

# Trends in Health Insurance Coverage

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Issue Brief

- This *Issue Brief* presents data on trends in health insurance coverage between 1987–1995. In 1995, 70.7 percent of the nonelderly population had private health insurance coverage, compared with 75.9 percent in 1987. During this period, the percentage of the nonelderly population with employment-based health insurance declined from 69.2 percent to 63.8 percent, while the percentage covered by the Medicaid program increased from 8.6 percent to 12.5 percent. The percentage of the nonelderly population without any form of health insurance increased from 14.8 percent in 1987 to 17.4 percent, or 40.3 million individuals, in 1995.
- The percentage of nonelderly Americans with employment-based coverage fell for both individuals with coverage in their own name and those with coverage as dependents. In 1995, 32.7 percent of the nonelderly population had coverage in their own name, compared with 33.8 percent in 1987. Similarly, 31.1 percent of the nonelderly population had employment-based health insurance as dependents in 1995, compared with 35.4 percent in 1987.
- One of the most important determinants of health insurance coverage is work status and hours of work. While employment-based health insurance received directly from a worker's employer decreased between 1987 and 1995 from 66.2 percent to 63.2 percent among full-time workers, the percentage of part-time workers with employment-based health insurance coverage in their own name increased from 17.2 percent to 20.1 percent. The percentage of workers with dependent coverage fell for both full-time and part-time workers, as did the percentage of nonworkers with dependent coverage.
- Workers in the manufacturing industry are most likely to have employment-based health insurance; they are also the workers most likely to have experienced a decrease in employment-based coverage between 1987 and 1995. In contrast, workers employed in most of the service sectors experienced an increase in employment-based health insurance, self-employed workers experienced a decrease, and government workers experienced a slight increase.
- Cost is one of the primary factors contributing to the decline in employment-based health insurance coverage. While health insurance premium cost increases have slowed during the past three years, many health care analysts are predicting an increase in health insurance premiums during the next few years. Inflationary pressure may come from health care providers, health insurers, consumers, and/or policymakers. If inflationary pressure increases health insurance premiums, we are likely to see a continued decline in employment-based health insurance and a subsequent increase in both the Medicaid and uninsured populations.

## Table of Contents

### Text

Introduction .....	4
(chart 1, chart 2, table 1)	
Health Insurance Trends .....	4
(chart 3)	
States .....	6
(table 2, table 3)	
Work Status .....	8
(chart 4, chart 5, chart 6)	
Firm Size .....	8
(chart 7, chart 8)	
Earnings .....	8
(chart 9, chart 10)	
Industry .....	9
(table 4, table 5)	
Poverty Level .....	10
(chart 11, chart 12, chart 13, chart 14)	
Race .....	11
(chart 15, chart 16, chart 17)	
Age .....	11
(table 6, table 7)	
Gender .....	11
(chart 18, chart 19, chart 20)	
Explaining the Trends .....	13
Implications and Conclusions .....	15
References .....	16
Appendix .....	17
The Data .....	
	17

### Tables

Table 1, Nonelderly Americans with Selected Sources of Health Insurance Coverage, 1987–1995 .....	5
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Table 2, Percentage of Nonelderly Population with Employment-Based Coverage, by State, 1987–1995 .....	6
Table 3, Percentage of Nonelderly Population without Health Insurance Coverage, by State, 1987–1995 .....	7
Table 4, Percentage of Workers Ages 18–64 with Employment-Based Coverage in Own Name, by Industry, 1987–1995 .....	10
Table 5, Percentage of Workers Ages 18–64 without Health Insurance Coverage, by Industry, 1987–1995 .....	10
Table 6, Percentage of Nonelderly Population with Employment-Based Coverage in Own Name, by Age, 1987–1995 .....	13
Table 7, Percentage of Nonelderly Population without Health Insurance Coverage, by Age, 1987–1995 .....	14

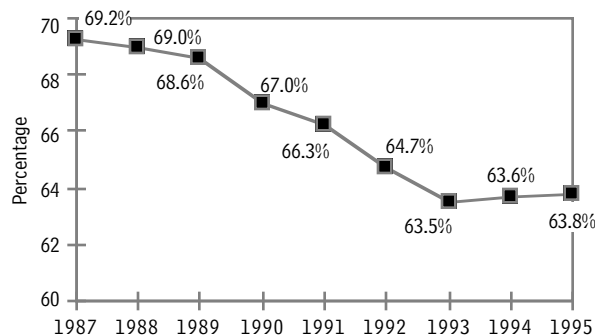
### Charts

Chart 1, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage, 1987–1995 .....	4
Chart 2, Percentage of Nonelderly Population with Medicaid Coverage and without Health Insurance Coverage, 1987–1995 .....	4
Chart 3, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage in Own Name and with Dependent Coverage, 1987–1995 .....	5
Chart 4, Percentage of Population Ages 18–64 with Employment-Based Health Insurance Coverage in Own Name, by Work Status, 1987–1995 .....	8
Chart 5, Percentage of Population Ages 18–64 with Employment-Based Health Insurance Coverage as Dependents, by Work Status, 1987–1995 .....	8
Chart 6, Percentage of Population Ages 18–64 without Health Insurance Coverage, by Work Status, 1987–1995 .....	8

Chart 7, Percentage of Workers Ages 18–64 with Employment-Based Health Insurance Coverage in Own Name, by Firm Size, 1987–1995 .....	9	Chart 14, Percentage of Nonelderly Population without Health Insurance Coverage, by Poverty Level, 1987–1995 .....	12
Chart 8, Percentage of Workers Ages 18–64 without Health Insurance Coverage, by Firm Size, 1987–1995 .....	9	Chart 15, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage in Own Name, by Race, 1987–1995 .....	12
Chart 9, Percentage of Workers Ages 18–64 with Employment-Based Health Insurance Coverage in Own Name, by Earnings, 1987–1995 .....	9	Chart 16, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage as Dependents, by Race, 1987–1995 .....	12
Chart 10, Percentage of Workers Ages 18–64 without Health Insurance Coverage, by Earnings, 1987–1995 .....	9	Chart 17, Percentage of Nonelderly Population without Health Insurance Coverage, by Race, 1987–1995 .....	13
Chart 11, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage in Own Name, by Poverty Level, 1987–1995 .....	11	Chart 18, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage in Own Name, by Gender, 1987–1995 .....	13
Chart 12, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage as Dependent, by Poverty Level, 1987–1995 .....	11	Chart 19, Percentage of Nonelderly Population with Employment-Based Health Insurance Coverage as Dependents, by Gender, 1987–1995 .....	14
Chart 13, Percentage of Nonelderly Population with Medicaid Coverage, by Poverty Level, 1987–1995 .....	12	Chart 20, Percentage of Nonelderly Population without Health Insurance Coverage, by Gender, 1987–1995 .....	14

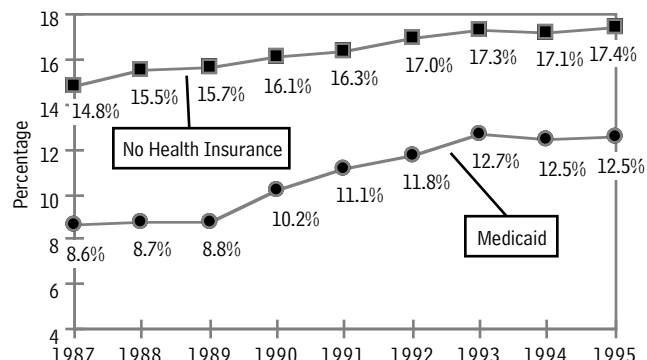
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Chart 1  
**PERCENTAGE OF NONELDERLY POPULATION WITH  
 EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE,  
 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 2  
**PERCENTAGE OF NONELDERLY POPULATION WITH  
 MEDICAID COVERAGE AND WITHOUT HEALTH INSURANCE  
 COVERAGE, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

## Introduction

The percentage of the U.S. nonelderly population with health insurance coverage has declined since the mid-1980s. In 1995, 70.7 percent of the nonelderly population had private health insurance coverage, compared with 75.9 percent in 1987 (table 1). During this time period, the percentage of the nonelderly population with employment-based health insurance declined from 69.2 percent to 63.8 percent (chart 1), while the percentage covered by the Medicaid program increased from 8.6 percent to 12.5 percent (chart 2). The percentage of the nonelderly population without any form of health insurance increased from 14.8 percent in 1987 to 17.4 percent, or 40.3 million individuals, in 1995 (table 1).

