

Crisis of the Uninsured: 2010 and Beyond

Brief Analysis No. 753

by Devon Herrick

October 6, 2011

One of the primary goals of the federal health reform law — the Patient Protection and Affordable Care Act (PPACA) — is to ensure that all Americans have health insurance. In 2010, the number of uninsured rose to 49.9 million, or 16.3 percent of the population, according to the U.S. Census Bureau. The rise over the past decade in the proportion of the population that is uninsured is largely due to the recession, population growth, immigration and individual choice. [See the figure.]



Dallas Headquarters:
12770 Coit Road, Suite 800
Dallas, TX 75251
972.386.6272
Fax: 972.386.0924

www.ncpa.org

Washington Office:
601 Pennsylvania Avenue NW,
Suite 900, South Building
Washington, DC 20004
202.220.3082
Fax: 202.220.3096



How Serious Is the Problem?

During the past 10 years the number of people with health coverage rose along with the number of individuals without coverage. The former is largely due to population growth, while the latter is largely due to a slowing economy. Typically, those who lack insurance are uninsured for only a short period of time — more than half will have coverage within a year. Yet it is generally overlooked that the proportion of Americans without health coverage has been relatively stable over time.

In 2010, nearly 84 percent of U.S. residents, or 256.2 million people, were privately insured or enrolled in a government health program, such as Medicare, Medicaid or the State Children's Health Insurance Programs (S-CHIP), according to Census Bureau data. An additional 3 million to 6 million people identified as uninsured may already be covered by Medicaid or S-CHIP but erroneously told the Census Bureau they were uninsured because they do not associate Medicaid with insurance coverage.

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

Low-Income Families. Some 16.2 million uninsured adults and children live in households earning less than \$25,000 annually. Many in this group qualify for Medicaid or S-CHIP but are not enrolled. Indeed:

- A BlueCross BlueShield Association survey found nearly one-third of the uninsured are eligible for public coverage but unenrolled.
- The Urban Institute estimates that nearly 7-in-10 uninsured children (6 million) qualify for S-CHIP or Medicaid but have not enrolled.
- Sixty-four percent of the uninsured seeking health insurance options at CoverageForAll.org were eligible for public coverage, according to the website's survey.

Just over 15.4 million uninsured residents live in households with incomes of \$25,000 to \$50,000 per year. Most in this group do not qualify for Medicaid and (arguably) earn too little to easily afford expensive family plans costing more than \$12,000 per year.

Middle-Income Families. Nearly 18.3 million of the uninsured lived in households with annual incomes above \$50,000 — over half of them (9.5 million) in households with incomes that exceed \$75,000 annually. Arguably, many in this group could afford some type of health insurance — possibly a high-deductible plan or a plan with limited benefits.

Immigrants. About 13 million foreign-born residents lack health coverage — accounting for 26

Crisis of the Uninsured: 2010 and Beyond

percent of the uninsured. In 2010, 45 percent of foreign-born noncitizen residents were uninsured.

Only immigrants who have been legal residents for more than five years qualify for public coverage. Most will not qualify for health insurance subsidies once the health insurance exchanges authorized by the PPACA are open in 2014. The Congressional Budget Office (CBO) estimates that illegal immigrants will compose one-third of the projected 23 million uninsured individuals in 2019.

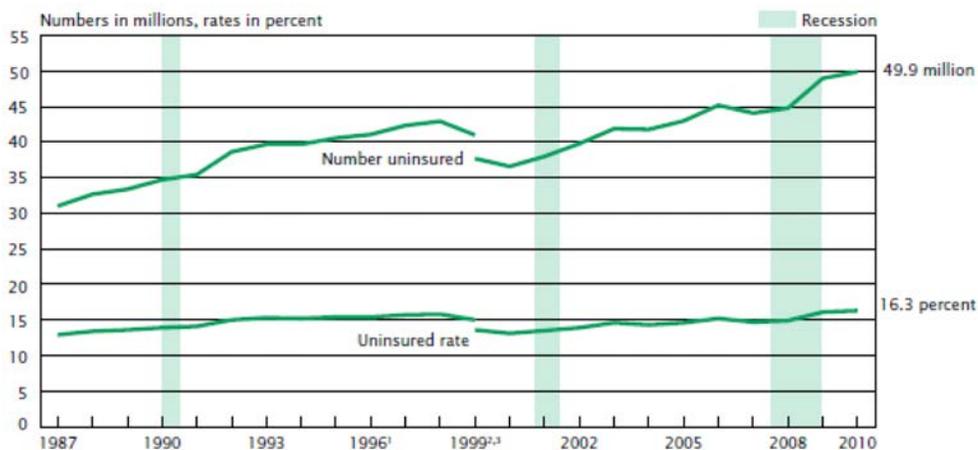
The Young and Healthy. About 19.9 million 18-to-34-year olds are uninsured. Most are healthy and know they can pay incidental expenses out of pocket, making health insurance a low priority.

Middle-Aged Adults. About 13.2 million 45-to-64 year olds are uninsured, an increase of 810,000 from 2009. The percentage of adults in this age group who are uninsured has been inching up for a decade, but the jump of 2.2 million people in the past two years is especially worrisome. Job losses and the economy are likely causes. But there is also the possibility of early retirees forgoing coverage knowing they will be guaranteed coverage in 2014 when the individual insurance exchanges are due to be up and running.

Why the Nonpoor Are Uninsured: State Mandates.

Government policies that drive up the cost of private health insurance may partly explain why millions of people forgo coverage. State-mandated benefits drive up the cost by requiring more coverage than consumers may

Number Uninsured and Uninsured Rate: 1987 to 2010



¹ The data for 1996 through 1999 were revised using an approximation method for consistency with the revision to the 2004 and 2005 estimates.

² Implementation of Census 2000-based population controls occurred for the 2000 ASEC, which collected data for 1999. These estimates also reflect the results of follow-up verification questions, which were asked of people who responded “no” to all questions about specific types of health insurance coverage in order to verify whether they were actually uninsured. This change increased the number and percentage of people covered by health insurance, bringing the CPS more in line with estimates from other national surveys.

³ The data for 1999 through 2009 were revised to reflect the results of enhancements to the editing process.

Note: Respondents were not asked detailed health insurance questions before the 1988 CPS.

The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A of source report.

Source: U.S. Census Bureau, Current Population Survey, 1988 to 2011, Annual Social and Economic Supplements.

want. Nationally, about one-quarter of the uninsured have been priced out of the market by excessive state mandated benefits and mandated provider laws.

In addition, many states make it easy for a person to obtain insurance after becoming sick by requiring insurance companies to offer immediate coverage for preexisting conditions with no waiting period. Thus, when people are healthy they have little incentive to participate until they need care.

Effect of Health Reform on the Number of Uninsured. About 23 million people will remain uninsured in 2019 — nearly half the 49.9 million today. This is largely because the penalties for forgoing health coverage are less than the cost of coverage (\$695 per individual or 2.5 percent of income).

Furthermore, new federal regulations will require insurers to accept all applicants regardless of health status. An unintended consequence of this is that many will wait until they become sick to enroll in health coverage.

In the short run, the PPACA may cause 1.4 million people to lose their limited benefit health plans when annual caps on benefits are banned under new regulations implemented on September 23, 2010.

Conclusion. The PPACA will leave an estimated 23 million people without coverage and millions more will have difficulty accessing a doctor. More patients will be insured but that does not solve the problem of where they will be able to go to get care.

Devon M. Herrick is a senior fellow with the National Center for Policy Analysis.