



BRIEF ANALYSIS

No. 484

For immediate release:

Friday, September 3, 2004

Is There a Crisis of the Uninsured?

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Despite claims that the United States is experiencing a health insurance crisis, the proportion of Americans without health coverage has changed little in the past decade.

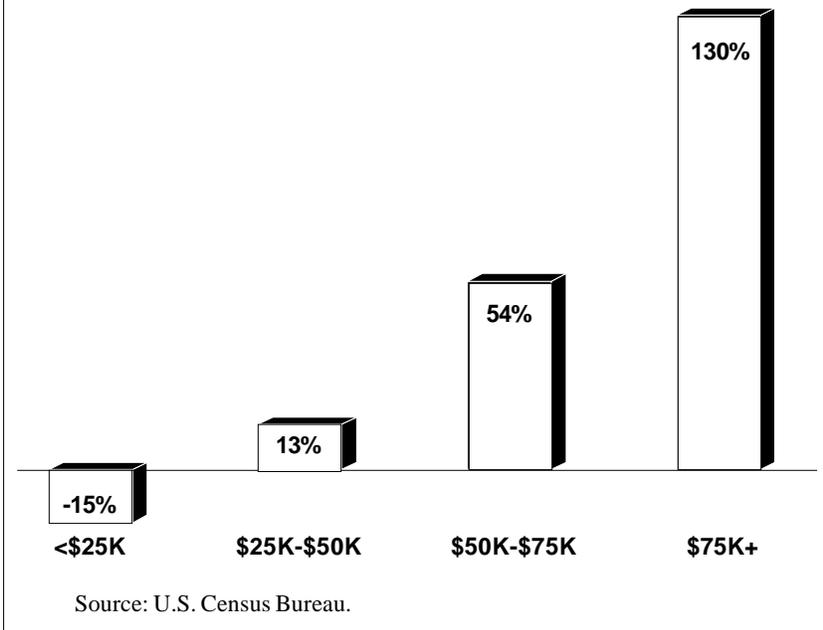
How Big Is the Problem? About 270 million people, accounting for about 94 percent of the population, either have health insurance or have access to it. The breakdown is:

- More than 84 percent (243.3 million) of the 288 million U.S. residents are privately insured or are enrolled in a government health program, such as Medicare, Medicaid or the State Children's Health Insurance Programs (SCHIP).
- An additional 10 million to 14 million adults and children qualify for government programs (Medicaid and CHIP) but have not enrolled.
- Another 15 million live in households with annual incomes above \$50,000 and likely could afford health insurance.

By these estimates, about 9 percent theoretically have access but have chosen to forgo insurance. The remaining portion, just over six percent of the population, earn less than \$50,000 annually.

How Serious Is the Problem? A better way to look health coverage may be to count the number of people with health insurance for the past few years. The proportion of people without health insurance was about the same in 2003 (15.6 percent) as it was a decade earlier (15.3 percent in 1993). However, the number of people without health coverage increased by about 5.8 million people to 45 million, largely due to population growth. Typically, those who lack insurance are uninsured for only a short period of time — 75 percent of uninsured spells are over in one year or less.

Change in the Uninsured by Household Income (1994 to 2003)



The Congressional Budget Office (CBO) found that Census Bureau figures actually give a snapshot of current insurance status, rather than those who are uninsured for an entire year. The CBO estimated that in 2002, 21 million to 31 million people were uninsured for a year — far short of the 44 million often claimed.

Who Are the Uninsured? The uninsured include diverse groups of individuals, each uninsured for a different reason.

Immigrants. Some 35 percent of foreign-born U.S. residents lack health insurance compared with only 13 percent of native-born Americans. Although immigrants (including naturalized U.S. citizens) make up slightly less than 12 percent of the population, they make up 26 percent of the uninsured. Income may be a factor — but not the only one. For instance, Hispanics have an uninsured rate 10 percentage points higher than Caucasians with the same incomes. Many

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immigrants come from cultures without a strong history of private health insurance and are not accustomed to paying premiums for health care when they aren't sick.

The Poor. Among those earning up to \$25,000 per household, levels of insurance have actually increased by about 15 percent over the past 10 years. [See the figure.] The expansion of Medicaid and SCHIP has increased coverage — yet millions of families eligible for these programs do not enroll. When paid staffers at public institutions attempt to sign people up in hospital emergency rooms and clinics — even as they wait for their medical care — they apparently fail more than half the time!

The Young and Healthy. Federal law forbids hospital emergency rooms from turning away critical care patients. As a result, many people may forgo coverage when they are healthy and feel the probability of becoming ill is low. For moderate health problems, they can likely pay for treatment out of pocket. Most people have access to some type of care. Free or charity care, for instance, amounts to more than \$1,000 per uninsured individual each year.

Higher Income Workers. Over the past 10 years, the fastest growing segment of the uninsured population has been among middle and upper income families. The ranks of the uninsured in households earning between \$50,000 and \$75,000 increased by 49 percent and for households earning above \$75,000 increased by 128 percent. The numbers of uninsured among these higher income households actually increased by almost seven million.

Government policies that drive up the cost of health insurance partly explain why millions of people forgo coverage.

State Mandates. Many states try to make it easy to obtain insurance after a person becomes sick by requiring insurance companies to offer immediate coverage for pre-existing conditions without a waiting period. When people are healthy they have little incentive to participate. As a result, people delay paying for coverage until they need care.

Some states also impose “community rating,” forcing insurance companies to charge the same premium to all, no matter how sick or how healthy. This practice drives up costs. Because their premiums are far higher than their anticipated medical needs, healthy people whose expected costs are low tend to get priced out of the market.

This is one reason why nearly 19 million people between the age of 18 and 34 are uninsured. Most of them are healthy; they know they can pay for incidental expenses out-of-pocket and take out insurance if they become seriously ill.

Lack of Tax Incentives. While employers who provide insurance receive generous tax subsidies, there are few tax incentives available to those who purchase their own insurance individually. For workers with employer-provided coverage, the insurance benefit is excluded from their taxable income. Thus, the subsidy helps most those who need it least. Higher income workers earning more than \$100,000 per year enjoy a subsidy worth, on average, \$2,780 per year. By contrast, those earning between \$20,000 and \$30,000 receive only \$725.

Conclusion. Despite claims that the United States is experiencing a health insurance crisis, the proportion of people without insurance coverage has changed little in recent years.

More uninsured workers could afford private health insurance if Congress adopts President Bush's proposed refundable tax credit of up to \$1,000 per individual (\$3,000 per family). The credit would reduce the out-of-pocket cost of insurance if it were advanced as insurance premium payments came due. Additionally, many of the uninsured who don't consider health care a “good buy” may change their mind now that health savings accounts (HSAs) are available. These personal health accounts allow unused funds to be rolled over for use in future years. HSAs will make coverage more affordable for healthy and young workers, who will find insurance more attractive if they know their money isn't wasted if they don't need care in any particular year.

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