Analysts cite numerous factors as contributing to the erosion of employment-based health insurance, the increase in Medicaid enrollment, and the increase in the uninsured. Primary among these factors are rising health care costs and stagnant wage growth. For example, the medical portion of the consumer price index (CPI) increased 56 percent, while the overall CPI increased 34 percent (calculated from United States Council of Economic Advisors, 1997). In addition, real hourly wages fell from \$12.05 in 1987 to \$11.46 in 1995 (Employee Benefit Research Institute, forthcoming). Rising health care costs have been cited as contributing to both employers and workers dropping health insurance. Other factors cited as contributing to the decline in employment-based coverage include the shift from a

manufacturing to a service-oriented economy, an increase in the percentage of workers employed at small firms, decreased unionization, increased use of part-time and contract workers, and expanded eligibility for coverage under the Medicaid program.

This *Issue Brief* presents data on trends in health insurance coverage. Many researchers use the Current Population Survey (CPS) as the primary source of data on health insurance coverage. Unfortunately, a number of changes have occurred with respect to the design of the survey that make comparability of survey years difficult to interpret. The first section of this *Issue Brief* provides summary data on changes in health insurance status for various work-related and demographic characteristics. The following section discusses the underlying causes of health insurance trends in more detail. The final section discusses implications. The appendix presents information about the data and the methodology that allows comparison of the data across time, specifically, the 1987-1995 time period.

## Health Insurance Trends

As mentioned above, the percentage of nonelderly Americans with employment-based health

insurance declined from 69.2 percent in 1987 to 63.8 percent in 1995 (table 1). Individuals can have employment-based health insurance through their own employer or through a family member's employer;

Table 1  
**NONELDERLY AMERICANS WITH SELECTED SOURCES OF HEALTH INSURANCE COVERAGE, 1987-1995**

Source of Coverage	1987	1988	1989	1990	1991	1992	1993	1994	1995
(millions)									
Total Population	214.4	216.6	218.5	220.6	222.9	225.5	228.0	229.9	231.9
Total Private	162.8	162.9	164.3	162.1	161.3	160.5	161.5	162.8	163.9
Employer coverage	148.5	149.4	149.8	147.7	147.7	145.9	144.9	146.3	147.9
own name	72.5	73.5	74.0	73.1	73.1	71.7	74.9	75.2	75.9
dependent	75.9	75.9	75.8	74.7	74.6	74.3	69.9	71.1	72.1
Other private	14.3	13.5	14.5	14.3	13.6	14.6	16.6	16.4	16.0
Total Public	28.5	28.8	28.7	31.9	34.4	36.0	38.1	38.9	38.4
Medicare	3.1	3.2	3.2	3.4	3.5	3.9	3.7	3.7	4.1
Medicaid	18.4	18.9	19.2	22.4	24.8	26.5	29.0	28.7	29.0
CHAMPUS/CHAMPVA <sup>a</sup>	8.5	8.2	7.9	7.9	7.9	7.5	7.4	8.7	7.4
No Health Insurance	31.8	33.6	34.3	35.6	36.3	38.3	39.3	39.4	40.3
(percentage)									
Total Population	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Private	75.9	75.2	75.2	73.5	72.4	71.2	70.8	70.8	70.7
Employer coverage	69.2	69.0	68.6	67.0	66.3	64.7	63.5	63.6	63.8
own name	33.8	33.9	33.9	33.1	32.8	31.8	32.9	32.7	32.7
dependent	35.4	35.0	34.7	33.8	33.5	32.9	30.7	30.9	31.1
Other private	6.7	6.3	6.6	6.5	6.1	6.5	7.3	7.1	6.9
Total Public	13.3	13.3	13.2	14.5	15.5	16.0	16.7	16.9	16.6
Medicare	1.4	1.5	1.5	1.6	1.6	1.7	1.6	1.6	1.8
Medicaid	8.6	8.7	8.8	10.2	11.1	11.8	12.7	12.5	12.5
CHAMPUS/CHAMPVA <sup>a</sup>	4.0	3.8	3.6	3.6	3.5	3.3	3.3	3.8	3.2
No Health Insurance	14.8	15.5	15.7	16.1	16.3	17.0	17.3	17.1	17.4

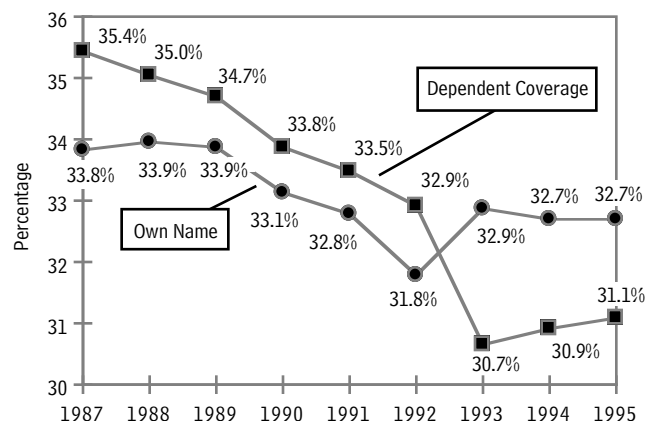
Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.

<sup>a</sup>Civilian Health and Medical Program for the Uniformed Services and the Civilian Health and Medical Program of the Veterans Administration.

therefore, we make the distinction between employment-based coverage in an individual's own name and coverage received as a dependent. The percentage of nonelderly Americans with employment-based coverage fell for both individuals with coverage in their own name and those with coverage as dependents. In 1987, 33.8 percent of the nonelderly population had coverage in their own name, compared with 32.7 percent in 1995 (chart 3). Similarly, 35.4 percent of the nonelderly population had employment-based health insurance as a dependent in 1987, compared with 31.1 percent in 1995. It is interesting to note that both own name coverage and dependent coverage declined at approximately the same rate between 1987 and 1992 but, starting in 1993, a relatively large decline in dependent coverage and a modest increase in own name coverage occurred. Unfortunately, the CPS does not allow us to disentangle these changes; however, one explanation may be that the survey reflects a structural change in the way respondents answer the questions. For example, since individuals are less likely to have dual sources of employment-based coverage due to lower subsidization of premiums from employers, the CPS may now more accurately represent coverage, because individuals are unable to report dual sources of employment-based coverage.

The remainder of this section provides a brief description of the trend data in more detail for selected work-related and demographic characteristics.

Chart 3  
**PERCENTAGE OF NONELDERLY POPULATION WITH EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE IN OWN NAME AND WITH DEPENDENT COVERAGE, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Table 2  
**PERCENTAGE OF NONELDERLY POPULATION WITH EMPLOYMENT-BASED COVERAGE, BY STATE, 1987-1995**

