

# FACTS ON HEALTH INSURANCE COVERAGE

## Introduction

Most Americans have health insurance through their employers. But, employment is no longer a guarantee of health insurance coverage.

As America continues to move from a manufacturing-based economy to a service economy, and employee working patterns continue to evolve, health insurance coverage has become less stable. The service sector offers less access to health insurance than its manufacturing counterparts. Further, an increasing reliance on part-time and contract workers who are not eligible for coverage means fewer workers have access to employer-sponsored health insurance.

Due to rising health insurance premiums, many small employers cannot afford to offer health benefits. Companies that do offer health insurance, often require employees to contribute a larger share toward their coverage. As a result, an increasing number of Americans have opted not to take advantage of job-based health insurance because they cannot afford it.

## Who are the uninsured?

- Nearly 47 million Americans, or 16 percent of the population, were without health insurance in 2005, the latest government data available.<sup>1</sup>
- The number of uninsured rose 2.2 million between 2005 and 2006 and has increased by almost 9 million people since 2000.<sup>1</sup>
- The large majority of the uninsured (80 percent) are native or naturalized citizens.<sup>2</sup>
- The increase in the number of uninsured in 2006 was focused among working age adults. The percentage of working adults (18 to 64) who had no health coverage climbed from 19.7 percent in 2005 to 20.2 percent in 2006.<sup>1</sup> Nearly 1.3 million full-time workers lost their health insurance in 2006.
- Nearly 90 million people – about one-third of the population below the age of 65 spent a portion of either 2006 or 2007 without health coverage.<sup>3</sup>
- Over 8 in 10 uninsured people come from working families – almost 70 percent from families with one or more full-time workers and 11 percent from families with part-time workers.<sup>2</sup>
- The percentage of people (workers and dependents) with employment-based health insurance has dropped from 70 percent in 1987 to 59 percent in 2006.

This is the lowest level of employment-based insurance coverage in more than a decade.<sup>4, 5</sup>

- In 2005, nearly 15 percent of employees had no employer-sponsored health coverage available to them, either through their own job or through a family member.<sup>6</sup>
- In 2006, 37.7 million workers were uninsured because not all businesses offer health benefits, not all workers qualify for coverage and many employees cannot afford their share of the health insurance premium even when coverage is at their fingertips.<sup>1</sup>
- The number of uninsured children in 2006 was 8.7 million – or 11.7 percent of all children in the U.S.<sup>1</sup> The number of children who are uninsured increased by nearly 610,000 in 2006, the second year that the number of uninsured children increased.
- Young adults (18-to-24 years old) remained the least likely of any age group to have health insurance in 2005 – 29.3 percent of this group did not have health insurance.<sup>1</sup>
- The percentage and the number of uninsured Hispanics increased to 34.1 percent and 15.3 million in 2006.<sup>1</sup>
- Nearly 40 percent of the uninsured population reside in households that earn \$50,000 or more.<sup>1</sup> A growing number of middle-income families cannot afford health insurance payments even when coverage is offered by their employers.

### **Why is the number of uninsured people increasing?**

- Millions of workers don't have the opportunity to get health coverage. A third of firms in the U.S. did not offer coverage in 2006.<sup>4</sup>
- Nearly two-fifths (38 percent) of all workers are employed in smaller businesses, where less than two-thirds of firms now offer health benefits to their employees.<sup>7</sup> It is estimated that 266,000 companies dropped their health coverage between 2000-2005 and 90 percent of those firms have less than 25 employees.
- Rapidly rising health insurance premiums are the main reason cited by all small firms for not offering coverage. Health insurance premiums are rising at extraordinary rates. The average annual increase in inflation has been 2.5 percent while health insurance premiums for small firms have escalated an average of 12 percent annually.<sup>4</sup>

- Even if employees are offered coverage on the job, they can't always afford their portion of the premium. Employee spending for health insurance coverage (employee's share of family coverage) has increased 143 percent between 2000 and 2006.<sup>8</sup>
- Losing a job, or quitting voluntarily, can mean losing affordable coverage – not only for the worker but also for their entire family. Only seven (7) percent of the unemployed can afford to pay for COBRA health insurance – the continuation of group coverage offered by their former employers. Premiums for this coverage average almost \$700 a month for family coverage and \$250 for individual coverage, a very high price given the average \$1,100 monthly unemployment check.<sup>9</sup>
- Coverage is unstable during life's transitions. A person's link to employer-sponsored coverage can also be cut by a change from full-time to part-time work, or self-employment, retirement or divorce.<sup>10</sup>

