



# **National Association of Health Underwriters**

## ***Who Are America's and Illinois' Uninsured?***

### ***September 2005***

During 2004, according to U.S. Census Bureau estimates<sup>1</sup>, there were 45.8 million Americans who lacked health insurance coverage. That's approximately 15.6 percent of the population. And according to those same estimates, in the state of Illinois, 14 percent of state residents were uninsured in 2004, which represents a little more than 1.7 million people. Those are staggering figures, and they produce staggering images. Our nation's largest football stadium holds 102,501 people. Can you see it filled 17 times with just uninsured Illinois residents?

The numbers also produce staggering questions about what this really means. Chief among them:

- What constitutes being uninsured in America?
- Who are these uninsured Americans, and why don't they have coverage?
- What are we doing to address this problem?
- What else can we do to fix the problem of the uninsured?

#### **What constitutes being uninsured in America?**

The most widely cited data on the number of uninsured Americans is collected on an annual basis by the U.S. Census Bureau each March, and is released each August. The Census Bureau surveys about 78,000 households, and their survey includes detailed health insurance questions asked of the household respondent for every household resident. Respondents are asked about health insurance coverage in the previous calendar year. The Census Bureau then counts the individuals reported as not being covered by either an employer-sponsored health insurance program, individual private health insurance, a government sponsored health coverage program (such as Medicaid or Medicare), or some other type of health insurance plan (such as a purchasing pool or a state high-risk pool) as being uninsured.<sup>2</sup>

What's interesting about those numbers is that they don't indicate how long these individuals go without health insurance coverage. Being uninsured to most individuals is a temporary situation. Just as many people spend some time during their lives as unemployed, many people go without health insurance for a short period. According to a Congressional Budget Office (CBO) study<sup>3</sup> of the non-elderly population, approximately 45 percent of uninsured Americans go without coverage for 4 months or less. Seventy-one percent of Americans obtain health insurance coverage within 12 months of being uninsured, and 84 percent have health insurance coverage within 24 months. Only 16 percent of the uninsured population goes without coverage for more than 24 months.

Another thing that's very interesting about the Census Bureau's numbers is that they have been challenged as too high by other very reputable sources. "The Congressional Budget Office (CBO) estimates that between 21 million and 31 million people were uninsured for the entire year in 1998--the most recent year for which reliable comparative data were available [when their study was conducted in 2003]. Since then, the number who are uninsured all year probably has not changed substantially, given historical trends."<sup>4</sup> Further supporting the CBO data are two more recent studies, one by the Urban Institute and one by the Actuarial Research Corporation. Both of these studies were commissioned by the federal Department of Health and Human Services in 2004, and both found that the Census data may overestimate the number of American

uninsured.<sup>5</sup> The Urban Institute study used data from 2001, 2003 and 2004, and it concluded that the Census surveys might have overestimated the number of uninsured by up to 4 million people.<sup>6</sup> An analysis by the Actuarial Research Corporation focused on 2003, and concluded that 9 million, or 20 percent, of the 45 million people identified by the U.S. Census Bureau as uninsured in 2003, actually did have health insurance coverage.<sup>7</sup>

Both the Urban Institute study and the Actuarial Research Corporation's report concluded that an undercount of Medicaid recipients was likely the reason for the discrepancy.<sup>8</sup> Another reason why the Census numbers bear scrutiny is that while they are supposed to represent people who were uninsured at any point during the given year, they actually more closely represent the number of people who are uninsured at a specific point in time during the year. Also, since the data is collected from individual respondents, and since health insurance is such a complicated topic, the probability of human reporting errors impacting the data is high.

### **Who are these uninsured Americans and why don't they have coverage?**

But no matter which uninsured number you use, the fact remains that millions of people go without health coverage each year, which impacts their ability to obtain needed healthcare services. And to be able to help solve the problem of the uninsured, it's critical to know more about this population and why they do not have coverage. Education and income level have been shown to impact health insurance status, with higher levels of both leading to a higher likelihood of being insured. In addition, race has been determined to play a factor, particularly among the Hispanic population. Of all racial and ethnic groups, they have the highest uninsured rate at 32.7 percent.<sup>9</sup> Another interesting fact about the uninsured is that the vast majority of them are part of working families. The CBO estimates that nearly 90 percent of the people who were uninsured all year in 1998 were in families in which at least one person worked, either part time or full time. CBO indicates that 75 percent of the uninsured in these working families did not have access to insurance through their employer, while the remainder declined employer-based health insurance.<sup>10</sup>