State	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	69.2%	69.0%	68.6%	67.0%	66.3%	64.7%	63.5%	63.6%	63.8%
Maine	70.9	71.1	72.5	68.6	68.6	67.3	64.0	64.6	67.5
New Hampshire	79.8	79.4	72.3	78.0	74.5	71.2	73.7	71.9	74.9
Vermont	72.6	73.3	76.2	74.1	67.9	73.9	64.6	72.9	68.1
Massachusetts	77.2	76.7	76.2	72.7	71.5	72.5	69.5	70.2	71.5
Rhode Island	78.8	78.0	74.8	72.2	76.1	71.6	70.9	69.7	68.5
Connecticut	80.6	81.1	85.0	80.3	78.4	76.4	75.0	75.0	74.8
New York	68.3	70.4	69.5	67.8	65.9	64.2	63.4	60.7	62.8
New Jersey	79.1	78.7	75.4	75.4	76.5	71.6	67.7	70.6	70.5
Pennsylvania	77.5	77.4	76.3	72.8	75.9	74.2	70.3	69.8	71.0
Ohio	74.6	76.2	78.6	73.7	73.0	72.4	69.9	70.5	70.4
Indiana	71.2	75.0	72.5	73.7	71.2	73.1	69.4	69.5	72.3
Illinois	71.2	73.6	73.1	70.5	70.7	66.6	66.1	69.5	70.5
Michigan	75.5	75.4	74.0	71.6	71.8	72.0	69.0	69.2	74.5
Wisconsin	77.6	79.3	78.4	79.4	76.7	74.0	74.0	77.2	75.6
Minnesota	73.8	69.2	72.7	70.2	66.1	68.4	69.8	69.9	71.1
Iowa	69.0	71.4	72.5	70.7	70.1	70.0	68.9	69.4	67.3
Missouri	73.0	70.9	71.7	69.0	71.5	66.4	68.7	69.4	65.9
North Dakota	62.1	63.2	59.9	61.6	57.9	61.0	59.0	62.2	62.5
South Dakota	58.1	60.0	62.7	59.0	60.5	57.0	59.8	65.9	64.3
Nebraska	69.6	65.9	65.3	70.6	69.5	68.7	65.0	67.2	68.8
Kansas	73.5	75.8	71.7	71.7	72.1	70.4	67.9	61.6	64.5
Delaware	70.2	76.3	69.6	70.6	73.6	73.3	72.4	72.0	70.2
Maryland	75.4	76.6	76.6	72.2	73.1	69.4	67.9	69.3	68.2
District of Columbia	64.2	64.1	55.7	54.8	52.6	51.4	49.8	55.0	54.8
Virginia	72.9	70.4	70.1	65.8	67.4	67.3	68.8	70.1	64.7
West Virginia	66.1	68.8	66.9	67.0	64.0	59.9	58.4	61.7	60.8
North Carolina	70.5	71.5	69.3	68.5	65.1	65.7	65.5	64.2	64.0
South Carolina	71.1	71.4	68.6	69.1	66.0	58.4	61.2	67.7	61.7
Georgia	69.7	66.3	68.3	67.1	63.0	60.1	60.4	63.6	63.3
Florida	62.2	61.6	62.2	59.3	56.8	55.6	55.7	56.6	56.1
Kentucky	66.5	66.4	68.6	66.4	63.2	63.9	61.7	61.8	62.4
Tennessee	68.0	65.3	69.7	64.2	65.9	63.8	62.3	62.6	60.9
Alabama	66.1	65.9	66.6	62.3	61.8	66.8	61.3	61.8	63.1
Mississippi	57.0	56.2	57.3	53.1	55.9	56.7	54.7	53.6	55.9
Arkansas	55.9	60.3	63.2	60.1	62.9	57.5	56.1	63.2	60.3
Louisiana	60.6	53.1	60.7	56.6	58.9	52.9	49.6	53.2	50.2
Oklahoma	61.4	59.0	59.7	61.2	63.0	54.3	57.1	58.6	55.3
Texas	61.9	59.8	59.1	61.2	58.8	57.1	57.6	56.1	56.4
Montana	57.9	59.2	60.9	60.9	62.1	63.5	60.6	61.7	56.7
Idaho	65.3	64.0	69.0	66.8	64.2	64.8	64.5	64.8	63.2
Wyoming	72.1	69.9	68.3	67.5	70.2	70.1	63.0	60.8	60.8
Colorado	68.6	69.3	69.3	66.2	72.3	67.8	64.8	67.3	68.9
New Mexico	55.1	50.1	58.4	53.7	55.0	56.5	55.7	51.4	45.6
Arizona	66.8	66.7	63.7	65.0	61.6	61.5	62.4	58.2	56.6
Utah	76.3	76.1	77.3	75.3	70.2	76.2	74.0	73.0	71.7
Nevada	70.4	68.4	69.4	70.6	66.9	63.3	68.2	71.0	66.8
Washington	69.9	71.9	71.0	68.5	69.1	68.2	66.5	62.0	65.0
Oregon	69.5	72.5	72.4	72.1	69.8	72.6	67.1	65.1	67.1
California	64.0	62.0	59.8	59.1	58.3	57.3	56.4	54.8	55.5
Alaska	59.7	57.2	59.4	60.4	57.2	59.3	60.1	62.5	63.7
Hawaii	72.5	68.9	71.0	73.6	71.3	71.4	68.8	72.7	66.3

Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.

Note: Increases and decreases in the percentage of a state's population without health insurance should be viewed with caution. Some of the differences may be related to sampling error, particularly for small states.

## States

Health insurance coverage varies dramatically across states. For example, in 1995, 75.6 percent of the nonelderly population was covered by employment-based health insurance in Wisconsin, while less than

46 percent was covered in New Mexico. These differences are not merely a function of differences in state regulations regarding health insurance but are also a function of employer and employee characteristics as they pertain to individual states. Table 2 shows trends in employ-

Table 3  
**PERCENTAGE OF NONELDERLY POPULATION WITHOUT HEALTH INSURANCE COVERAGE, BY STATE, 1987-1995**

State	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	14.8%	15.5%	15.7%	16.1%	16.3%	17.0%	17.3%	17.1%	17.4%
Maine	10.2	11.1	10.3	13.0	12.8	12.7	12.5	15.2	15.5
New Hampshire	11.7	12.8	14.2	11.3	11.6	14.0	13.6	13.6	11.4
Vermont	11.4	12.1	9.6	10.8	14.4	10.4	13.3	9.6	14.6
Massachusetts	7.2	9.6	9.6	10.5	12.8	12.1	13.3	14.3	12.5
Rhode Island	8.0	8.0	11.0	13.4	12.0	11.1	12.0	13.5	15.4
Connecticut	7.6	10.3	9.7	8.2	8.7	9.1	11.5	12.2	10.1
New York	13.4	12.4	13.8	13.9	14.2	15.6	15.8	18.2	17.2
New Jersey	9.2	10.2	11.9	11.6	12.5	15.0	15.5	14.7	16.2
Pennsylvania	8.6	9.1	10.4	12.0	9.3	10.2	12.6	12.2	11.6
Ohio	10.6	9.9	9.7	12.0	11.9	12.4	12.6	12.5	13.5
Indiana	15.6	12.8	14.2	12.6	15.1	12.3	13.1	11.8	14.6
Illinois	11.1	11.6	11.4	12.5	13.2	14.8	14.1	12.9	12.4
Michigan	9.6	8.1	9.3	10.6	10.3	11.4	12.4	12.3	11.0
Wisconsin	7.6	9.6	10.3	8.0	9.4	10.2	9.7	9.8	8.1
Minnesota	7.6	10.0	9.9	10.1	10.8	9.1	11.3	10.6	9.0
Iowa	8.5	9.0	8.4	9.7	10.4	11.7	10.7	11.3	12.8
Missouri	12.1	13.4	13.3	14.5	14.1	16.1	13.8	14.3	16.7
North Dakota	9.0	10.7	10.2	7.4	8.8	9.6	15.4	9.7	9.5
South Dakota	15.9	15.1	12.7	13.9	11.9	17.5	14.9	11.4	10.8
Nebraska	11.3	12.1	11.7	9.9	9.6	10.4	13.6	12.1	10.4
Kansas	11.9	10.7	10.9	12.7	13.3	12.3	14.5	14.8	14.4
Delaware	12.2	10.5	17.2	16.1	15.1	12.5	15.1	15.4	17.2
Maryland	11.2	10.2	11.4	14.6	15.2	12.7	15.2	14.2	17.3
District of Columbia	17.5	19.2	24.4	21.8	29.2	23.4	22.8	18.2	19.4
Virginia	11.9	13.1	12.9	17.9	18.5	16.0	14.5	13.5	15.3
West Virginia	16.2	16.0	16.3	16.4	18.5	18.0	21.8	19.1	18.3
North Carolina	15.5	14.5	16.2	16.0	17.3	16.0	16.1	15.3	16.5
South Carolina	12.8	15.2	16.4	18.6	14.8	19.0	19.0	15.9	16.0
Georgia	14.9	18.3	17.5	17.5	16.2	21.5	20.5	18.1	20.0
Florida	21.1	21.8	20.5	22.1	22.8	23.6	23.1	20.6	21.8
Kentucky	17.3	18.4	15.2	15.5	15.5	16.7	14.2	17.3	16.9
Tennessee	17.1	15.3	14.7	15.7	15.7	15.5	14.7	11.3	16.6
Alabama	18.3	19.8	18.8	19.7	20.6	19.2	19.8	21.9	15.7
Mississippi	19.7	22.0	19.2	22.6	21.7	21.8	20.4	20.4	22.4
Arkansas	24.0	22.2	19.7	20.6	18.2	22.9	22.6	20.0	20.6
Louisiana	19.2	25.5	20.1	22.5	23.8	24.9	26.6	21.2	23.0
Oklahoma	21.0	23.2	23.4	21.7	21.4	25.1	26.6	20.5	22.3
Texas	23.7	26.6	25.3	23.7	25.0	25.6	24.1	26.6	27.0
Montana	17.8	16.9	16.5	16.1	14.4	10.8	17.6	16.0	14.9
Idaho	17.7	17.5	17.6	17.2	20.3	18.6	16.5	15.6	15.9
Wyoming	13.1	15.6	13.9	14.1	13.0	13.2	16.8	16.9	17.7
Colorado	16.1	15.1	15.9	16.9	11.5	14.5	14.2	13.7	16.0
New Mexico	26.3	27.2	24.2	25.3	24.4	22.2	24.9	26.2	28.4
Arizona	21.0	20.8	19.5	18.6	20.1	18.1	23.2	23.0	23.5
Utah	13.7	13.2	10.1	10.0	15.3	12.9	12.1	12.8	13.0
Nevada	18.0	23.7	17.5	18.8	21.4	25.7	20.3	17.7	21.2
Washington	14.9	11.8	13.5	13.1	12.0	11.6	14.2	14.4	13.8
Oregon	17.6	16.9	15.6	14.9	16.8	15.3	16.7	14.8	13.9
California	19.0	20.4	21.7	21.5	21.1	22.0	21.9	23.6	22.7
Alaska	17.8	19.3	19.8	16.8	14.5	18.0	14.4	14.3	13.3
Hawaii	9.0	11.9	8.5	8.3	8.2	7.0	12.2	10.8	10.2

