

The Impact of the Recession on Employment-Based Health Coverage

By Paul Fronstin, Employee Benefit Research Institute

EXECUTIVE SUMMARY

- **HEALTH COVERAGE AND THE RECESSION:** This *Issue Brief* examines changes in health coverage among workers during the recession that started in December 2007. Data from the Survey of Income and Program Participation are used to examine health coverage prior to the recession, and as recently as July 2009. Monthly changes are examined for 2007 and May 2008–July 2009, with emphasis on changes that occurred between September 2007 and April 2009.
- **EMPLOYMENT-BASED COVERAGE STILL DOMINANT:** Health coverage through the work place is by far the most common source of health insurance among the population under age 65. In 2008, 160.6 million individuals under age 65, or 61.1 percent of that population, were covered by employment-based health benefits. Fifteen percent were covered by Medicaid or the State Children's Health Insurance Program (SCHIP), 6.3 percent purchased coverage directly from an insurer, and about 3 percent were covered by Medicare or Tricare/CHAMPVA. Nearly 17.5 percent were uninsured.
- **UNINSURED GROWING:** Since the recession started in December 2007, the uninsured have grown. The unemployment rate was as low as 4.4 percent in May 2007, but by July 2009 it had reached 9.4 percent. The percentage of the nonelderly population with employment-based coverage was 61.3 percent in May 2007, and by July 2009 it was down to 58.2 percent. The uninsured rate was 12.3 percent in May 2007, and by July 2009 it was up to 16.4 percent.
- **EMPLOYMENT-BASED COVERAGE ERODING:** Between December 2007–May 2008, the percentage of workers with coverage in their own name (the policyholder) fell from 60.4 percent to 56.8 percent. The period between May 2008–July 2009 shows a continuing decline in the percentage of workers with employment-based coverage in their own name, falling to 55.9 percent.
- **CHANGES TO THE BENEFITS PACKAGE:** The benefits that are being offered have also changed. Deductibles, copayments for office visits, and prescription drug copayments have been increasing.
- **VULNERABLE POPULATION LOSES THE MOST:** In general, workers least likely to have employment-based coverage at the beginning of the recession were more likely than other workers to experience a decline in the percentage with such coverage one year later. Younger workers were more likely to lose coverage than older workers. Hispanic workers were more likely to lose coverage than whites or blacks. Part-time workers were more likely than full-time workers to have lost employment-based coverage.
- **EMPLOYMENT SECTOR:** The percentage of workers with own name employment-based coverage declined the most among those employed by for-profit private-sector employers and those employed by the federal government. Workers with the lowest earnings were the least likely to have employment-based coverage in their own name and experienced the largest decline in coverage.

Paul Fronstin is director of the Health Research and Education Program at EBRI. This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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The Impact of the Recession on Employment-Based Health Coverage

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Introduction

Health coverage through the work place is by far the most common source of health insurance among the population under age 65. In 2008, 160.6 million individuals under age 65, or 61.1 percent of that population, were covered by employment-based health benefits (Fronstin 2009). In contrast, 14.9 percent were covered by Medicaid or the State Children's Health Insurance Program (SCHIP), 6.3 percent purchased coverage directly from an insurer, and about 3 percent were covered by Medicare or Tricare/CHAMPVA. Nearly 17.5 percent were uninsured.

Sources of health insurance coverage and the percentage of population that is uninsured ebbs and flows, sometimes with the economy and sometimes with fluctuations in premium growth. The purpose of this *Issue Brief* is to examine changes in employment-based health insurance coverage and uninsured rates among workers during the recession that started in December 2007.¹ The analysis uses data from the 2004 and 2008 panels from the Survey of Income and Program Participation (SIPP) to examine health insurance coverage prior to the recession, and as recently as July 2009. Monthly changes are examined for 2007 and May 2008–July 2009, with emphasis on changes that occurred between September 2007 and April 2009. September 2007 was one month before the Dow Jones Industrial Average peaked at over 14,000, and was prior to the time that the general public began to notice the impact of the subprime mortgage crisis on financial markets. April 2009 is the most recent month for which data on health coverage are available for the entire 2008 panel.

As of this writing, the recession that started in December 2007 has not been officially declared over, although the economy experienced real growth in the second half of 2009.² However, unemployment has continued to rise, reaching 10.1 percent in October 2009, and has leveled off in the high-9 percent range.

The Economy and Health Coverage

Since the early 1990s, there have been two recessions. The recession that started in March 2001 lasted eight months and unemployment peaked at 6.3 percent in June 2003, up from 3.9 percent during the fall 2000. The second recession started in December 2007. The National Bureau of Economic Research (NBER) has not yet determined if and/or when this recession has ended. Unemployment peaked at 10.1 percent in October 2009, up from a 4.4 percent rate seen in a number of months between October 2006 and May 2007. It has since fallen slightly, to 9.7 percent, throughout January 2010 to March 2010.

The unemployment rate and the percentage of the population without insurance are highly correlated. In 2002, Gruber and Levitt determined that a 1 percentage point increase in the unemployment rate led to a 0.43–0.57 percentage point increase in the uninsured rate (Gruber and Levitt 2002). More recent research has found that the change in the percentage of uninsured due to a change in unemployment is different for children and adults under age 65. Because many children losing employment-based coverage become eligible for Medicaid or SCHIP, a 1 percentage point increase in the unemployment rate does not have a statistically significant effect on the uninsured rate of *children*. However, a 1 percentage point increase in the unemployment rate results in a nearly one-for-one (0.92 percentage point) decrease in the percentage of *adults* with employment-based coverage, a 0.18 percentage point increase in insurance purchased directly from an insurer, a 0.20 percentage point increase in Medicaid coverage, and a 0.59 percentage point increase in uninsured adults (Holahan and Garret 2009). This report then projects that, were the unemployment rate to reach 10 percent, the number of adults with employment-based coverage would fall by 4.1 million, the number children with employment-based coverage would fall by 1.8 million, and the number of uninsured adults would increase by 5.4 million.

Figure 1 contains data on the percentage of the population under age 65 that has employment-based coverage and that were uninsured from December 1995 through July 2009. The data are presented monthly and come from the Survey of Income and Program Participation (SIPP). Monthly unemployment rates are also presented, and the 2001 and current recessions are highlighted. The figure shows a number of things. During the expansion prior to the 2001 recession, unemployment was falling, employment-based coverage was expanding, and the uninsured rate was falling. During the 2001 recession, unemployment increased, employment-based coverage fell, and the uninsured rate increased. The uninsured rate peaked at 13.7 percent, six months after the unemployment rate peaked in June 2003.

After the 2001 recession, the percentage of the nonelderly population with employment-based coverage continued a downward trend until mid-2005, when it flattened out at or slightly above 60 percent through 2007. The percentage uninsured also flattened out, remaining at about 12.5 percent through 2007.

The recession that started in December 2007 is associated with another change in employment-based coverage and the uninsured. As shown in Figure 1, the unemployment rate was as low as 4.4 percent in May 2007. By July 2009 it had reached 9.4 percent. The percentage of the nonelderly population with employment-based coverage was 61.3 percent in May 2007, and by July 2009 it was down to 58.2 percent. Similarly, the uninsured rate was 12.3 percent in May 2007, and by July 2009 it was up to 16.4 percent.

The main reason for the observed drop in the percentage of the population with employment-based coverage is related to the fact that when there are fewer people working, there are fewer people with access to employment-based coverage. That does not mean that workers who are still employed are immune to the recession's impact on whether they have coverage through their job: During a recession, some employers will drop coverage, some will increase the worker share of the premium, and some may change eligibility requirements. Structural changes in the economy during a recession, such as the substitution of part-time workers for full-time workers, reduce the number of workers eligible for health benefits. This reflects the fact that while unemployment is rising, an increasing share of workers might decline coverage for a number of reasons. This is reflected in prior EBRI research which found that during the most recent recession, an increasing percentage of uninsured workers reported that they did not have coverage because of the cost, even though fewer workers said their employer did not offer coverage (Fronstin 2010).