When trying to determine why people do not have health insurance coverage, the common denominator seems to be price. Seventy one percent of the non-elderly uninsured, and 97.5 percent of the non-elderly uninsured that go without coverage for more than one year, indicate cost as the driving factor for their lack of coverage. Another leading cause is the dearth of employer-sponsored health insurance coverage, which relates directly back to the cost issue. CBO states that 61 percent of uninsured non-elderly adults report the lack of group coverage as a contributing factor in their insurance status<sup>11</sup>, and research shows that cost, combined with a weak labor market has resulted in many smaller employers either dropping their group coverage or requiring employees to pick up more of the cost of premiums. From 2000-2004, a *Health Affairs* study indicated that the percentage of employers with between 3 and 1,999 employees who offered health benefits dropped from 68 to 63 percent.<sup>12</sup>

### **What is being done to address this problem?**

Despite the frequent claim that the United States is the only major industrialized country not to provide universal access to healthcare for its citizens, the federal government actually has a number of programs and measures in place to provide access to coverage, and the federal government spends upwards of \$99 billion per year to provide care for the uninsured<sup>13</sup>. Federal law mandates that providers treat all individuals that enter hospital emergency rooms, regardless of health insurance status, the federal Medicare program provides comprehensive health coverage to all Americans over the age of 65, and Medicaid is a state-federal partnership program that

provides a safety net of coverage to low-income pregnant women, children, teenagers, senior citizens, and blind and disabled individuals. In addition, the State Children's Health Insurance Program (CHIP), which in Illinois is known as Illinois KidCare, provides federal and state funding to extend health coverage to pregnant women and children up to age eighteen with family incomes of up to 185 percent of the federal poverty level, and many states have raised those levels up even further. Also, the new federal Health Care Tax Credit Program is available to provide direct private health insurance purchasing assistance to hundreds of thousands of displaced U.S. workers.

In addition to the federal initiatives, there are a multitude of programs at both the state and local levels designed to provide lower income Americans and individuals with specific conditions and medical needs with access to health care services. In Illinois, there are some very large, well-known programs, such as FamilyCare, which expands on Illinois KidCare, and offers health care coverage to parents living with their children 18 years old or younger. But in addition to large-scale programs, there are many, many smaller state programs that provided needed healthcare services to state residents, particularly lower-income state residents, those without private health insurance coverage, or those who have specific healthcare needs or suffer from particular conditions. Just a few of many examples include the Illinois All Our Kids—Birth to Age Three Network, which ensures that all children under the age of three years and their families have the opportunity to receive the services they need, from prenatal care to well-baby checkups to parenting education to specialized services, such as speech therapy, physical therapy or home visits. Another example is the Illinois AIDS Drug Assistance Program, which provides prescription drugs to nearly 3,000 clients each month. A third is the Illinois Breast and Cervical Cancer Program offers free mammograms, breast exams, pelvic exams and Pap tests to eligible women. Furthermore, county and city health departments, as well as private organizations like the Red Cross and Planned Parenthood provide outreach and care to countless residents in their areas on a regular basis.

The question remains, though, exactly how effective are these public programs at providing coverage? How many of the uninsured are aware of these sources of coverage, and how many access them to obtain needed healthcare services? Medicare provides coverage to virtually all Americans age 65 and older, but Medicaid and the state Children's Health Insurance Program do not serve millions of individuals who are eligible for the program. Research estimates that about half of eligible non-participants have private coverage and half are uninsured<sup>14</sup> Little data is available about the effectiveness of the myriad of state and local programs that provide individuals with access to healthcare services, if not access to actual healthcare coverage.

### **What else can we do to fix the problem of the uninsured?**

The National Association of Health Underwriters, as a professional organization of more than 20,000 employee benefit specialists, is extremely concerned about the problem of the uninsured. We are particularly concerned about those individuals who are chronically uninsured, those individuals who qualify for existing programs to obtain care and coverage but for a variety of reasons do not access them, and the affordability of health insurance coverage. Seventy-one percent of the uninsured, including 97.5 percent of the long-term uninsured, indicate cost as the driving factor for their lack of coverage<sup>15</sup>. To assist these individuals, NAHU is in support of the following:

- Refundable, advanceable federal income-tax credits to be used for the purchase of private health insurance coverage, either in the private individual or employer-based health insurance markets.