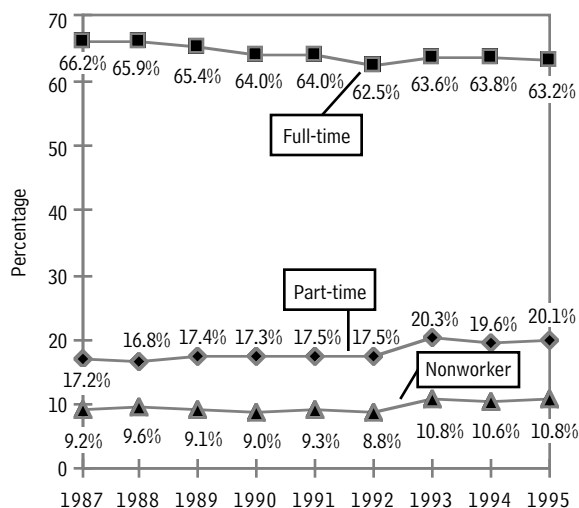
Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.

Note: Increases and decreases in the percentage of a state's population without health insurance should be viewed with caution. Some of the differences may be related to sampling error, particularly for small states.

ment-based health insurance by state. While some states have experienced declines in coverage comparable with the national average, others have experienced virtually no change in coverage (e.g., Delaware). Moreover, other states (e.g., Indiana) show an increase in employment-

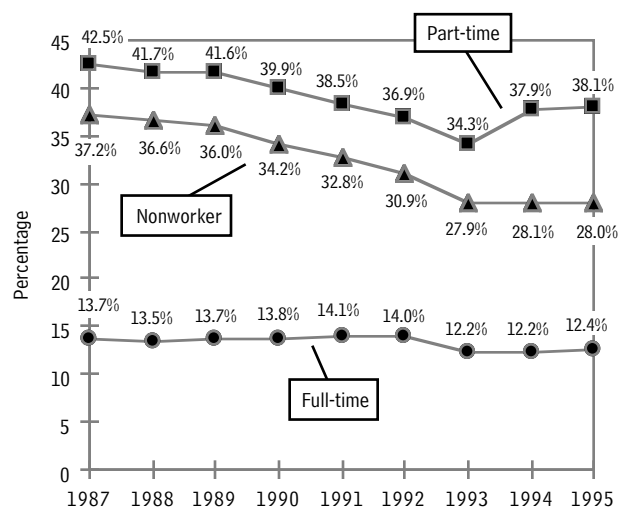
based coverage. One should always use caution when examining state data over time, as some of the changes may be related to sampling error, particularly for small states (e.g., the District of Columbia). Table 3 shows trends in the uninsured by state.

Chart 4  
**PERCENTAGE OF POPULATION AGES 18-64 WITH  
 EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
 IN OWN NAME, BY WORK STATUS, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 5  
**PERCENTAGE OF POPULATION AGES 18-64 WITH  
 EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
 AS DEPENDENTS, BY WORK STATUS, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

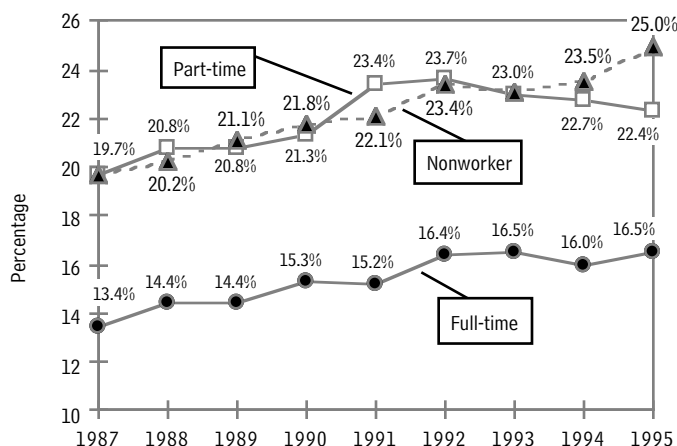
## Work Status

Work status and hours of work are among the most important determinants of health insurance coverage. While employment-based health insurance received directly from a worker's employer decreased between 1987 and 1995, from 66.2 percent to 63.2 percent among full-time workers, the percentage of part-time workers with employment-based health insurance coverage in their own name increased from 17.2 percent to 20.1 percent (chart 4). The percentage of workers with dependent coverage fell for both full-time and part-time workers, and the percentage of nonworkers with dependent coverage fell as well (chart 5). In addition, the percentage of uninsured among full-time and part-time workers and nonworkers increased (chart 6).

## Firm Size

Workers employed in firms with 500 or more workers were the only group to experience a relatively large decrease in employment-based health insurance (chart 7). On the other hand, workers in all firm sizes were more likely to be uninsured in 1995 than in 1987 (chart 8).

Chart 6  
**PERCENTAGE OF POPULATION AGES 18-64  
 WITHOUT HEALTH INSURANCE COVERAGE,  
 BY WORK STATUS, 1987-1995**



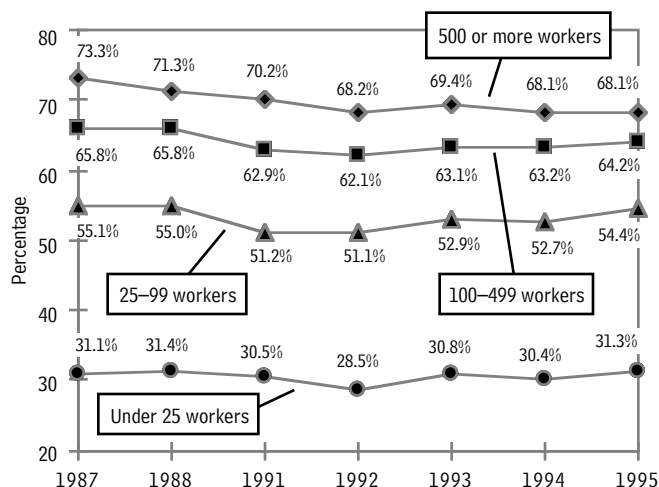
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

## Earnings

Workers earning \$40,000 or more experienced the largest decrease in their likelihood of having employment-based health insurance coverage between 1987 and 1995 (chart 9). In fact, among workers earning under \$10,000, the percentage covered by employment-based health insurance coverage increased. However, workers earning \$40,000 or more were almost five times as likely as workers earning under \$10,000 to have

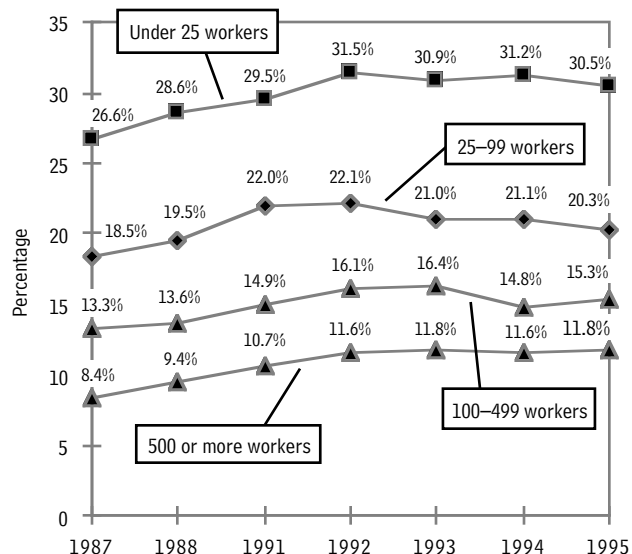


Chart 7  
**PERCENTAGE OF WORKERS AGES 18-64 WITH  
EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
IN OWN NAME, BY FIRM SIZE, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 8  
**PERCENTAGE OF WORKERS AGES 18-64 WITHOUT HEALTH  
INSURANCE COVERAGE, BY FIRM SIZE, 1987-1995**