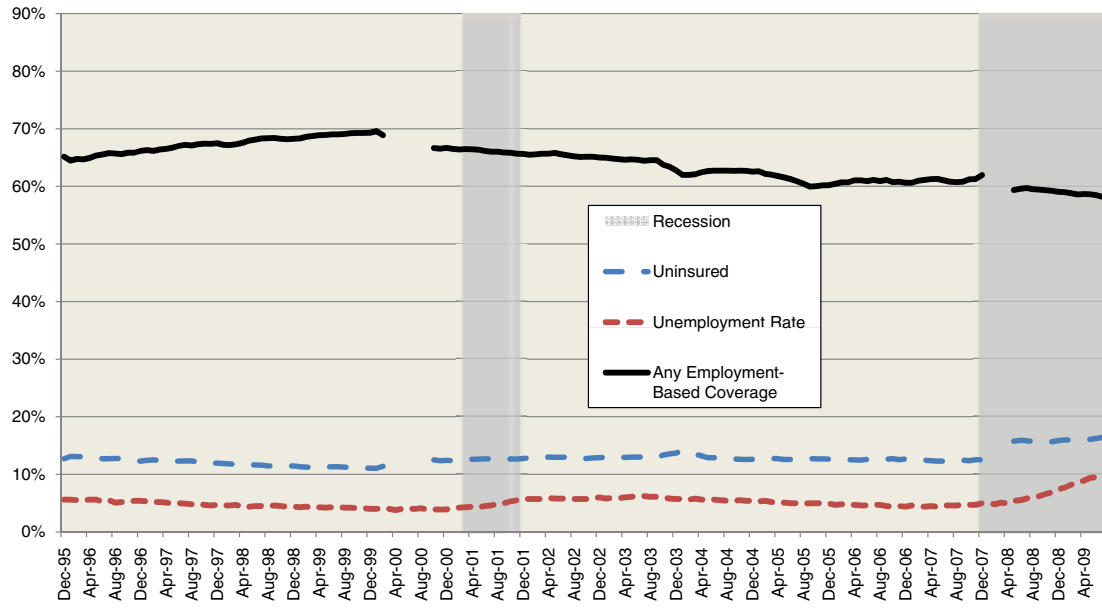
Figure 2 shows the percentage of wage and salary workers ages 18–64 with employment-based health benefits either in their own name or covered as a dependent. The combined trend is shown as well.

There was very little change between December 1995 and December 2007 in the percentage of workers covered either in their own name or as a dependent. The percentage of workers with coverage in their own name increased slightly, from just below 60 percent in the second half of 1996 to slightly above 61 percent in 1998. Between February 1998 and September 2002, the percentage of workers with coverage in their own name bounced around between 60.5 percent and 61.8 percent. A gradual decline in coverage started in October 2002, and between January 2004 and December 2007, the percentage of workers with coverage in their own name was mostly below 60 percent.

Between December 2007 and May 2008, the percentage of workers with coverage in their own name fell from 60.4 percent to 56.8 percent, but there are no data in between to determine if this was a gradual trend or a one-time drop. The recession officially started in December 2007. The period between May 2008 and July 2009 shows a continuing decline in the percentage of workers with employment-based coverage in their own name, falling to 55.9 percent by July 2009. Unlike the recession that started in December 2007, which saw a drop in employment-based coverage, the recession of 2001 saw very little change in coverage.

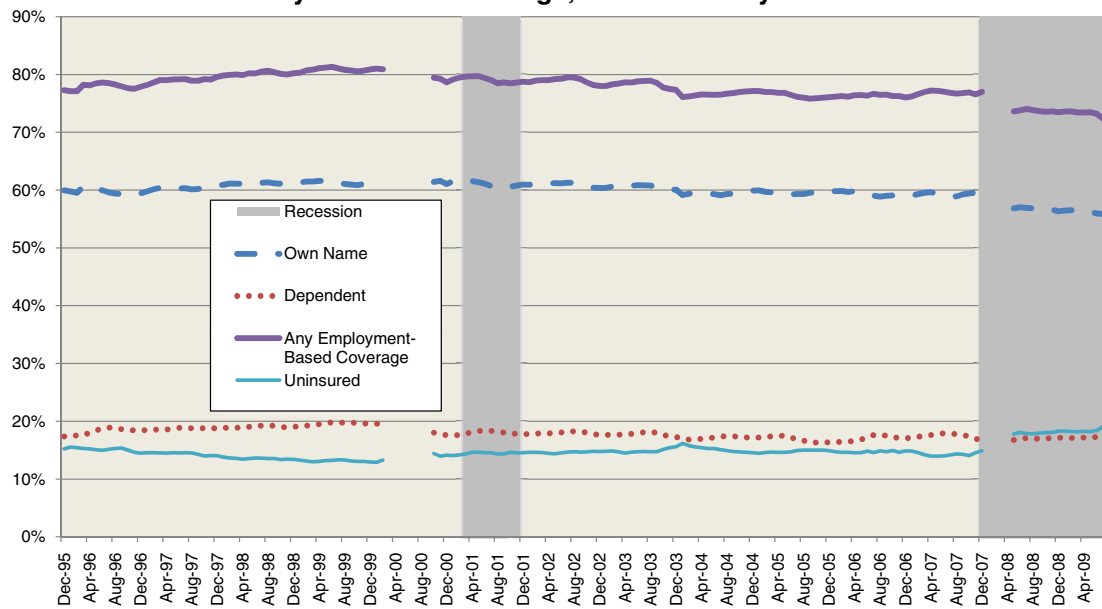
Changes in the percentage of workers with employment-based coverage as a dependent occurred throughout this period as well; however, the decline was less pronounced during the recession that started in December 2007. Between December 1995 and late 1999, the percentage of workers covered as a dependent increased from 17.4 percent to nearly 20 percent. It then declined during 2000 to about 18 percent. The percentage of workers with coverage as a dependent remained at about 18 percent through September 2003, but then declined to between 16 percent and

Figure 1
Employment-Based Coverage, the Uninsured, Unemployment, and the
Recession, Individuals Under Age 65, Dec. 1995–July 2009



Sources: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 1996, 2001, 2004, and 2008 panels; Department of Labor, Bureau of Labor Statistics; and the National Bureau of Economic Research.

Figure 2
Percentage of Wage and Salary Workers, Ages 18–64,
With Employment-Based Health Benefits,
by Source of Coverage, Dec. 1995–July 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 1996, 2001, 2004, and 2008 panels, and the Naational Bureau of Economic Research.

17 percent during the October 2003–December 2007 period. It remained in the 16–17 percent range during the December 2007–July 2009 period.

It is clear that the likelihood of a worker being uninsured is tied to the strength of the economy and the unemployment rate. Between late 1995 and early 2000, the percentage of workers without health insurance coverage had been falling. During December 1995–October 1996, the uninsured rate for workers was in the low 15 percent range. The uninsured rate was in the mid-14 percent range between November 1996 and September 1997. It fell to the upper 13 percent range during 1998, and was in the low 13 percent range during 1999 and early 2000.

Unemployment bottomed out at 3.9 percent in late 2000, and continued increasing during the recession of 2001. At the same time, the uninsured rate among workers increased to the low and mid-14 percent range, and did not recover until 2004. From mid-2002 to Fall 2003, the uninsured rate for workers was in the upper 14 percent range, and from Fall 2003 to summer 2004 it was in the 15–16 percent range. From summer 2004 through February 2007, the uninsured rate ranged from the upper 14 percent to low 15 percent range, and in mid-2007 it was in the low 14 percent range. The beginnings of the recession in late 2007 put the uninsured rate back in the upper 14 percent range, and during May 2008–July 2009 it ranged from the high 17 percent range to nearly 19.1 percent in July.

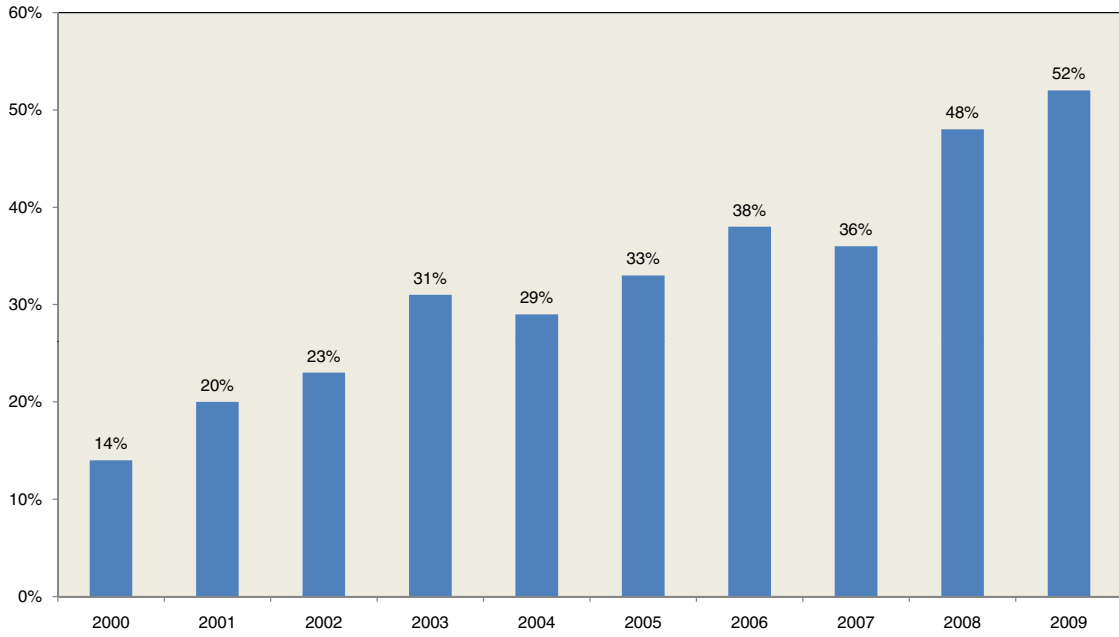
The potential decline in employment-based coverage among workers and their dependents may have been mitigated by subsidies provided by the federal government to allow persons losing employment-based coverage to keep their coverage. The continuation-of-coverage provision of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires employers with 20 or more employees to make available continued health care coverage for a specified period to employees (and/or their qualified dependents) who terminate employment for reasons other than gross misconduct. While COBRA ensures that workers who lose their health insurance coverage can continue it for up to 18 months, it does not require employers or unions to continue paying for this insurance; the entire health insurance premium must be paid by the persons electing COBRA. Those who utilize their right to COBRA coverage often find it to be surprisingly expensive.

