

BRIEF ANALYSIS

No. 225

For immediate release:

Friday, March 14, 1997

Questions and Answers About Uninsured Children

America has nearly 10 million children without health insurance, and many in the policy community propose a broad new entitlement program to insure them. But few have asked the important questions we must answer in order to design an effective policy response. For example, how many uninsured children are there? What are their demographics? How long do they remain uninsured? And is a new health insurance program the most cost-effective way to assure they get health care?

How many uninsured children are there? According to the 1995 Current Population Survey, there are 9.8 million.

Has the number of uninsured children risen? In some years, yes. Recently, the number has fallen from 10.2 million in 1994 to 9.8 million in 1995. In addition, the percentage of children who lack health insurance has remained relatively stable over the past 10 years.

Have the demographics of uninsured children changed? Yes, in two ways. Like adults, children move in and out of the insured category, either through Medicaid or through their parents' employers' plans. When a parent in job transition loses his or her health insurance, the children usually lose coverage also. As Figure I shows, 70 percent of U.S. children were insured for a 28-month period during 1992-94, while 26 percent were insured at some time in those 28 months. Only 4 percent were uninsured for the whole 28 months.

At the same time, the internal dynamics of the group have become more volatile. In 1987, 73.6 percent of children were covered by their parents' private insurance, while 15.2 percent were covered under Medicaid.

By 1995, only 66.1 percent had private health insurance, and 23.2 percent were covered under Medicaid. Those without insurance increased from 12.9 percent to 13.8 percent. (Percentages may add to more than 100 because of double coverage.)

Which children are most at risk? Uninsured infants living in poverty probably are at greatest risk. Children ages 0 to 1, designated as "infants," have the highest health care claims cost, more than three times that of children ages 6 to 12. Fortunately, they also are the most likely to be insured at any income level.

The Employee Benefit Research Institute reports:

■ Of the 9.8 million uninsured children, 3.3 million live in poverty.

■ Of that number, only 200,000 are infants.

However, a lack of money is not the only reason why children are uninsured. Some 100,000 uninsured infants live in families with incomes more than four times the poverty level — or about \$64,000 for a family of four.

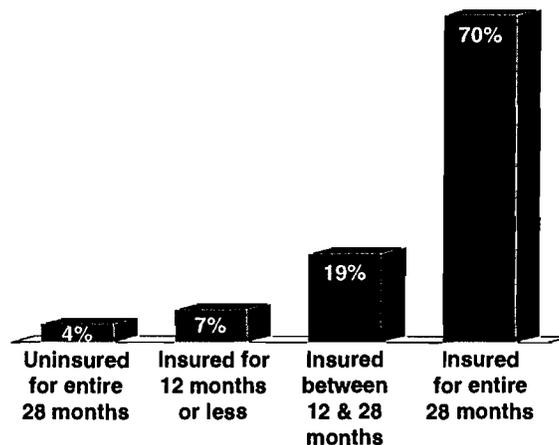
Does everyone want health insurance? No. Some people choose to remain uninsured because:

■ They believe the system will help them if they get sick.

- They do not use traditional facilities or doctors and see no need for traditional insurance to cover those bills.
- Some, like the Amish, have religious objections.
- Some do not want to receive welfare.
- Some are unstable, transient or simply irresponsible.

Even when health insurance is made available, some do not take it. The General Accounting Office (GAO) reports that 2.9 million children who are eligible for Medicaid are not enrolled. Most of the 3.3 million uninsured poor children are probably Medicaid-eligible but not in the program. Congress is now considering

FIGURE I
Spells without Health Insurance for Children
(under age 18, between 1992-1994)



Source: U.S. Census Bureau.

ways to encourage those who are Medicaid eligible to enter the program.

Does insurance coverage vary by age group? Yes, sometimes significantly. As Figure II shows:

- While only 200,000 uninsured infants live in poverty, that number rises to 900,000 for poor children between the ages of 1 and 5.
- The number rises to 1.3 million poor children between the ages of 6 and 12.
- The number falls to 1 million for those ages 13 to 17.

This basic pattern is repeated for every income level, suggesting that infants, the age group most at risk, is the group most likely to be insured. Preteens—who are much less likely to be insured—also have very low health care needs. Thus, low-income parents who let their preteen and teenage children remain uninsured may not be acting irrationally, given the youngsters' health status.

Is the uninsured population distributed equally throughout the U.S.? No.

Generally, the percentage is lowest in north-central states and highest in southern states and those with large metropolitan areas.

For example, while 25.6 percent of New Mexico's population is uninsured, only 7.3 percent of Wisconsin's population is uninsured. Part of that difference has to do with income levels and types of jobs available in a state, but much has to do with individual choices made by the population. For example, some immigrants gravitate toward lower-paying work such as agriculture. Such work seldom provides insurance or even job security. In addition, most immigrants come to the U.S. with no tradition of purchasing health insurance.

Which reforms would be most beneficial? Before we create a new health insurance entitlement for children, we need to recognize that uninsured children are not a homogeneous population, so one answer may not fit all. However, Congress can take several incremental steps to solve most of the problem.

Allow everyone a Medical Savings Account. The fact that 26 percent of children—many of whom are in middle-income families—were uninsured at some point during a 28-month period indicates that parents need a

way to pay for health insurance during job transition. Making personal Medical Savings Accounts available to a wider segment of the population would help.

Make taxes fairer. The government subsidizes health insurance for employees by excluding it from income. The self-employed and employees who do not receive health insurance through an employer should also receive a subsidy—perhaps through a system of tax credits.

Permit state and private-sector experimentation. Many states and private

organizations have successfully expanded medical services or health insurance to poor children. When Georgia implemented competition among public health clinics, immunization rates rose from 53 percent to 89 percent.

Promote economic policies that generate a strong economy. A strong economy means more jobs, less job-transition time and more employers willing to pay for health insurance, reducing the need for government to find ways of covering uninsured children.

This Brief Analysis was prepared by NCPA Vice President of Domestic Policy Merrill Matthews Jr.