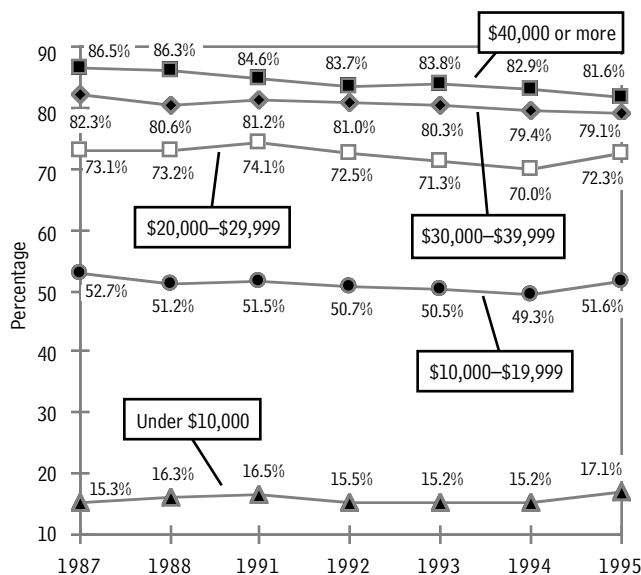
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

employment-based health insurance. The percentage of uninsured workers has increased across all earnings groups (chart 10).

## Industry

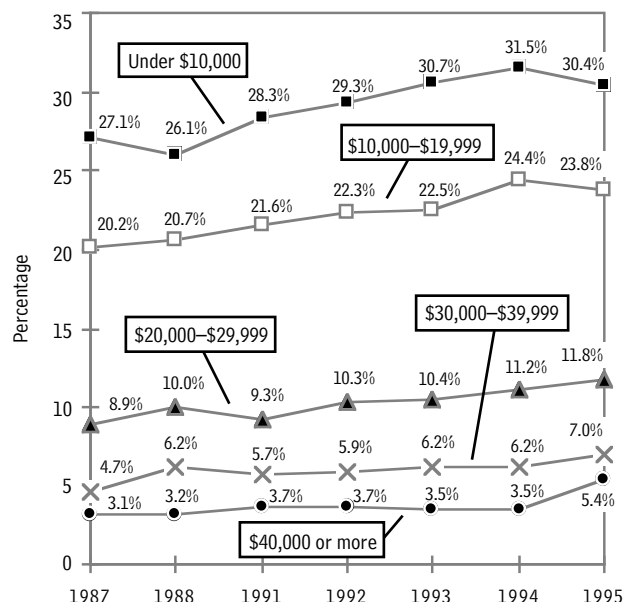
Workers in the manufacturing industry are most likely to have employment-based health insurance; they are also the workers most likely to have experienced a

Chart 9  
**PERCENTAGE OF WORKERS AGES 18-64 WITH  
EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
IN OWN NAME, BY EARNINGS, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 10  
**PERCENTAGE OF WORKERS AGES 18-64 WITHOUT HEALTH  
INSURANCE COVERAGE, BY EARNINGS, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Table 4  
**PERCENTAGE OF WORKERS AGES 18-64 WITH EMPLOYMENT-BASED COVERAGE IN OWN NAME,  
BY INDUSTRY, 1987-1995**

Industry	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	57.0%	56.7%	56.6%	55.4%	55.1%	53.8%	55.3%	55.3%	55.3%
Self-Employed	27.9	29.2	27.5	25.8	24.9	23.7	25.0	27.0	25.4
Wage and Salary Workers									
Government	72.2	71.9	72.4	71.6	71.9	71.9	73.0	74.4	73.0
Agriculture	24.3	22.4	26.6	24.8	23.8	21.6	25.3	28.4	27.8
Mining	83.9	78.4	81.7	80.8	80.5	82.1	77.9	80.3	80.7
Construction	49.1	48.5	47.7	46.4	45.7	43.7	43.4	42.9	46.6
Manufacturing	78.1	77.3	76.9	76.8	75.7	73.5	74.7	73.6	73.3
Transportation, communications, and utilities	76.3	76.9	76.4	75.5	75.3	74.0	74.0	72.6	72.4
Wholesale trade	69.4	70.2	67.0	68.4	66.5	65.0	67.3	65.4	65.2
Retail trade	38.3	36.7	37.9	35.7	35.9	35.2	37.1	36.9	37.6
Finance, insurance, and real estate	69.1	70.5	67.2	67.4	67.5	66.6	68.6	68.6	69.5
Business and repair services	45.9	47.7	48.8	46.6	44.4	43.4	43.8	43.1	45.3
Personal services	27.4	27.3	30.4	30.5	26.6	26.1	30.6	29.4	30.6
Entertainment and recreation services	39.5	36.8	37.4	35.1	33.6	31.6	37.6	38.0	42.0
Professional services	56.0	55.6	56.2	55.4	56.6	55.3	57.4	57.2	57.3

Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.

decrease in employment-based coverage between 1987 and 1995 (table 4). In contrast, workers employed in most of the service sectors experienced an increase in employment-based health insurance, self-employed workers experienced a decrease, and government workers experienced a slight increase. Self-employed workers were also the most likely of all workers to have become uninsured between 1987 and 1995 (table 5).

## Poverty Level

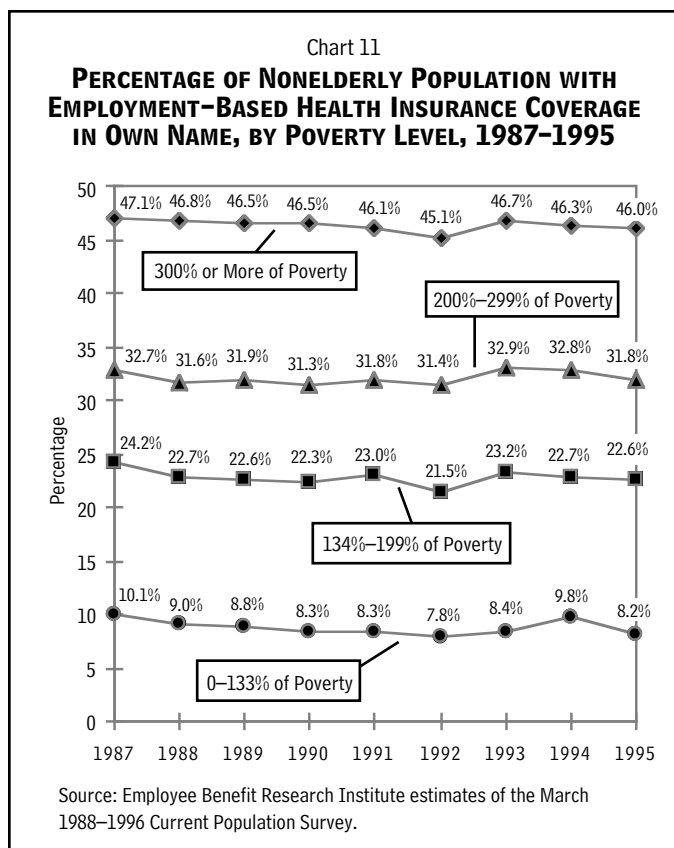
The percentage of nonelderly in families with income at

or above 200 percent of the federal poverty level with employment-based health insurance coverage in their own name has remained fairly flat since 1995 (chart 11). However, individuals in families with income below 200 percent of poverty experienced a larger decline in employment-based coverage. The percentage of the nonelderly population with employment-based health insurance as dependents fell for all poverty level groups, with the smallest decline occurring among individuals with family income at or above 300 percent of the poverty line (chart 12). In addition, the percentage of the population covered by Medicaid increased for all poverty