- Health Savings Accounts, which combine low-cost high-deductible health plans with tax-exempt savings accounts to pay for routine medical care, and can help make health insurance a more affordable option for small business owners, the self-employed and low-income individuals.
- Measures designed to make private state health insurance markets more competitive and vibrant, such as high-risk health insurance pools, the use of medical underwriting in the individual and small-group health insurance markets, creative uses of reinsurance pools, reductions in the number of mandated benefit laws, since competition in any marketplace helps to reduce cost and improve consumer choice.
- The efforts of state governments to help low-income individuals purchase private health insurance coverage, particularly through state income tax incentives.
- Measures to encourage private health insurance options targeted to people with incomes below 200 percent of the federal poverty level (FPL), such as the federal Health Insurance Flexibility and Accountability waiver program. Under this program, states are encouraged to think creatively about how Medicaid and State Children's Health Insurance Program (SCHIP) funding can be used to maintain and encourage coverage in the group health plan market.
- Increased public education about the availability of the myriad of already existing federal, state and local healthcare access and affordability programs, and the official use of health insurance producers to promote participation in existing public healthcare programs, in order to increase the effectiveness of outreach efforts.

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<sup>1</sup> U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2004*. August 2005. <http://www.census.gov/prod/2005pubs/p60-229.pdf>

<sup>2</sup> U.S. Census Bureau. *Source and Accuracy of Estimates for Income, Poverty and Health Insurance Coverage in the United States: 2004*: August 2005. [http://www.census.gov/hhes/www/income/p60\\_229sa.pdf](http://www.census.gov/hhes/www/income/p60_229sa.pdf)

<sup>3</sup> Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

<sup>4</sup> Ibid.

<sup>5</sup> *American Health Line*. "Access the Uninsured: Number Might be Overstated, Studies Find." April 26, 2005. [http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN\\_HEALTHLINE-\\_-POLL\\_TRACK-\\_-AD\\_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated](http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN_HEALTHLINE-_-POLL_TRACK-_-AD_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated)

<sup>6</sup> Holahan, Jon and Ghosh, Arunabh. "The Economic Downturn and Changes in Health Insurance Coverage, 2000-2003." The Urban Institute. September 1, 2004. <http://www.urban.org/template.cfm?Template=/TaggedContent/ViewPublication.cfm&PublicationID=9028&NavMenuID=95>

<sup>7</sup> *American Health Line*. "Access the Uninsured: Number Might be Overstated, Studies Find." April 26, 2005. [http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN\\_HEALTHLINE-\\_-POLL\\_TRACK-\\_-AD\\_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated](http://nationaljournal.com/cgi-bin/iffetch4?ENG+AMERICAN_HEALTHLINE-_-POLL_TRACK-_-AD_SPOTLIGHT+7-ahindex+1128264-REVERSE+0+1+1302+F+3+8+1+uninsured+AND+overstated)

<sup>8</sup> Ibid.

<sup>9</sup> U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2004*. August 2005. <http://www.census.gov/prod/2005pubs/p60-229.pdf>

<sup>10</sup> Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

<sup>11</sup> Ibid.

<sup>12</sup> John Gabel, et. al. "Health Benefits in 2004: Four Years of Double Digit Premium Increases Take Their toll on Coverage," *Health Affairs*. September 9, 2004. <http://content.healthaffairs.org/cgi/content/abstract/23/5/200>

<sup>13</sup> Kaiser Family Foundation. *Daily Health Policy Report*. June 5, 2003. [www.kaisernetwork.org](http://www.kaisernetwork.org)

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<sup>14</sup> John L. Czajka, Analysis of Children's Health Insurance Patterns: Findings from the SIPP (report submitted by Mathematica Policy Research, Inc., to the Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, May 1999

<sup>15</sup> Congressional Budget Office. "How Many People Lack Health Insurance and For How Long?" May 2003. <http://www.cbo.gov/showdoc.cfm?index=4210>

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