

**BRIEF ANALYSIS**

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## Five Myths about the Uninsured in America

By Devon M. Herrick

Policy analysts and health care advocates often lament the plight of those American's who lack health insurance. Yet most overlook the reasons why people do not have health insurance. If income were the only determinant, a simple income-based subsidy might alleviate the problem. Further, if all people valued health insurance equally, those families who qualify for public programs like Medicaid would enroll if they could not afford insurance. However, the matter is far more complex, as can be seen by examining five myths about health insurance in the United States.

**Myth One: Everyone wants health insurance.** Preferences vary from person to person. Some may say they want health insurance, but choose to purchase other goods instead because they value them more highly. For example, a recent study of non-poor uninsured Californians

found that for many respondents "health insurance cost about twice as much as they were willing to pay."

- 60 percent of those surveyed admitted that they worry about access to care or the financial risk of being uninsured, but 57 percent disagreed with the statement, "Health insurance ranks very high on my list of priorities for where to spend my money."
- 43 percent agreed that "health insurance is not a very good value for the money."

People who are young, healthy and at the beginning of their working lives often choose to go without insurance. Men are uninsured at higher rates than are women.

Some people refuse to enroll in publicly funded programs because they perceive a stigma associated with

enrollment. For example, in Texas almost 40 percent of those eligible for Medicaid — approximately 1.2 million adults — do not enroll. Many enroll only when they need care. Most of the uninsured realize that as long as safety net options exist, a lack of insurance is not a barrier to obtaining health care.

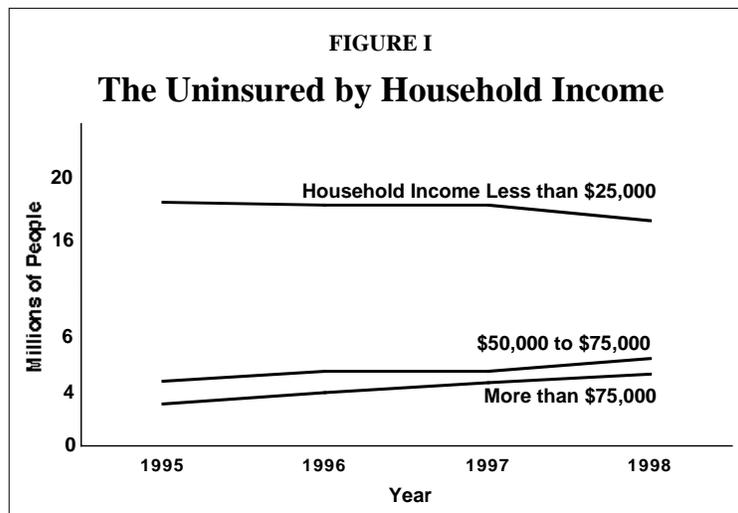
**Myth Two: The uninsured cannot afford health insurance.** Almost half of uninsured Americans have household incomes at least twice the federal poverty level. The number of low-income people who lack insurance has remained relatively stable for the past few years. As Figure I shows, households with incomes of \$50,000 and above have experienced the greatest percentage reduction in health insurance.

Many people remain uninsured due to cultural influences. For example, Hispanic families in Texas have uninsured rates far higher than non-Hispanic white and African-American families with similar incomes.

**Myth Three: The uninsured do not have access to care.** Being uninsured is not the same as being without health care. There are more than 40 federal health-

care service programs. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) makes it illegal for hospitals to turn people away from emergency rooms because they cannot pay. COBRA imposes severe penalties on hospitals that engage in "patient dumping." In addition, there are state and local programs and charity and nonprofit providers. For example, Texas requires nonprofit hospitals to provide charity care equivalent to 5 percent of net revenue. According to a recent report by the Texas Comptroller, through public and private means, Texas spends an average of about \$1,000 per year on every uninsured individual in the state.

**Myth Four: The ranks of the uninsured can be reduced by expanding government programs.** Unfor-



tunately, expanding public programs often encourages people to drop their higher-quality private insurance policies. According to the Center for Studying Health System Change, after the State Children’s Health Insurance Program (CHIP) was implemented in 1997, the percentage of children from low-income families covered by private insurance policies fell sharply. [See Figure II.] Although the number of low-income children enrolled in public programs rose, this did nothing to reduce the number of children without insurance.

The percentage of employer-sponsored health insurance policies has remained relatively stable for the last 14 years at about 62 percent. However, the number of individually purchased policies has fallen as the cost has risen, due in part to mandates by state government to include certain specific services or providers.

**Myth Five: Americans want Congress to solve the problem.** There is much discussion but little agreement about the nature of the problem of the uninsured, much less about possible solutions. In poll after poll, people request health care reform that addresses the problem. Apparently, however, many of those who say they want reform want somebody else to pay for it. Recent research by the Kaiser Family Foundation in conjunction with the *NewsHour with Jim Lehrer* found that 46 percent of those polled were willing to pay no more than \$5 per month in higher premiums or taxes to help the uninsured. Even though another 41 percent said they would be willing to pay as much as \$50 per month, this is hardly a mandate.

Economists use a concept known as “revealed preferences” to measure actual demand. Simply stated, this means that what people do more accurately reveals their true preferences than what they say. Respondents in survey research often give what they believe are politically correct answers, which may be less than truthful. Also, people tend to overstate the commitments they are willing to make. It is doubtful that as many people would willingly pay as much as they say.

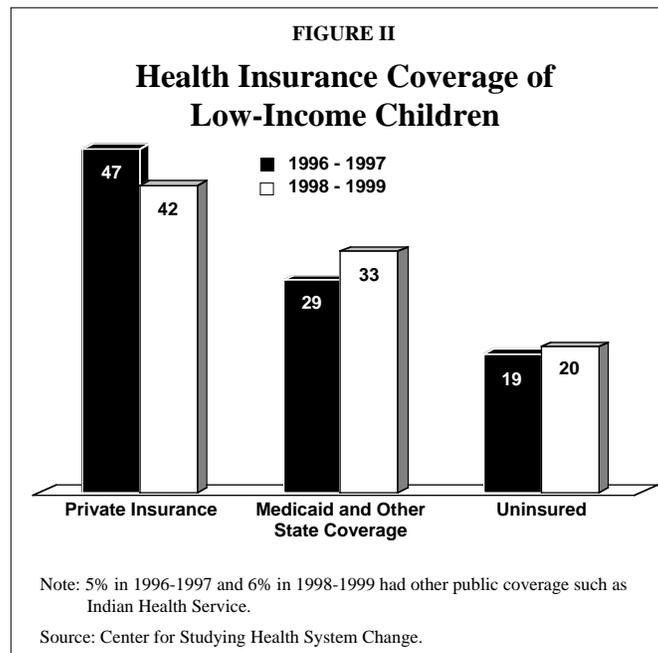
**Conclusion.** There are probably as many reasons

why some Americans lack health insurance as there are Americans without health insurance. The complex problem of the uninsured defies easy solutions. Most of the uninsured claim they cannot afford health insurance, yet close examination of their financial status suggests they do not consider health insurance a good value compared to other goods and services they buy.

Many others don’t understand the value of health insurance, even when it’s largely free — evidenced by the fact that families who are Medicaid income-eligible

often fail to enroll. Finally, most know they can obtain needed care without health insurance. Expanding government insurance programs often encourages people to drop higher-quality, lower-cost private insurance and thus fails to decrease the number of uninsured. Rather than one-size-fits-all federal solutions, Americans need state-based, flexible programs.

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