Table 5  
**PERCENTAGE OF WORKERS AGES 18-64 WITHOUT HEALTH INSURANCE COVERAGE, BY INDUSTRY, 1987-1995**

Industry	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	14.6%	15.6%	15.6%	16.4%	16.8%	17.8%	17.8%	17.3%	17.6%
Self-Employed	19.0	19.7	21.4	22.0	21.9	23.0	24.5	23.2	25.1
Wage and Salary Workers									
Government	5.9	6.7	6.7	6.9	7.1	7.3	7.8	6.6	7.1
Agriculture	41.5	42.5	38.9	39.7	41.3	46.2	42.6	39.2	36.4
Mining	8.6	10.8	11.0	10.4	12.5	7.7	11.5	11.0	9.9
Construction	28.3	29.2	30.1	31.6	31.3	32.4	34.0	33.5	31.3
Manufacturing	9.8	11.1	10.7	11.1	11.9	13.6	13.1	12.6	13.2
Transportation, communications, and utilities	10.9	10.3	10.3	11.6	12.0	13.3	12.9	13.4	13.3
Wholesale trade	11.3	12.1	13.2	12.8	13.1	13.7	14.0	14.6	15.2
Retail trade	21.2	22.8	22.4	24.5	25.5	26.4	25.7	25.7	26.0
Finance, insurance, and real estate	8.4	7.9	8.3	8.7	8.7	9.6	9.3	9.3	8.3
Business and repair services	21.0	22.5	22.2	23.6	26.3	26.7	27.8	26.4	26.7
Personal services	30.5	32.2	30.7	30.5	34.2	33.8	33.4	32.9	31.5
Entertainment and recreation services	21.0	22.2	24.2	20.3	21.3	23.7	23.5	21.8	20.3
Professional services	9.5	10.9	10.2	11.4	10.8	11.7	11.9	11.6	11.5

Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.



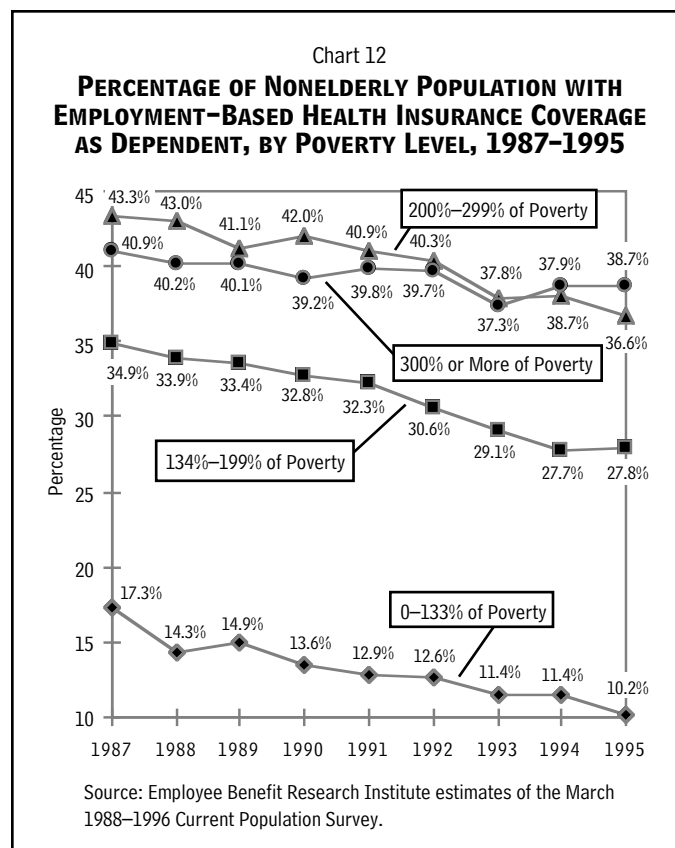
levels (chart 13). With respect to the uninsured, individuals in all except the lowest income category experienced an increase between 1987 and 1995 (chart 14).

## Race

White individuals experienced virtually no decline in employment-based coverage in their own name between 1987 and 1995 (chart 15). Blacks experienced an increase in the probability of having employment-based coverage between 1987 and 1989, a decrease between 1989 and 1992, an increase between 1992 and 1994, and then a decrease in 1995. Hispanics experienced a steady decline in employment-based coverage in their own name between 1987 and 1995. With respect to employment-based coverage as a dependent, all racial groups experienced a decline between 1987 and 1995 (chart 16). In addition, all races were more likely to have been uninsured in 1995 than in 1987 (chart 17). However, blacks experienced the smallest increase in the probability of being uninsured. Whites experienced a modest increase, while Hispanics experienced a relatively large increase in the probability of being uninsured.

## Age

While the percentage of population under age 45 experienced a decline in employment-based health insurance

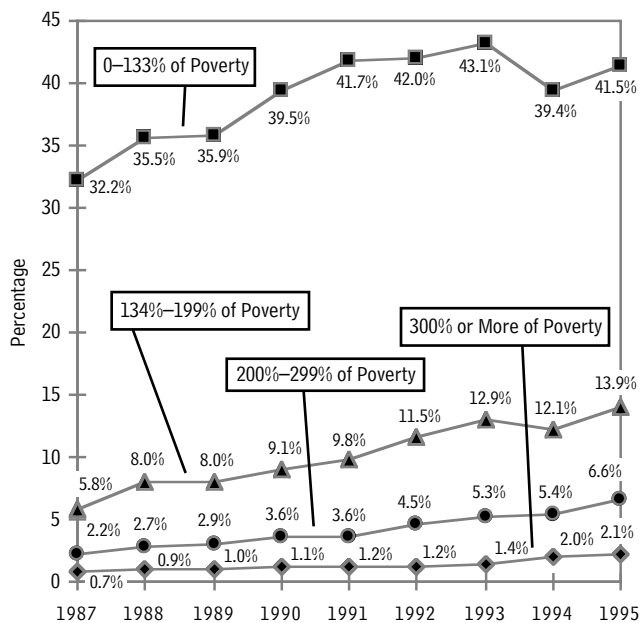


coverage in their own name between 1987 and 1995, the population age 45 and older experienced an increase in coverage (table 6). In addition, all age cohorts experienced an increase in the probability of being uninsured (table 7).

## Gender

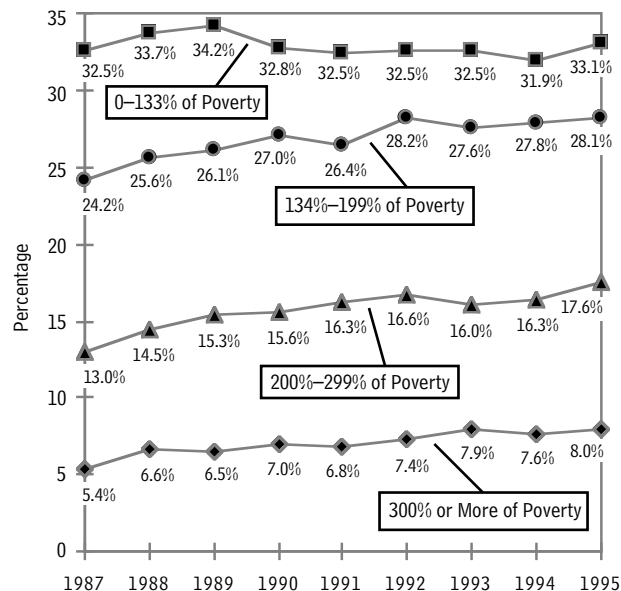
Between 1987 and 1995, the proportion of males with employment-based health insurance coverage in their own name declined from 59.1 percent to 54.6 percent, while the percentage of females with employment-based coverage in their own name increased from 37.2 percent to 39.6 percent (chart 18). During this time period, the percentage of males with employment-based coverage as dependents remained fairly constant at between 12 percent and 13 percent, while the coverage rate for females declined from 32.4 percent in 1987 to 26.1 percent in 1995 (chart 19). This may indicate that employers are willing to subsidize family coverage. As a result, females are now more likely to receive coverage from their own employer. Finally, the percentage of males and females without health insurance coverage increased between 1987 and 1995. In 1987, 17.4 percent of males and 13.9 percent of females were uninsured (chart 20). By 1995, 21 percent of males and 17 percent of females were uninsured.