### **How does being uninsured harm individuals and families?**

- Lack of insurance compromises the health of the uninsured because they receive less preventive care, are diagnosed at more advanced disease stages, and once diagnosed, tend to receive less therapeutic care and have higher mortality rates than insured individuals.<sup>11</sup>
- Regardless of age, race, ethnicity, income or health status, uninsured children were much less likely to have received a well-child checkup within the past year. One study shows that nearly 50 percent of uninsured children did not receive a checkup in 2003, almost twice the rate (26 percent) for insured children.<sup>12</sup>
- The uninsured are increasingly paying "up front" -- before services will be rendered. When they are unable to pay the full medical bill in cash at the time of service, they can be turned away except in life-threatening circumstances.<sup>7</sup>
- About 20 percent of the uninsured (vs. three percent of those with coverage) say their usual source of care is the emergency room.<sup>2</sup>
- Studies estimate that the number of excess deaths among uninsured adults age 25-64 is in the range of 18,000 a year. This mortality figure is more than the number of deaths from diabetes (17,500) within the same age group.<sup>10</sup>
- According to one study, over a third of the uninsured have problems paying medical bills. The unpaid bills were substantial enough that many had been turned over to collection agencies – and nearly a quarter of the uninsured adults said they had changed their way of life significantly to pay medical bills.<sup>13</sup>

## What additional costs are created by the uninsured population?

- The United States spends nearly \$100 billion per year to provide uninsured residents with health services, often for preventable diseases or diseases that physicians could treat more efficiently with earlier diagnosis.<sup>14</sup>
- Hospitals provide about \$34 billion worth of uncompensated care a year.<sup>14</sup>
- Another \$37 billion is paid by private and public payers for health services for the uninsured and \$26 billion is paid out-of-pocket by those who lack coverage.<sup>14</sup>
- The uninsured are 30 to 50 percent more likely to be hospitalized for an avoidable condition, with the average cost of an avoidable hospital stay estimated to be about \$3,300.<sup>14</sup>
- The increasing reliance of the uninsured on the emergency department has serious economic implications, since the cost of treating patients is higher in the emergency department than in other outpatient clinics and medical practices.<sup>11</sup>
- A new study found that 29 percent of people who had health insurance were “underinsured” with coverage so meager they often postponed medical care because of costs.<sup>15</sup> Nearly 50 percent overall, and 43 percent of people with health coverage, said they were “somewhat” to “completely” unprepared to cope with a costly medical emergency over the coming year.<sup>15</sup>

## Getting Everyone Covered Will Save Lives and Money

The impacts of going uninsured are clear and severe. Many uninsured individuals postpone needed medical care which results in increased mortality and billions of dollars lost in productivity and increased expenses to the health care system. There also exists a significant sense of vulnerability to the potential loss of health insurance which is shared by tens of millions of other Americans who have managed to retain coverage.

Every American should have health care coverage, participation should be mandatory, and everyone should have basic benefits.

### Notes

1. DeNavas-Walt, C.B. Proctor, and J. Smith. Income, Poverty, and Health Insurance Coverage in the United States: 2006. *U.S. Census Bureau.*, August 2007. <http://www.census.gov/prod/2007pubs/p60-233.pdf>
2. The Henry J. Kaiser Family Foundation. *The Uninsured: A Primer, Key Facts About Americans without Health Insurance.* October 2006. <http://www.kff.org/uninsured/>.
3. Families USA. *Wrong Direction: One Out of Three Americans are Uninsured.* September 2007. <http://familiesusa.org/assets/pdfs/wrong-direction.pdf>

4. The Henry J. Kaiser Family Foundation. *Employee Health Benefits: 2007 Annual Survey*. 11 September 2006.  
<http://www.kff.org/insurance/7672/index.cfm>
5. Center on Budget and Policy Priorities. *The Number of Uninsured Americans is at an All-Time High*. 29 August 2006  
<http://www.cbpp.org/8-29-06health.pdf>.
6. Clemens-Cope, Lisa, et al, Changes in Employees' Health Insurance Coverage, 2001-2005, *Kaiser Commission on Medicaid and the Uninsured*, October 2006.
7. The Henry J. Kaiser Family Foundation. *The Uninsured: A Primer, Key Facts About Americans without Health Insurance*. January 2006. <http://www.kff.org/uninsured/>.
8. Hewitt Associates LLC. *Health Care Expectations: Future Strategy and Direction 2005*. 17 November 2004.
9. Dalrymple, M., "Senators Seek Tax Credit for Unemployed." *Associated Press*, 9 October 2003.
10. Institute of Medicine. Insuring America's Health – Principles and Recommendations. *The National Academies Press*, 2004.
11. Institute of Medicine. Care Without Coverage – Too Little, Too Late. *The National Academies Press*, 2002.
12. The Urban Institute. *Key Findings from the 2002 National Health Interview Survey*. 9 August 2004.
13. The Henry J. Kaiser Family Foundation. *Access to Care for the Uninsured: An Update*. 29 September 2003  
<http://www.kff.org/uninsured/4142.cfm>.
14. Institute of Medicine. Hidden Costs, Values Lost: Uninsurance in America. *The National Academies Press*. 17 June 2003  
<http://www.iom.edu/Report.asp?id=12313>.
15. *Consumer Reports*. Are You Really Covered? September 2007.