However, as part of the American Recovery and Reinvestment Act of 2009 (ARRA), a subsidy to cover 65 percent of the cost of COBRA is available to certain COBRA beneficiaries. The subsidy would be available to persons becoming eligible for COBRA on or after September 1, 2008, and will be available for nine months. Because the law was not signed until February 2009, a new enrollment period was made available to persons who had initially declined COBRA. While coverage declined both for the overall population and the working population, this subsidy could have had a mitigating effect on the potential decline in employment-based coverage and rise in the uninsured during the most recent recession. Use of the subsidy would not have taken effect until March 2009. Because SIPP data are currently available only through April 2009 for the full sample, future releases of SIPP will be necessary to allow more detailed research to be conducted on the long-term impact of the ARRA subsidies on take-up of COBRA coverage.

While workers have not seen much of a decline in coverage, the benefits that are being offered have changed. For example, deductibles have been increasing. Figure 3 shows that among workers with employee-only coverage in a preferred provider organization (PPO) the percentage with a deductible of at least \$500 increased from 14 percent in 2000 to 52 percent in 2009. Co-payments for office visits and prescription drugs have been increasing as well.

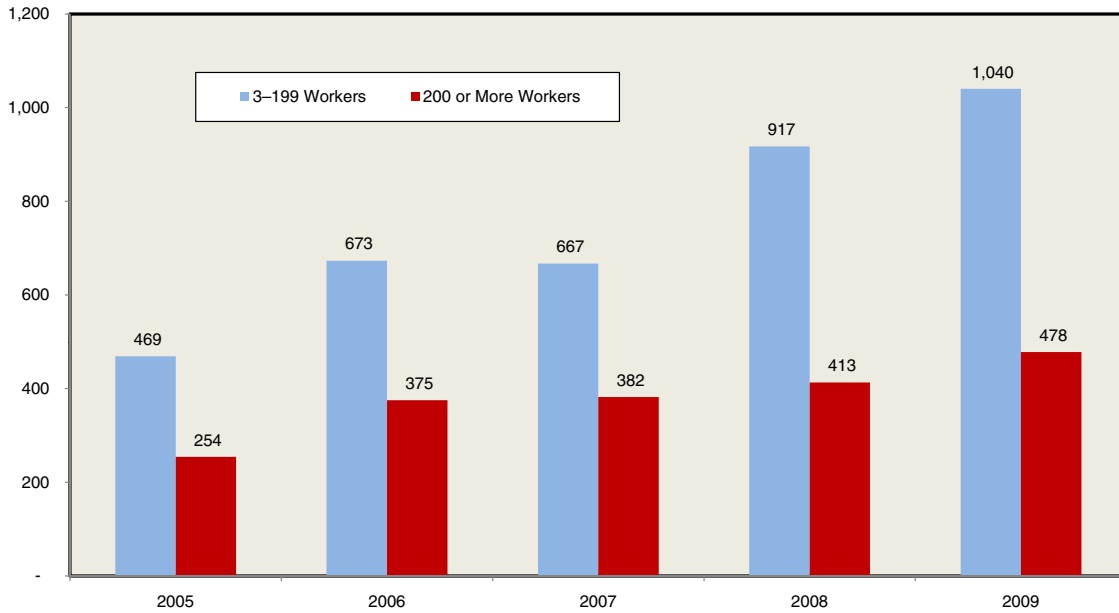
Deductibles are higher and have increased faster in small firms than in large firms. Deductibles increased in large firms from \$254 in 2005 to \$478 in 2009, an 88 percent increase, while in small firms they increased from \$469 to \$1,040, a 122 percent increase (Figure 4). A large jump in deductibles occurred in 2008, but while this may be in part due to the recession, it is continuing an on-going trend that has occurred even during years of economic expansion. In addition, while any changes seen in 2008 could probably not be attributable to the recession because of the time it takes to make a change in benefits (especially for larger firms), the most recent recession may play a larger role in benefit decisions.

Figure 3
Percentage of Workers With Employee-Only PPO Coverage With \$500 or Higher Deductible, 2000–2009



Source: Kaiser Family Foundation.

Figure 4
Average Deductible for Employee-Only PPO Coverage, by Firm Size, 2005–2009



Source: Kaiser Family Foundation.

Impact of the Recession on Workers—Demographics

Figure 5 contains data on the percentage of workers with employment-based coverage in their own name and as a dependent for September 2007 and April 2009 by various demographics. It also shows the percentage of workers who were uninsured in September 2007 and April 2009. Overall, the percentage of workers with any employment-based coverage dropped 4.2 percent between September 2007 and April 2009, with a 4.9 percent drop in the percentage having coverage in their own name, and a 1.9 percent drop in dependent coverage. The overall percentage of uninsured increased 27.9 percent for workers between September 2007 and April 2009.

Gender—In both months, men and women were about equally likely to have employment-based coverage: just over 76 percent of men and 77.4 percent of women. However, men were much more likely than women to have employment-based coverage in their own name, while women were about twice as likely as men to have it as a dependent. Men were more likely than women to be uninsured in both months: 20.7 percent of men and 15.7 percent of women. Overall, the decline in the percentage with employment-based coverage was the same for men and women as was the increase in the percentage uninsured.

Age—There were some notable differences in changes to employment-based coverage and uninsured workers with respect to age. Younger workers were more likely than older workers to have experienced a decline in the percentage with coverage in their own name. The percentage with employment-based coverage in one's own name dropped 23.5 percent among workers ages 18–24, whereas it fell less than 1 percent among workers ages 55–64. In contrast, there was no pattern by age in changes to the percentage with employment-based coverage as a dependent. There were notable differences in changes to the percentage uninsured by age. Workers ages 45–54 experienced the largest increase in the percentage uninsured, increasing from 8.6 percent to 13.1 percent (or 52.3 percent) while older workers experienced the smallest increase, 8.2 percent. The uninsured rate among workers under age 25 increased from 24.1 percent to 30.5 percent, a 24.1 percent increase in the percentage uninsured. Figure 6 shows the trend for the percentage uninsured by age throughout the January 2007–July 2009 period.

Race/Ethnicity—The decline in employment-based coverage and increase in the uninsured affected minorities the most. Whites experienced a small drop in the percentage with employment-based coverage, and a small increase in the percentage uninsured. However, the 2 percentage point increase in the uninsured among whites, increasing from 10.4 percent in September 2007 to 12.6 percent in April 2009, translated into an 21.2 percent increase in the percentage uninsured (Figure 5). In contrast, blacks and Hispanics experienced much larger declines in employment-based coverage and increases in being uninsured. The percentage of blacks with employment-based coverage either in their own name or as a dependent fell from 73.5 percent in September 2007 to 66.5 percent in April 2009, or 8.1 percent. Among Hispanics, the percentage with employment-based coverage either in their own name or as a dependent fell from 59.2 percent to 50.1 percent, or 15.3 percent. The percentage uninsured increased from 16.6 percent to 22.9 percent (up 37.8 percent) among blacks. Among Hispanics, it increased from 31.7 percent to 41.9 percent (up 32.3 percent). The percentage of blacks and Hispanics with employment-based coverage in their own name continued to decline in 2009 (Figure 7).

Education—There is no clear correlation between changes in the percentage with employment-based coverage or of being uninsured by level of education. Workers with less than a high school education experienced no change in the percentage with coverage in their own name, remaining at nearly 29 percent (Figure 5). But the percentage with coverage as a dependent fell from 12.3 percent to 9.4 percent. As a result, the overall percentage with employment-based coverage fell from 40.9 percent to 37.3 percent (an 8.8 percent decrease), and the percentage uninsured increased from 44.3 percent to 51.1 percent (a 15.5 percent increase).

