The vast majority of people experience both conditions at some time in their lives. But very few people stay uninsured or unemployed for long periods of time.

Who Are the Uninsured? For the most part, the uninsured are young and healthy. They have below-average incomes and very few assets. There are exceptions, however. About 3.8 million of the uninsured live

in households with annual incomes of \$50,000 or more. In addition, about 3.5 million have a bachelor's degree, 100,000 have a Ph.D. and about 2.7 million are self-employed.

Most of the temporarily uninsured, by definition, will become insured eventually even without a change in government policy. At the moment, the majority of them have chosen not to purchase insurance because they have judged the cost too high relative to its benefits. But many will become insured after a change of jobs allows them to obtain insurance subsidized by employers and by government.

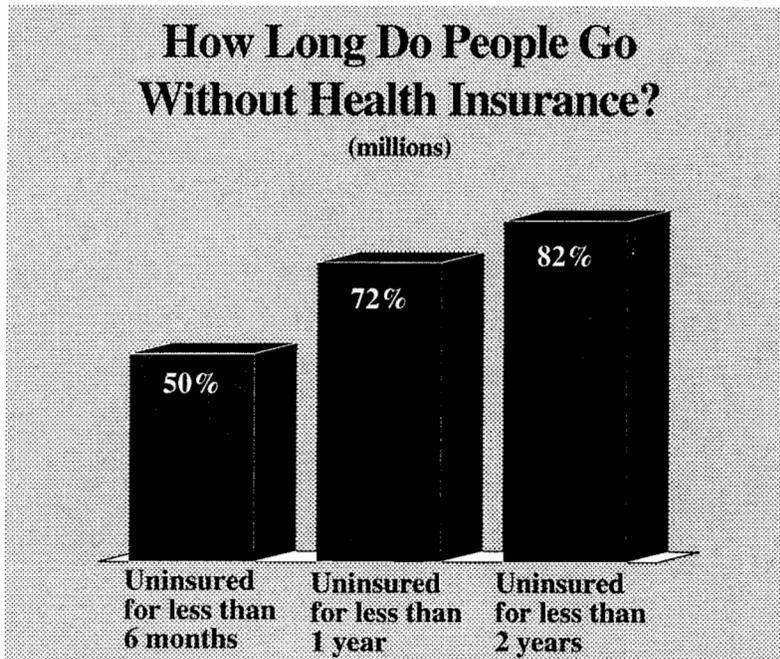
The chronically uninsured may never obtain insurance, however. Besides the long-term unemployed, these include drug dealers, prostitutes, others who work

in the underground economy and people who are transient and homeless.

What Difference Does Being Uninsured Make? Not much. According to the Agency of Health Care Policy and Research (using 1987 data), the uninsured received 99 percent as much care as the insured received (\$5,746/insured person vs. \$5,679/uninsured) while in the hospital.

Overall, the study found that the uninsured spent 64 percent of what insured people spent.

Is Universal Coverage Attainable? Not if it requires people to do something and certainly not if it requires them to pay any part of their own premium. History shows that it's virtually impossible to force everyone to purchase insurance, even at highly subsidized rates. For example:



- At least 41 states and the District of Columbia require motorists to carry auto liability insurance. However, about one in seven drivers remains uninsured (ironically, about the same fraction as those who lack health insurance).
- Hawaii has 20 years of experience with a law that mandates health insurance through the workplace; yet the number of Hawaiians remaining uninsured range from the state's own estimate of about 6 percent to the Census Bureau's estimate of 11 percent. The latter figure exceeds that of several states without mandates.
- Even Canada's vaunted health care system has not achieved universal coverage; for example, an estimated 2 to 5 percent of the population of British Columbia — about 50,000 to 100,000 people — fail to pay premiums and thus are uninsured.

“Half of all uninsured spells will last less than six months.”

Why doesn't coercion work? In principle, the government could fine or jail people who fail to purchase their own health insurance. In practice, these sanctions are politically difficult to enforce, and they may also be administratively expensive.

Why the Clinton Plan Won't Produce Universal Coverage. The Clinton administration wants to pass a law requiring everyone to have health insurance. But because the administration is proposing an employer-based system, it is ill-prepared to deal with the 15 percent of the uninsured who are not in the labor market. A more profound problem is that the plan lacks any specific strategy to deal with the problems of the temporarily and the chronically uninsured.

In general, the Clinton plan would subject those who fail to obtain insurance to fines of up to \$5,000 or three times the premiums they failed to pay, whichever is greater (Sec. 1345). But since individuals would have to report their insurance status on their tax return only once a year, there would be ample opportunity for people to experience spells of being uninsured when they are not someone else's employee. And for the same reason that the IRS allows people to file late returns, the government

probably would do nothing to the uninsured who managed to obtain insurance by the time of tax filing. No one wants to see the courts bogged down with a whole new category of cases.

Among the chronically uninsured are those who don't file income tax returns and those who don't even have addresses. It's a good bet that when they show up at hospitals they will get care under the Clinton plan whether they're insured or not, and that the administration will decide it's cheaper to simply care for them rather than giving care and hassling them about being uninsured.

Why the Clinton Plan Could Make Things Worse. In order to solve a problem that is serious for less than 3 percent of the population, Bill Clinton proposes to regulate the health insurance of the other 97 percent. By the administration's own admission, these regulations will increase premiums for people who are young and healthy. Yet because these are the very people who are the most price sensitive, they would have strong incentives to evade Clinton's mandate and not purchase health insurance. Thus the number of people who are chronically uninsured might rise rather than fall.

A Better Way. Four reforms would tackle the problem directly without creating new problems. First, we should permit personal and portable Medical Savings Accounts (MSAs) to give people the wherewithal to continue paying premiums when they are between those jobs where they receive employer-provided insurance. Second, we should insist that the government should give people who must purchase their own health insurance just as much tax advantage as those who get employer-provided coverage. Third, in contrast to the current system, we should give the most help to those who need it most. Finally, people who are uninsurable (already sick) should be given the opportunity to join risk pools or should receive additional government help in purchasing insurance.

Recommended Reading: Katherine Swartz, "Counting Uninsured Americans," Kaiser Health Reform Project, Henry J. Kaiser Family Foundation, January 1994.

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