Chart 13  
**PERCENTAGE OF NONELDERLY POPULATION WITH  
MEDICAID COVERAGE, BY POVERTY LEVEL, 1987-1995**



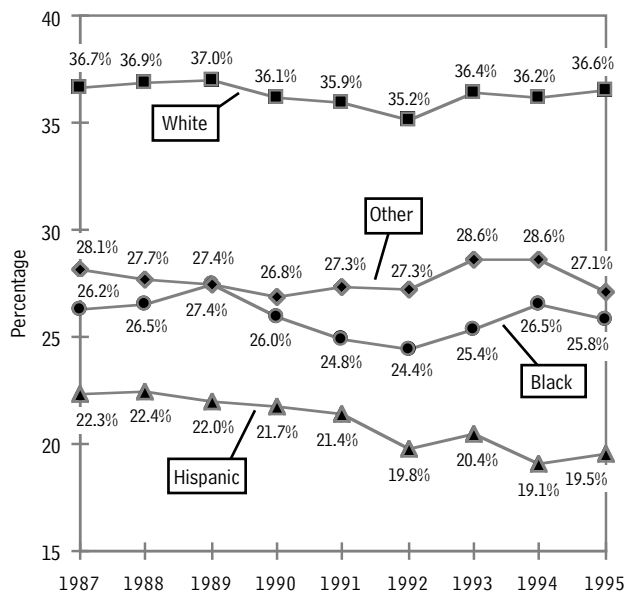
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 14  
**PERCENTAGE OF NONELDERLY POPULATION WITHOUT  
HEALTH INSURANCE COVERAGE, BY POVERTY LEVEL,  
1987-1995**



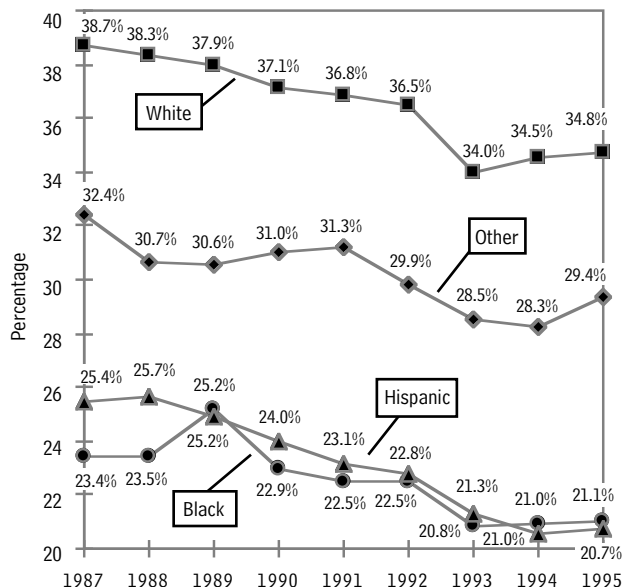
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 15  
**PERCENTAGE OF NONELDERLY POPULATION WITH  
EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
IN OWN NAME, BY RACE, 1987-1995**



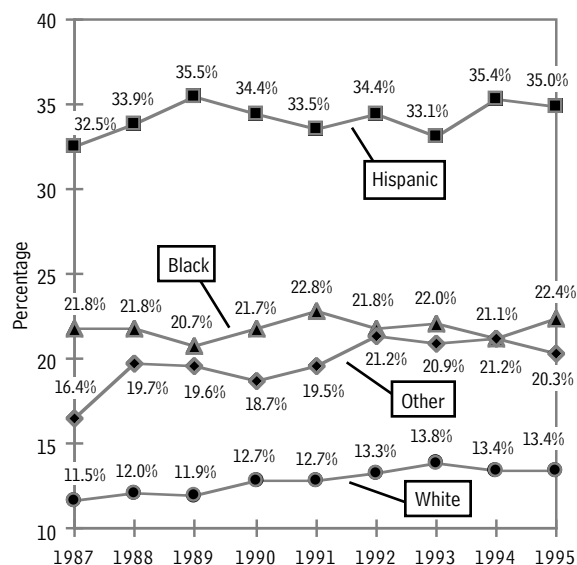
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 16  
**PERCENTAGE OF NONELDERLY POPULATION WITH  
EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE  
AS DEPENDENTS, BY RACE, 1987-1995**



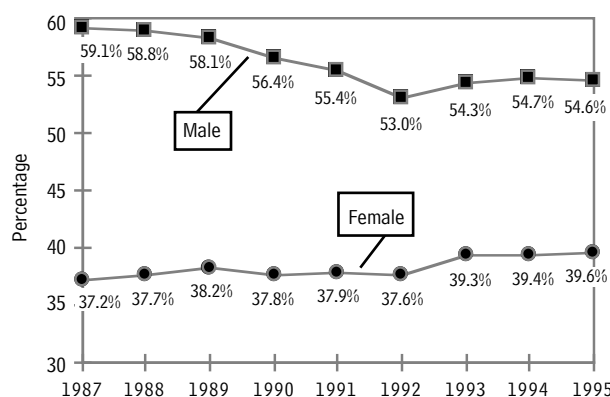
Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 17  
**PERCENTAGE OF NONELDERLY POPULATION WITHOUT HEALTH INSURANCE COVERAGE, BY RACE, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Chart 18  
**PERCENTAGE OF NONELDERLY POPULATION WITH EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE IN OWN NAME, BY GENDER, 1987-1995**



Source: Employee Benefit Research Institute estimates of the March 1988-1996 Current Population Survey.

Table 6  
**PERCENTAGE OF NONELDERLY POPULATION WITH EMPLOYMENT-BASED COVERAGE IN OWN NAME, BY AGE, 1987-1995**

Age	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	33.8%	33.9%	33.9%	33.1%	32.8%	31.8%	32.9%	32.7%	32.7%
Under Age 18	1.3	1.3	1.3	1.3	1.3	1.3	1.6	0.6	0.6
Ages 18-20	13.4	12.8	12.6	11.5	9.7	8.0	9.8	10.9	10.6
Ages 21-24	36.5	36.9	36.7	33.8	32.7	30.6	32.2	30.9	30.4
Ages 25-34	52.3	52.3	52.2	50.5	49.4	48.7	49.2	49.2	49.0
Ages 35-44	54.8	54.5	55.3	53.7	52.8	51.1	52.2	51.7	51.6
Ages 45-54	53.3	53.6	53.6	52.8	53.5	51.8	54.2	56.1	55.2
Ages 55-64	47.0	47.4	46.9	46.0	46.5	46.4	48.5	48.4	50.4

Source: Employee Benefit Research Institute estimates from the March 1988-1996 Current Population Survey.

## Explaining the Trends

A relatively large body of research focuses on the characteristics of individuals with

and without health insurance, but only a handful of papers have addressed the underlying causes of trends in health insurance coverage using modeling techniques to sort out the underlying factors. Insurance coverage changes can be segregated into two general components: first, a change in the probability that an individual with a given set of characteristics is covered by health insurance; second, a change in the characteristics of an

individual or a population. Researchers have focused on the latter in explaining declines in health insurance coverage.<sup>1</sup>

Kronick (1991) was one of the first researchers to examine trends in health insurance coverage. He found that the decline in employment-based health insurance

<sup>1</sup> When examining how the changing characteristics of a population has affected the probability that an individual has health insurance coverage, researchers have found that some characteristics change in a manner that caused the probability of having employment-based health insurance to fall, while other characteristics changed in a manner causing health insurance coverage to rise. For example, if a researcher is trying to explain a 50 percent decline in employment-based health insurance, one variable may contribute to that decline in coverage, while another variable may offset the decline in coverage.

Table 7

**PERCENTAGE OF NONELDERLY POPULATION WITHOUT HEALTH INSURANCE COVERAGE, BY AGE, 1987–1995**

Age	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	14.8%	15.5%	15.7%	16.1%	16.3%	17.0%	17.3%	17.1%	17.4%
Under Age 18	13.1	13.3	13.6	13.2	12.9	12.7	13.7	14.2	13.8
Ages 18–20	20.7	22.5	22.5	23.5	23.9	25.3	22.4	22.6	23.2
Ages 21–24	26.7	27.0	28.4	29.1	30.0	32.6	30.2	29.9	32.3
Ages 25–34	17.6	18.9	18.7	20.0	20.7	21.4	21.8	22.2	23.1
Ages 35–44	12.3	13.2	12.9	13.7	14.8	15.8	16.9	16.1	16.7
Ages 45–54	11.6	12.3	12.6	13.2	12.6	14.2	13.9	12.9	13.3
Ages 55–64	10.8	11.3	11.5	12.9	12.7	12.7	13.4	13.9	13.4

Source: Employee Benefit Research Institute estimates from the March 1988–1996 Current Population Survey.