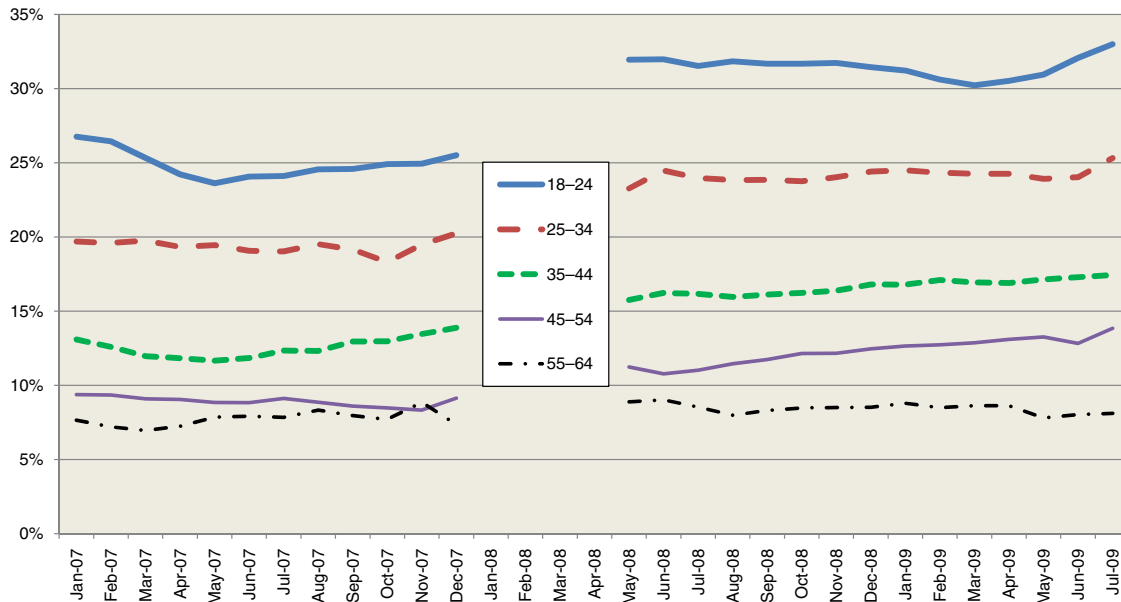
Among workers with only a high school education, the overall change in the percentage with employment-based coverage fell from 74 percent to 69.7 percent (down 5.8 percent), with declines among both those with coverage in their own name and those with coverage as a dependent. The uninsured rate for this group increased from 16.3 percent to 21.1 percent (up 29.1 percent).

Figure 5
Percentage of Wage and Salary Workers Ages 18–64 With Employment-Based Coverage and Percentage That Are Uninsured, Sept. 2007 and April 2009

	Any Employment-Based Coverage			Employment-Based Coverage: Own Name			Employment-Based Coverage: Dependent			Uninsured		
	Sept. 2007	Apr. 2009	Change	Sept. 2007	Apr. 2009	Change	Sept. 2007	Apr. 2009	Change	Sept. 2007	Apr. 2009	Change
Total	76.8%	73.5%	-4.2%	59.3%	56.3%	-4.9%	17.5%	17.2%	-1.9%	14.3%	18.3%	27.9%
Gender												
Male	76.2	72.7	-4.6	64.5	60.8	-5.7	11.7	11.8	1.2	16.2	20.7	27.9
Female	77.4	74.3	-4.1	53.6	51.6	-3.8	23.8	22.7	-4.7	12.3	15.7	28.1
Age												
18–24	59.3	53.6	-9.6	32.7	25.0	-23.5	26.6	28.6	7.4	24.6	30.5	24.1
25–34	72.0	67.3	-6.5	58.4	54.8	-6.1	13.6	12.5	-7.9	19.2	24.3	26.9
35–44	79.8	76.3	-4.4	62.8	59.8	-4.8	17.0	16.5	-2.7	13.0	16.9	30.5
45–54	84.8	80.8	-4.7	66.7	63.9	-4.1	18.1	16.9	-6.7	8.6	13.1	52.3
55–64	83.5	84.1	0.7	68.9	68.4	-0.8	14.6	15.7	7.8	8.0	8.6	8.2
Race/Ethnicity												
White	81.3	79.6	-2.1	62.0	59.8	-3.5	19.3	19.8	2.4	10.4	12.6	21.2
Black	73.5	66.5	-9.5	60.5	55.6	-8.1	13.0	10.9	-15.8	16.6	22.9	37.8
Hispanic	59.2	50.1	-15.3	46.8	40.6	-13.3	12.3	9.5	-23.0	31.7	41.9	32.3
Other	74.2	73.0	-1.6	56.2	56.0	-0.3	18.0	17.0	-5.5	12.5	17.1	37.2
Education												
Less than high school	40.9	37.3	-8.8	28.6	27.9	-2.5	12.3	9.4	-23.3	44.3	51.1	15.5
High school	74.0	69.7	-5.8	55.8	51.9	-7.0	18.2	17.8	-2.1	16.3	21.1	29.1
College	88.6	86.7	-2.1	70.5	68.4	-3.0	18.1	18.3	1.3	4.9	7.5	53.7
Graduate degree	91.4	91.9	0.5	76.4	75.6	-1.0	15.0	16.3	8.4	2.9	2.4	-18.4

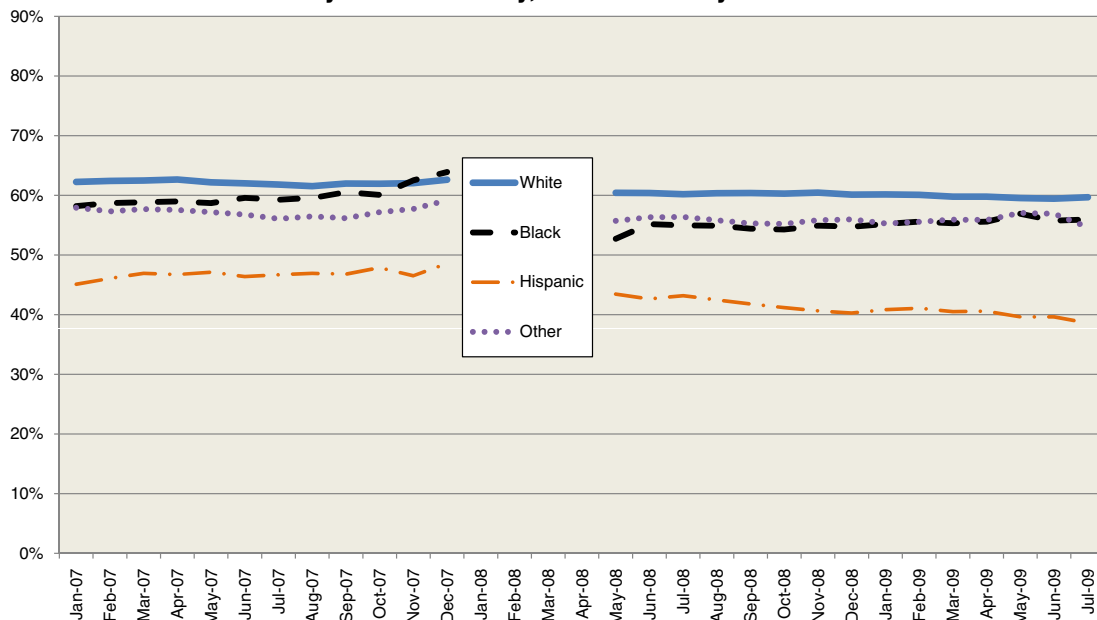
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004, and 2008 panels.

Figure 6
Percentage of Wage and Salary Workers, Ages 18–64,
Who Are Uninsured, by Age, Jan. 2007–July 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 7
Percentage of Wage and Salary Workers, Ages 18–64,
With Employment-Based Health Benefits in Own Name,
by Race/Ethnicity, Jan. 2007–July 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Workers with a college education experienced a relatively small decline in employment-based coverage and a relatively large increase in the chance of being uninsured, but these numbers need to be put into perspective. The percentage with employment-based coverage in their own name fell from 70.5 percent to 68.4 percent, but the percentage with coverage as a dependent increased from 18.1 percent to 17.8 percent. The increase in dependent coverage was not large enough to offset the decline in own name coverage. The uninsured rate increased by 53.7 percent, but the rate was already at a low level of 4.9 percent in September 2007. It increased to 7.5 percent by April 2009. In relative terms it was a large increase; however, on a small base of 4.9 percent, a 2.6 percentage point increase is a relatively large increase.

Impact of the Recession on Workers—Job Characteristics

Hours of Work—Between September 2007 and April 2009, part-time workers were more likely than full-time workers to have lost employment-based coverage and to have become uninsured. The percentage of full-time workers with coverage in their own name decreased from 66.9 percent to 65.2 percent, while among part-time workers it declined from 22.3 percent to 20.3 percent (Figure 8). The decline in the percentage with own name coverage was 2.6 percent for full-time workers and 8.9 percent for part-time workers. The uninsured rate for full-time workers increased from 13 percent to 15.4 percent (an 18.6 percent increase in the percentage uninsured). Among part-time workers, the uninsured rate increased from 20.6 percent to 29.7 percent (a 44.2 percent increase).

Examining differences between September 2007 and April 2009 masks other differences between full-time and part-time workers. Full-time workers appear to have experienced a one-time increase in the percentage uninsured sometime between December 2007 and May 2008 (Figure 9). In contrast, the uninsured rate among part-time workers started increasing in late 2007 and continued increasing into mid-2009.

Sector of Employment—The percentage of workers with own-name employment-based coverage declined the most for those employed with for-profit private-sector employers and those employed by the federal government. In September 2007, 56.3 percent of workers in for-profit companies had coverage in their own name (Figure 8). By April 2009, it was down to 52.3 percent (a 7.1 percent decline). Among federal workers, the percentage with own name coverage fell from 69.1 percent to 65.3 percent (a 5.4 percent decline). In contrast, the decline among workers employed by nonprofits, and local governments was 1.4 percent, and 1.1 percent, respectively.

