

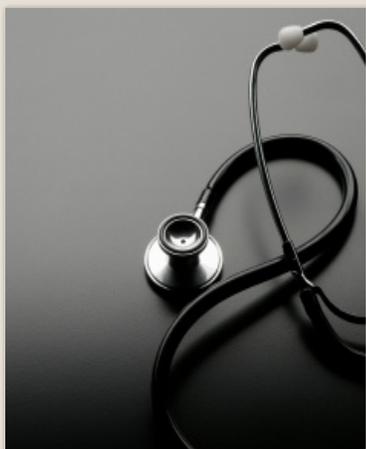
# The Uninsured Crisis under ObamaCare

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*The number of people who lacked health coverage fell slightly to 48 million in 2012, from 48.6 million the year before, according to the U.S. Census Bureau's Income & Poverty report.*



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**How Serious Is the Uninsured Problem?** In 2012, just over 84.6 percent of U.S. residents, or 263.2 million people, were privately insured or enrolled in a government health program, according to the Census Bureau. This is an increase in health coverage of nearly 3 million people from 2011.

The proportion of Americans without health coverage has remained relatively stable over time. However, many of those who lack insurance are uninsured for only a short period of time. Data from past years showed that more than half of the uninsured will be covered within a year. The rise in the uninsured over the past decade was largely due to population growth, immigration, the recession and — in some instances — individual choice. However, this phenomenon will likely not change anytime soon.

**Who is Currently Uninsured?** The uninsured include diverse groups, each uninsured for a different reason.

*Low-Income Families.* Some 14.5 million uninsured adults and children living in households earning less than \$25,000 annually lacked coverage all year. [See the figure.] Many in this group qualify for Medicaid or the Children's Health Insurance program (CHIP), but are not enrolled. Some will qualify for Medicaid if eligibility is expanded in their state (more on this later). Indeed, three to six million people may already be covered by

Medicaid or CHIP, but erroneously told the Census Bureau they were uninsured because they do not associate Medicaid with insurance coverage, according to a report in *Health Services Research*.

*Middle-Income Families.* Nearly 18.5 million of the uninsured lived in households with annual incomes above \$50,000. More than half (10 million) live in households with incomes exceeding \$75,000 annually. Arguably, many in the latter group could afford some type of health insurance — such as a high-deductible plan.

*The "Young Invincibles."* About 19 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. When people are healthy they have little incentive to participate until they need care.

*Middle-Aged Adults.* The percentage of middle-aged adults who are uninsured has been inching up for a decade. Job losses and the economy are likely causes. More recently, some early retirees are forgoing insurance, knowing they will be guaranteed coverage when the insurance exchanges are up and running in 2014. However, in 2012, about 13.3 million 45-to-64 year olds were uninsured — virtually unchanged from 2011.

*Immigrants.* The ranks of the uninsured are also swollen by 12.8 million foreign-born residents who are uninsured — accounting for more than one-fourth (26.7 percent) of the total. Some 43.4 percent of foreign-born noncitizen residents lack current health coverage.

## The Uninsured Crisis under ObamaCare

### Why ObamaCare Won't Solve the Problem of the Uninsured.

Proponents of the Affordable Care Act (ACA) hoped it would achieve near-universal coverage. Yet, the Congressional Budget Office (CBO) estimates that the ACA will cover less than half of the uninsured. A decade from now (2023), long after the ACA is fully implemented, the CBO estimates it will only cover about 25 million people who would otherwise be uninsured, leaving 31 million people uninsured. Even this estimate may be too optimistic.

ObamaCare will not solve the uninsured crisis for several reasons, including:

**Unenforced Individual Mandate.** The ACA requires most legal U.S. residents to obtain health coverage or pay a fine. When the individual mandate goes into effect on January 1, 2014, the penalty for being uninsured will be the greater of \$95 or 1 percent of annual income. The penalty will be fully phased in by 2016, rising to \$695 or 2.5 percent of income.

Even if the penalties are enforced, they are a pittance compared to the cost of health insurance. Some people may decide to pay the penalty rather

than pay for health coverage that costs much more. Only 6 million of the 30 million individuals the CBO estimates will lack health coverage in 2016 will be subject to a fine — penalties will be waived for 80 percent of the uninsured.

**Perverse Regulations.** New regulations require insurers in the individual market to provide coverage to all applicants, regardless of pre-existing health conditions. In addition, premiums cannot be adjusted for medical risk, and can only be risk-adjusted for age and smoking. Some people will game the system by signing up for insurance only when they become sick — knowing they cannot be turned away or penalized for pre-existing conditions.

**Delayed Employer Mandate and the Exchanges.** A further concern is that many small businesses will drop employee health plans when their workers have access to subsidized coverage in the health insurance exchanges in 2014. Indeed, the Obama Administration recently announced it was postponing implementation of both the small business “SHOP” Exchange and the employer mandate until 2015.

**Rising Costs.** The ACA will do little to control health care costs. Moreover, mandatory health coverage includes a laundry list of essential benefits, and no limits on annual and lifetime benefits. Today the average cost of premiums for employer plans is \$5,884 for an individual and nearly three times as much for family coverage. Due to mandatory benefits and regulations, premium costs are expected to be higher than before the ACA.

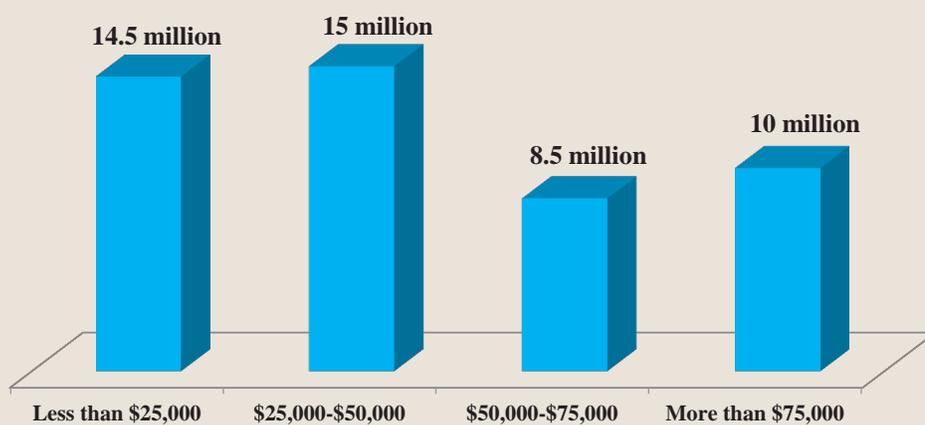
**Medicaid Expansion Limited.** Initially, the ACA required the states to expand Medicaid eligibility to all legal residents earning up to 138 percent of the federal poverty level (\$15,856 for one person, or \$32,499 for a family of four, in 2014). When the ACA was first signed into law, the CBO estimated that 16 million of the newly insured would be covered by Medicaid. However, in June 2012, the U.S. Supreme Court ruled that states are not required to expand state Medicaid programs. As a result, the CBO has lowered the estimated number of people who will be covered by Medicaid to 13 million.

**Immigrants Excluded from Mandate.** Noncitizen immigrants who have been legal residents for more than five years qualify for Medicaid. However, some foreign-born residents here less than five years will qualify for subsidies in the new health insurance exchanges. Immigrants not legally in the country will not qualify for subsidies.

**Conclusion.** One of the primary goals for passing ObamaCare was to boost health coverage. But the ACA will leave millions of people uninsured, and raise the cost of health insurance for those who have coverage.

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**Number of Uninsured by Annual Household Income (2012)**



Source: U.S. Census Bureau.