With respect to dependent coverage, between September 2007 and April 2009, the percentage with such coverage declined among workers in the for-profit private sector and workers in state and local governments. In contrast, workers in the private nonprofit sector and those in the federal government experienced an increase in the percentage with coverage as a dependent.

Overall, workers in the nonprofit sector experienced the smallest increase in the percentage uninsured. The uninsured rate went from 7 percent to 8.2 percent (a 17.1 percent increase). The percentage of uninsured workers in the private for-profit sector increased from 17.3 percent to 22.4 percent (up 29.3 percent). While government workers experienced the greatest increase in the percentage uninsured, those increases were based on very small uninsured rates to start. Among local government workers, the uninsured rate increased from 3.7 percent to 5.6 percent (a 51.4 percent increase). The uninsured rate increased from 3.6 percent to 5.3 percent among state government workers (a 47.2 percent increase). And the uninsured rate more than doubled among federal government workers, increasing from 2.5 percent to 6 percent. While the uninsured rate appeared to be mostly level during 2008 and mid-2009 among most workers, it appeared to be continuing to increase among for-profit private-sector workers (Figure 10).

Industry—There was very little variation by industry in changes to the percentage of workers with employment-based coverage in their own name. This may be due to the fact that industry groups had to be collapsed into high-level groups because of sample size issues. Workers in industries with the lowest percentage of employment-based health coverage experienced the largest declines. In September 2007, slightly less than one-half (48.7 percent) of workers in the agriculture, forestry, fishing, hunting, mining, and construction industries had employment-based

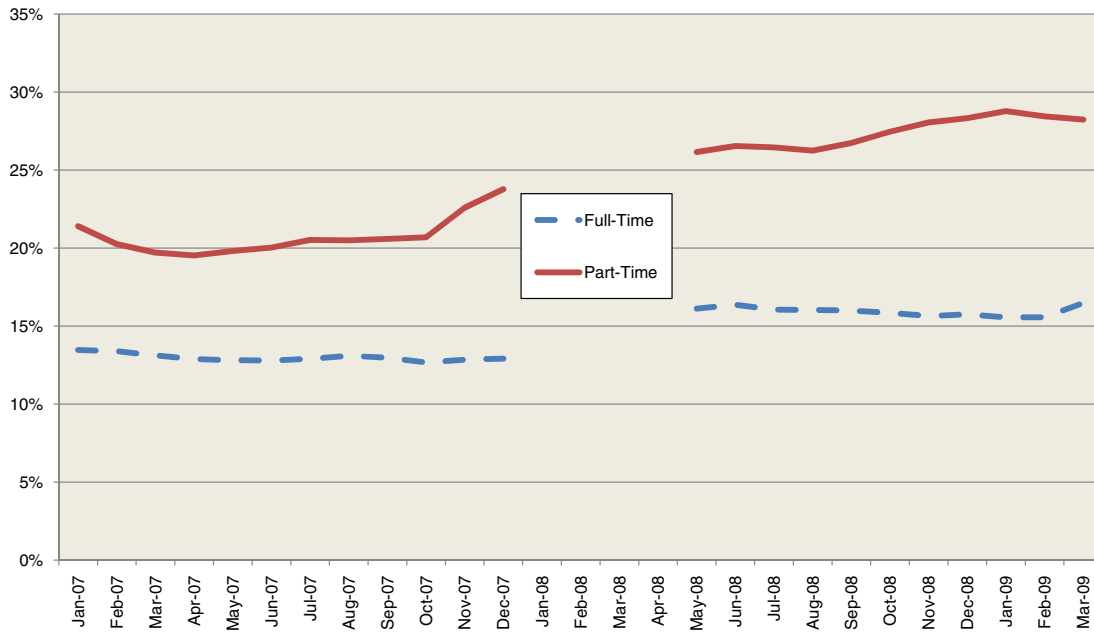
Figure 8

Percentage of Wage and Salary Workers Ages 18–64 With Employment-Based Coverage and Percentage Who Are Uninsured, by Job Characteristics, Sept. 2007 and April 2009

	Any Employment-Based Coverage				Employment-Based Coverage: Own Name				Employment-Based Coverage: Dependent				Uninsured			
	Sept. 2007		Apr. 2009		Sept. 2007		Apr. 2009		Sept. 2007		Apr. 2009		Sept. 2007		Apr. 2009	
	76.8%	73.5%	Change	-4.3%	59.3%	56.3%	Change	-4.9%	17.5%	17.1%	Change	-2.2%	14.3%	18.3%	Change	27.9%
Total	80.7	78.6	-2.6	66.9	65.2	-2.6	13.8	13.4	13.0	13.0	-2.8	14.3%	15.4	18.6	18.3%	18.6
Hours of work	57.8	52.6	-9.0	22.3	20.3	-8.9	35.5	32.3	20.6	20.6	-9.0	20.6	29.7	44.2	29.7	44.2
Sector of Employment	74.0	69.6	-6.0	56.3	52.3	-7.1	17.7	17.3	17.3	17.3	-2.2	17.3	22.4	29.3	22.4	29.3
Private, for-profit	83.3	83.1	-0.3	61.7	60.8	-1.4	21.7	22.3	22.3	22.3	2.9	7.0	8.2	17.1	8.2	17.1
Private, non-profit	90.1	88.2	-2.1	73.0	72.2	-1.1	17.1	16.0	16.0	16.0	-6.7	3.7	5.6	51.4	5.6	51.4
Local government	90.1	89.8	-0.3	75.5	76.0	0.6	14.6	13.8	13.8	13.8	-5.2	3.6	5.3	47.2	5.3	47.2
State government	77.9	75.6	-2.9	69.1	65.3	-5.4	8.8	10.3	8.8	10.3	17.0	2.5	6.0	139.0	6.0	139.0
Federal government																
Industry	61.8	57.0	-7.8	48.7	45.9	-5.8	13.1	11.1	30.7	11.1	-15.4	30.7	35.7	16.3	35.7	16.3
Agriculture, forestry, fishing, hunting, mining & construction																
Manufacturing	84.9	82.8	-2.5	72.3	70.9	-1.9	12.6	11.9	10.6	11.9	-5.7	10.6	13.4	26.1	13.4	26.1
transportation, utilities & information																
Wholesale & retail trade & finance, insurance & real estate	76.3	73.1	-4.2	57.0	54.9	-3.7	19.3	18.2	14.3	18.2	-5.7	14.3	18.4	28.3	18.4	28.3
Services	74.6	70.5	-5.4	53.5	48.9	-8.6	21.0	21.6	14.3	21.6	2.7	14.3	19.4	35.5	19.4	35.5
Public administration	86.9	84.3	-3.0	77.3	75.0	-2.9	9.7	9.3	3.1	9.3	-3.8	3.1	4.3	40.1	4.3	40.1
Firm size	58.6	52.3	-10.7	36.6	30.0	-18.1	22.0	22.3	26.8	22.3	1.5	26.8	34.0	26.7	34.0	26.7
Under 25	76.5	71.2	-6.9	57.7	52.2	-9.5	18.8	19.0	16.1	19.0	1.1	16.1	20.3	26.2	20.3	26.2
25–99	83.0	80.1	-3.5	67.2	64.8	-3.6	15.8	15.3	9.7	15.3	-3.2	9.7	13.2	35.8	13.2	35.8
100 or more																
Union	93.6	91.6	-2.2	82.0	80.9	-1.3	11.7	10.7	3.5	10.7	-8.2	3.5	5.4	52.5	5.4	52.5
Union member	74.4	70.6	-5.1	56.0	52.4	-6.3	18.4	18.2	15.9	18.2	-1.5	15.9	20.4	28.1	20.4	28.1
Not union member																
Annual Earnings	55.3	46.0	-16.8	23.7	15.2	-35.8	31.6	30.8	22.5	30.8	-2.5	22.5	33.4	48.6	33.4	48.6
Under \$10,000	54.1	49.0	-9.4	32.5	28.5	-12.4	21.6	20.5	31.6	20.5	-4.9	31.6	37.7	19.2	37.7	19.2
\$10,000–\$19,999	75.6	68.8	-9.0	58.6	53.2	-9.1	17.0	15.6	16.5	15.6	-8.5	16.5	24.5	48.3	24.5	48.3
\$20,000–\$29,999	85.8	84.6	-1.4	70.7	69.7	-1.4	15.1	14.9	9.3	14.9	-1.3	9.3	10.7	15.6	10.7	15.6
\$30,000–\$39,999	91.6	89.4	-2.4	77.6	76.1	-1.9	14.0	13.3	5.7	13.3	-5.3	5.7	6.5	14.2	6.5	14.2
\$40,000–\$49,999	92.2	93.1	1.0	79.8	80.6	1.0	12.3	12.5	3.4	12.5	1.4	3.4	3.1	-8.0	3.1	-8.0
\$50,000–\$79,999	94.2	95.3	1.1	85.5	83.7	-2.0	8.8	11.6	1.7	11.6	32.0	1.7	2.1	20.7	2.1	20.7
\$80,000 or more																

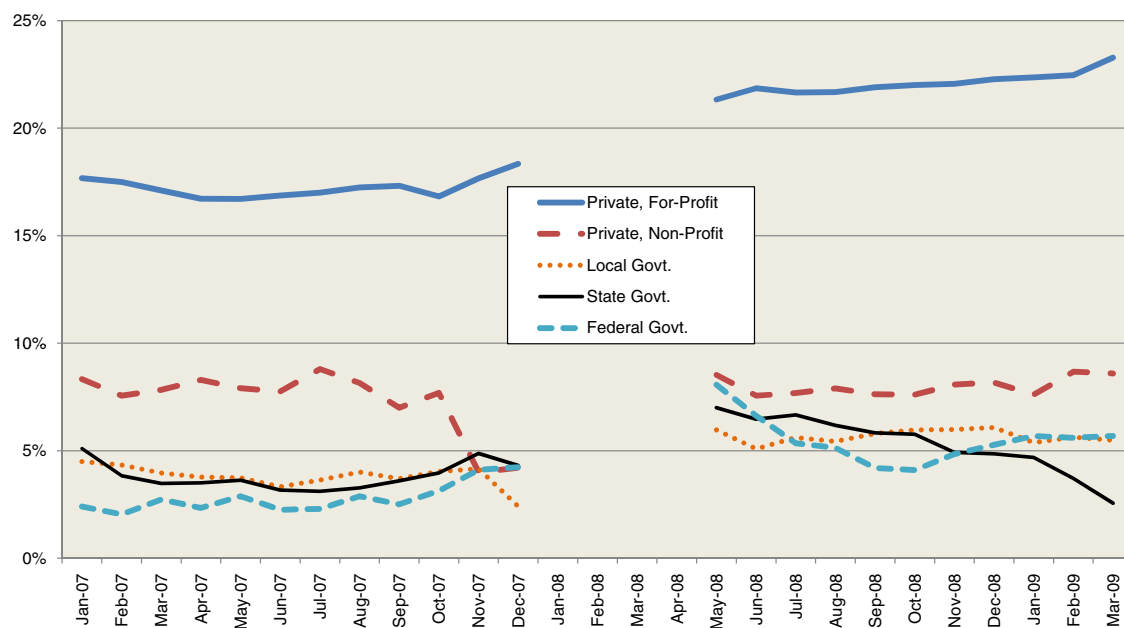
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 9
Percentage of Wage and Salary Workers, Ages 18–64,
Who Are Uninsured, by Hours Worked, Jan. 2007–March 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 10
Percentage of Wage and Salary Workers, Ages 18–64,
Who Are Uninsured, by Sector of Employment, Jan. 2007–March 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

coverage in their own name (Figure 8). By April 2009, it was down to 45.9 percent (a 5.8 percent decline). Similarly, slightly more than one-half (53.5 percent) of workers in the service sector had employment-based coverage in their own name in September 2007, and by April 2009 it was just below one-half, at 48.9 percent (an 8.6 percent drop). In contrast, 57 percent of workers in the wholesale and retail trade, finance, insurance, and real estate industries had coverage in their own name in September 2007, compared with 54.9 percent in April 2009 (a 3.7 percent drop). And more than 77 percent of workers in public administration or manufacturing, transportation, and utilities had coverage in their own name in September 2007. The percentage of workers in public administration experienced a 2.9 percent decline in coverage in their own name, while workers in manufacturing, transportation, and utilities experienced a 1.9 percent decline.

Firm Size—Similar to the changes in employment-based coverage by industry, the largest declines in the percentage of workers with employment-based coverage in their own name by firm size occurred in the smallest firms—those least likely to offer health coverage to begin with. Workers employed in firms with fewer than 25 employees were the least likely to have employment-based coverage in their own name in September 2007: A little over one-third (36.6 percent) had coverage in September 2007, and by April 2009 less than a third (30 percent) had coverage (an 18.1 percent decline) (Figure 8). In contrast, 67.2 percent of workers in firms with 100 or more employees had coverage in September 2007, and 64.8 percent had it in April 2009 (a 3.6 percent decline).

The percentage of uninsured workers increased between September 2007 and April 2009 regardless of firm size. However, examination of the trend on a monthly basis shows that the uninsured rate started increasing among workers in firms with 25–99 employees as early as mid-2007 (Figure 11). Among workers both in firms with fewer than 25 employees and those with 25–99 employees, the percentage uninsured continued increasing during most of the May 2008–mid-2009 period, whereas among workers in firms with 100 or more employees, the percentage uninsured was mostly unchanged. These data demonstrate that when the uninsured rate starts to increase, it shows up first at smaller firms.

Union Status—Similar to the changes by industry and firm size, workers who were members of a union were both more likely than nonunion workers to have employment-based coverage in their own name and less likely to have experienced a loss of such coverage. In September 2007, 82 percent of union workers had employment-based coverage in their own name (Figure 8). By April 2009, it was down to 80.9 percent (a 1.3 percent decline). In contrast, nonunion workers experienced a 6.3 percent decline in employment-based coverage in their own name, falling from 56 percent in September 2007 to 52.4 percent in April 2009. The uninsured rate increased from 15.9 percent to 20.4 percent among nonunion workers between September 2007 and April 2009 (a 28.1 percent increase). Among union workers, it increased from 3.5 percent to 5.4 percent (a relatively large 52.5 percent increase, but still a low uninsured rate).

Earnings—Workers with the lowest earnings were the least likely to have employment-based coverage in their own name and experienced the largest decline in coverage between September 2007 and April 2009. In September 2007, 23.7 percent of workers with annual earnings of less than \$10,000 had coverage in their own name (Figure 8). By April 2009, it was down to 15.2 percent (a 48.6 percent decline). In contrast, in September 2007 85.5 percent of workers with at least \$80,000 in annual earnings had employment-based coverage in their own name, and the percentage with such coverage fell to 83.7 percent by April 2009 (a 2 percent decline).

Reasons for Being Uninsured

Uninsured workers were able to report multiple reasons in the SIPP for not having coverage. Possible responses included the following:

- Too expensive, can't afford health insurance.
- No health insurance offered by employers of self, spouse, or parent.

- Not working at a job long enough to qualify.
- Job layoff, job loss, or any reason related to unemployment.
- Not eligible because working part time or temporary job.
- Can't obtain insurance because of poor health, illness, age, or a pre-existing condition.
- Dissatisfied with previous insurance or don't believe in insurance.
- Have been healthy, not much sickness in the family, haven't needed health insurance.
- Able to go to VA or military hospital for medical care.
- Covered by some other health plan, such as Medicaid.
- No longer covered by parent's policy.
- Other.

Figure 12 shows the percentage of uninsured workers reporting these options as a reason for not having coverage. By far, cost is the number one reason why uninsured workers do not have coverage: About 85 percent of uninsured workers reported that they did not have coverage because it was either too expensive or they could not afford it. Lack of availability was reported by about 29 percent of uninsured workers: They reported that they did not have access to coverage through their own employer, a spouse's employer, or a parent's employer.³ Nine percent were uninsured because they had not been working at their job long enough to be eligible for coverage. Otherwise, less than 5 percent reported that they did not have coverage because of unemployment, ineligibility due to number of hours worked, or that they are healthy and do not need coverage. Four of the reasons listed above are not shown in Figure 12 because 0.5 percent or less reported them as a reason for not having coverage.

The percentage of uninsured workers reporting cost as a reason for not having coverage was for the most part unchanged during 2007, staying at around 85 percent (Figure 13). It dropped to about 77 percent by May 2008, and has only increased since then, reaching 87 percent by mid-2009.

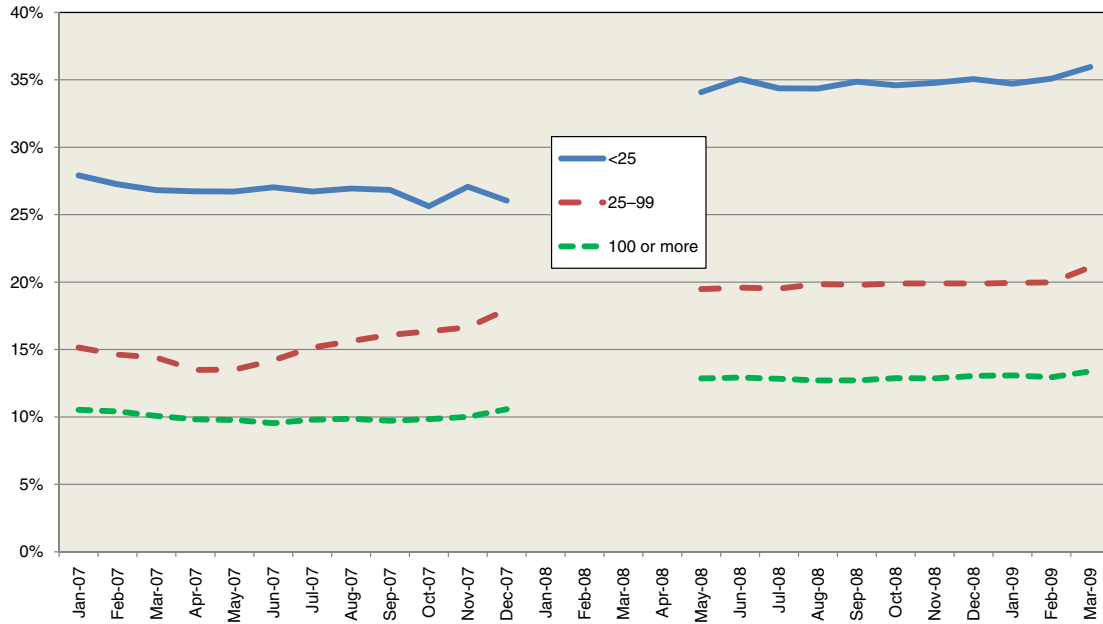
In contrast, the percentage of uninsured workers reporting that they were uninsured because their employer (or a spouse's or parent's employer) did not offer coverage increased during 2007, from 27.8 percent in January to 31.9 percent in December. However, since mid-2008, it has been falling and was 23 percent by mid-2009. The change between 2007 and 2009 is consistent with other surveys: A 2008 survey by the Kaiser Family Foundation found that the percentage of employers offering coverage increased from 60 percent to 63 percent between 2007 and 2008, with the change accounted for by more small-sized firms offering coverage (Figure 14).

Between September 2007 and April 2009, the percentage of uninsured workers reporting cost as a reason for not having coverage increased from 84.1 percent to 86.3 percent (a 2.7 percent increase) (Figure 15). The number reporting that they did not have coverage because an employer did not offer it decreased from 31 percent to 25.8 percent (a 16.7 percent decline). Figures 15 and 16 show the percentage of uninsured workers reporting cost and access as the reasons for not having coverage, by demographics (Figure 15) and job characteristics (Figure 16).

There are two findings worth pointing out regarding differences in the percentage of uninsured workers reporting that cost and/or affordability were reasons for why they did not have health insurance coverage:

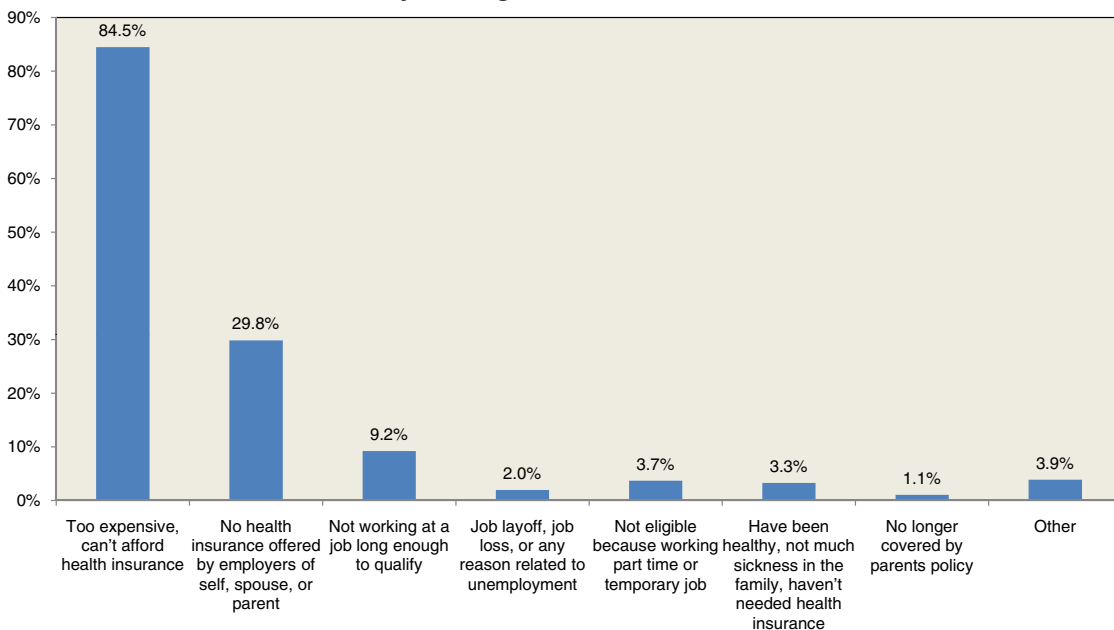
- *By demographics*, there were very few differences in the percentage of uninsured workers reporting cost was a factor in why they were uninsured or that a lack of access to coverage was the reason for being uninsured. However, there were differences by *age* and *education*: Between September 2007 and April 2009, the

Figure 11
Percentage of Wage and Salary Workers, Ages 18–64,
Who Are Uninsured, by Firm Size, Jan. 2007–March 2009



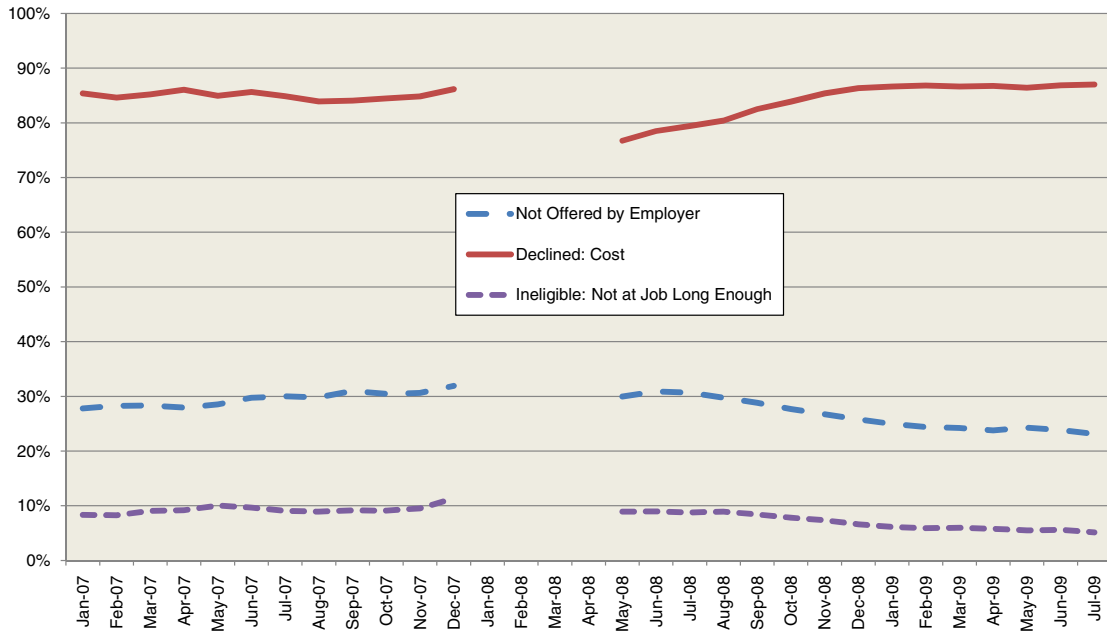
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 12
Reasons Why Uninsured Workers Do Not Have
Health Insurance, Wage and Salary Workers Ages 18–64,
Monthly Average, Jan. 2007–March 2009



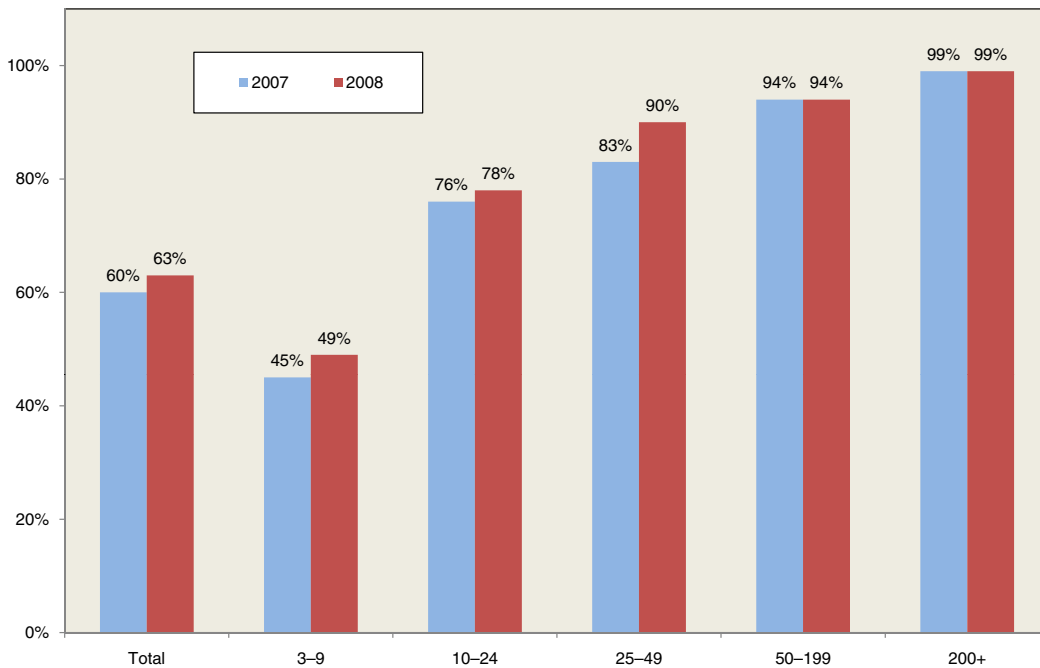
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 13
**Uninsured Wage and Salary Workers, Ages 18–64,
 by Reason Not Covered, Jan. 2007–July 2009**



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 14
Percentage of Firms Offering Health Benefits, by Firm Size, 2007–2008



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007–2008.

Figure 15
Reasons for Being Uninsured Among Wage and Salary Workers
Ages 18–64, by Demographics, Sept. 2007 and April 2009

	Cost			Employer Did Not Offer		
	Sept. 2007	Apr. 2009	Change	Sept. 2007	Apr. 2009	Change
Total	84.1%	86.3%	2.7%	31.0%	25.8%	-16.7%
Gender						
Male	83.1	85.3	2.7	34.3	24.2	-29.6
Female	85.5	88.7	3.8	26.2	23.3	-11.0
Age						
18–24	83.3	83.8	0.7	26.0	22.9	-12.0
25–34	80.7	87.2	8.2	35.2	24.5	-30.4
35–44	84.9	88.1	3.8	30.4	23.1	-24.2
45–54	87.4	88.2	0.9	31.1	24.8	-20.1
55–64	91.8	86.0	-6.4	31.5	23.2	-26.4
Race/Ethnicity						
White	81.0	86.5	6.9	30.8	23.4	-24.0
Black	87.1	86.8	-0.4	27.8	19.2	-30.9
Hispanic	86.7	86.8	0.1	34.0	26.6	-21.7
Other	90.1	88.4	-1.9	23.2	21.5	-7.2
Education						
Less than high school	85.3	86.1	0.9	35.0	29.8	-14.8
High school	84.0	87.1	3.8	29.6	22.6	-23.7
College	81.2	85.7	5.6	35.5	21.0	-40.9
Graduate degree	87.4	81.4	-6.8	34.4	23.3	-32.4

Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

Figure 16
Reasons for Being Uninsured Among Wage and Salary Workers
Ages 18–64, by Job Characteristics, Sept. 2007 and April 2009

	Cost			Employer Did Not Offer		
	Sept. 2007	Apr. 2009	Change	Sept. 2007	Apr. 2009	Change
Total	84.1%	86.3%	2.7%	31.0%	25.8%	-16.7%
Hours of work						
Full-Time	83.2	86.5	4.0	30.9	24.4	-20.9
Part-Time	86.8	87.3	0.5	31.3	22.5	-28.3
Sector of Employment						
Private, for-profit	84.6	87.0	2.8	31.9	24.4	-23.6
Private, non-profit	75.4	87.6	16.1	25.8	21.9	-15.1
Local government	78.2	83.4	6.7	15.9	20.4	28.3
State government	83.3	83.9	0.7	17.4	14.0	-19.3
Federal government	88.8	78.7	-11.4	13.8	12.0	-13.1
Industry						
Agriculture, forestry, fishing, hunting, mining & construction	79.5	86.8	9.2	37.6	26.3	-30.1
Manufacturing, transportation, utilities & information	81.5	85.6	5.0	28.2	21.8	-22.6
Wholesale & retail trade & finance, insurance & real estate	85.1	87.2	2.5	27.8	23.9	-14.1
Services	86.5	87.0	0.6	31.7	24.0	-24.4
Public administration	86.4	80.1	-7.3	26.9	10.4	-61.1
Firm size						
Under 25	84.0	88.1	4.9	36.9	29.9	-19.0
25–99	77.2	86.2	11.7	33.7	25.4	-24.8
100 or more	86.3	85.8	-0.5	24.6	18.6	-24.1
Union						
Union member	66.3	84.1	26.9	19.2	14.6	-23.7
Not union member	84.8	86.9	2.5	31.5	24.3	-22.9
Annual Earnings						
Under \$10,000	86.3	88.6	2.7	30.6	21.8	-28.7
\$10,000–\$19,999	86.5	86.7	0.3	31.9	24.9	-21.9
\$20,000–\$29,999	83.5	86.3	3.4	30.2	24.5	-18.9
\$30,000–\$39,999	78.6	86.4	10.0	29.7	24.4	-17.6
\$40,000–\$49,999	77.4	83.6	7.9	37.6	23.3	-38.1
\$50,000–\$79,999	72.8	78.0	7.2	26.3	19.3	-26.8
\$80,000 or more	88.4	90.7	2.6	27.6	24.4	-11.8

Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 panels.

percentage reporting cost was a reason increased among younger workers, and decreased among older workers. It also decreased among workers with a graduate degree.

- Job characteristics also made a difference: The percentage of uninsured workers reporting that cost was a reason for not having health coverage fell between September 2007 and April 2009 among federal government workers and workers with earnings of \$80,000 or higher.

Conclusion

This *Issue Brief* examines changes in health coverage among workers during the recession that started in December 2007, including monthly changes for 2007 and May 2008–July 2009. The emphasis is on changes that occurred between September 2007 and April 2009.

While health coverage through the work place is by far the most common source of health insurance among the population under age 65, the recession that started in December 2007 is associated with a change in employment-based coverage and the uninsured. The unemployment rate was as low as 4.4 percent in May 2007. By July 2009 it had reached 9.4 percent. The percentage of the nonelderly population with employment-based coverage was 61.3 percent in May 2007, and by July 2009 it was down to 58.2 percent. The uninsured rate was 12.3 percent in May 2007, and by July 2009 it was up to 16.4 percent. Between December 2007 and May 2008, the percentage of workers with coverage in their own name fell from 60.4 percent to 56.8 percent. The period between May 2008 and July 2009 shows a continuing decline in the percentage of workers with employment-based coverage in their own name, falling to 55.9 percent.

Workers least likely to have employment-based coverage at the beginning of the recession were more likely than other workers to experience a decline in the percentage with such coverage one year later. Younger workers were more likely to lose coverage than older workers. Hispanic workers were more likely to lose coverage than whites or blacks. Part-time workers were more likely than full-time workers to have lost employment-based coverage. The percentage of workers with own name employment-based coverage declined the most for those employed with for-profit private-sector employers and those employed by the federal government. The largest declines in the percentage of workers with employment-based coverage in their own name by firm size occurred in the smallest firms, those least likely to offer coverage. Workers who were members of a union were less likely to have experienced a loss of employment-based coverage than were nonunion workers. Workers with the lowest earnings were the least likely to have employment-based coverage in their own name and experienced the largest decline in coverage.

The next release of SIPP data is expected in September 2010 and will contain data through August 2009 for the entire panel. Data through 2009 are not expected to be available until early 2011. At that point, it will be possible to examine whether the economic recovery has started to have an effect on employment-based health benefits.

Appendix—Survey of Income and Program Participation (SIPP)

Data for this study are from a series of panels from the Survey of Income and Program Participation (SIPP) conducted by the U.S. Census Bureau. SIPP is a nationally representative longitudinal survey of the civilian noninstitutionalized U.S. population. SIPP provides comprehensive information about the income of individuals and households in the United States. It also provides information on participation in public programs. Individuals selected into the SIPP sample are interviewed once every four months over the life of the panel. In addition to a core set of questions asked participants each four months, a rotating set of topical questions supplement the core questions.

The data in this report are from the 1996, 2001, 2004, and 2008 panels. The 1996 panel covers December 1995–February 2000. The 2001 panel covers October 2000–December 2003. The 2004 panel covers October 2003–December 2007. And the 2008 panel started in May 2008. Data through July 2009 are currently available. There are two gaps in the time series, as reflected in the figures: March–September 2000, and January–April 2008.

Every four months, panel members were asked about health insurance coverage. Specific questions were asked about coverage from public sources, such as Medicare, Medicaid, the State Children's Health Insurance Program (SCHIP), and various sources of military-related coverage. Specific questions were also asked about employment-based coverage and insurance purchased directly from an insurer. Uninsured individuals were also asked a series of questions regarding why they did not have coverage. Unfortunately, individuals with public coverage were not asked the series of questions related to why they did not have employment-based coverage; therefore, the analysis in this report related to reasons for not having employment-based coverage are limited to uninsured workers.

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Endnotes

¹ This paper does not examine insurance purchased directly from an insurer or public sources of health coverage.

² See www.nber.org/cycles/april2010.html

³ The options for being uninsured were asked in the order shown in the text. The options were not rotated, as is often done in other surveys. Other surveys also ask questions regarding eligibility for employment-based coverage prior to asking other questions about sources of coverage. These differences may explain why the percentage of workers reporting lack of access to employment-based coverage was a reason for being uninsured. Prior research using SIPP data from a topical module that focused on employment-based coverage found that 53.8 percent of uninsured workers in 1997 and 54.1 percent in 2002 reported that their employer did not offer coverage (Fronstin, 2005). Data from the Current Population Survey show that the percentage of uninsured workers reporting their employer did not offer coverage was about 62–63 percent between 1995 and 2005 (Fronstin, 2007).

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