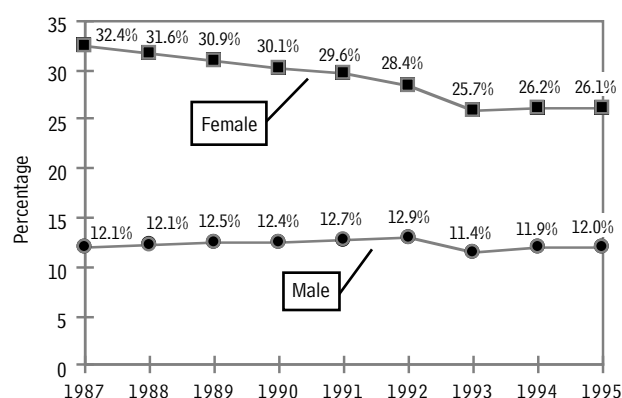
coverage between 1979 and 1989 was confined to low-income workers. Kronick set the stage for additional research on trends in coverage by posing a number of explanations for declining health insurance coverage, such as the increasing price of medical care, the cost of administering health insurance, the breakdown in the small group insurance market, and changes in the structure of the economy that have changed the types of jobs available to low-income workers.

Long and Rodgers (1995), on the other hand, concentrated on determining how structural changes in the economy accounted for the decline in employment-based health insurance. Using data from 1980–1987, they found that the proportion of part-time workers in the labor force was the same in 1980 and 1987, although it fluctuated from year to year within that time period. In addition, the self-employed proportion of the work force declined from 8.6 percent in 1980 to 8.4 percent in

1987. As a result, the movement to part-time work and self-employment (a measure of contract work) did not factor into the decline in employment-based health insurance between 1980 and 1987. The study found that the movement of workers from the manufacturing sector to the service sector accounted for 13.8 percent of the decline in employment-based health insurance among workers.

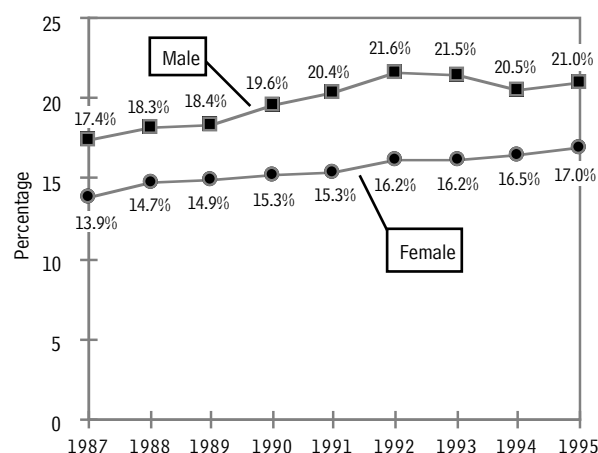
Unfortunately, it is difficult to draw conclusions from Kronick (1991) and Long and Rodgers (1995) because both studies relied on an analysis that does not allow researchers to disentangle the large number of competing hypotheses on the decline in employment-based health insurance. As a result, studies by Acs (1995), Fronstin and Snider (1996/97), and Fronstin, Goldberg and Robins (1997) have used regression-based decomposition analysis to determine how various economic and noneconomic factors have influenced the

Chart 19

**PERCENTAGE OF NONELDERLY POPULATION WITH EMPLOYMENT-BASED HEALTH INSURANCE COVERAGE AS DEPENDENTS, BY GENDER, 1987–1995**

Source: Employee Benefit Research Institute estimates of the March 1988–1996 Current Population Survey.

Chart 20

**PERCENTAGE OF NONELDERLY POPULATION WITHOUT HEALTH INSURANCE COVERAGE, BY GENDER, 1987–1995**

Source: Employee Benefit Research Institute estimates of the March 1988–1996 Current Population Survey.

decline in employment-based health insurance.

Acs (1995) found that declines in family income and structural changes in the economy, such as the movement from the manufacturing sector to the service sector, accounted for 35 percent of the decline in employment-based health insurance among workers. The study also found that firm size had a strong effect. Specifically, as more workers were employed in firms with 100 or more workers, the percentage of those with employment-based health insurance coverage *increased*, holding all other factors constant. Overall, this study was able to explain 18 percent of the decline in employment-based health insurance.

Fronstin and Snider (1996/97) found that declining real wages and the shift from the manufacturing sector to the service sector accounted for 33 percent of the decline in employment-based coverage. In addition, this study found that increasing use of part-time work accounted for 7 percent of the decline, and decreased unionization accounted for 6 percent. Typically, researchers use variables such as industry, firm size, and other employer characteristics as a proxy for whether an employer offers health insurance coverage when employer sponsorship information is not available. When employer sponsorship was included in the model, the declining rate of employment-based health insurance accounted for 32 percent of the decline in coverage. Overall, Fronstin and Snider (1996/97) were able to explain over one-half of the decline in employment-based health insurance.

The rising cost of health care is an important factor in explaining the decline in employment-based health insurance coverage. Because of the difficulty in measuring health care costs across individuals, only one

study has examined the effect of rising health care costs on health insurance coverage.<sup>2</sup> This study found that rising health care costs accounted for 85 percent of the decline in private health insurance coverage among male workers (Fronstin, Goldberg, and Robins, 1997).<sup>3</sup>

## Implications & Conclusions

Between 1987 and 1995, the percentage of the nonelderly population with employment-

based health insurance declined from 69.2 percent to 63.8 percent. During the same period, the percentage of the nonelderly population with Medicaid coverage increased from 8.6 percent to 12.5 percent, and the percentage without any source of health insurance coverage increased from 14.8 percent to 17.4 percent. For policymakers to formulate public policy concerning health insurance coverage, it is important to improve our understanding of the individuals who have been affected by changing health insurance coverage and the factors that contribute to these trends. As mentioned previously, cost is one of the primary factors contributing to the decline in employment-based health insurance coverage. While health insurance premium cost increases have slowed during the past three years, many health care analysts are predicting an increase in health insurance premiums during the next few years. Inflationary pressure may come from health care providers, health insurers, consumers, and/or policymakers. If inflationary pressure increases health insurance premiums, we are likely to see a continued decline in employment-based health insurance coverage and a subsequent

<sup>2</sup> One of the difficulties in measuring health care costs is which measure to use. Should researchers use the cost of health care, the full cost of health insurance, or the portion of the premium that workers are required to pay? When modeling individual behavior, researchers need data that allows the cost of health care to vary across individuals, making an analysis of the effect of health care costs on health insurance coverage very challenging. Alternatively researchers could try to use health insurance premiums as a measure of

the rising cost of health care. However, even if a researcher had data on health insurance premiums for workers with employment-based health benefits, how would premiums be measured for workers without health insurance benefits?

<sup>3</sup> This study uses any private health insurance coverage as the outcome variable; therefore, the employment-based characteristics of the individual were less important in explaining the decline in employment-based health insurance than they are in other studies.

increase in both the Medicaid and uninsured populations.

Major changes have occurred in the way health care providers contract with employers and insurers. Because of the proactive bargaining power of employers and insurers, coupled with employers' and insurers' guarantees of volume, health care providers have accepted financial responsibilities that have put them at risk. They are currently in the process of consolidating and merging in order to put themselves on equal bargaining ground with employers and insurers. Consolidation and mergers may result in increased health care premiums if employers and insurers have fewer options for contracting with health care providers.

Because of competition among health insurers, many insurers have been willing to reduce premium growth and in some cases lower premiums in order to increase market share. As a result, health insurers' profits have tumbled, and their stocks' valuation has fallen. Some health analysts are predicting that health insurers will start increasing premiums in order to compensate for lost profits.

Enrollment growth in managed care plans has been partly responsible for recent lower health care costs. A recent study found that 73 percent of U.S. workers with health insurance coverage were in managed care plans in 1995, compared with 51 percent in 1993 (Jensen, et al., 1997). With close to three-quarters of all workers enrolled in managed care plans, it will become more difficult for employers to realize savings from further managed care enrollment growth as managed care penetration becomes more difficult. In addition, closer analysis of this study reveals that point-of-service plans and preferred provider organizations experienced greater enrollment growth than health maintenance organizations, suggesting that workers are willing to trade off higher premium contributions for flexibility of physician choice.

Federal and state policymakers may also be responsible for future increases in health insurance premium costs. Recently passed laws governing mater-

nity length of stay and mental health parity set a new precedent in federal government mandating of specific benefits. In general, benefit mandates increase health insurance premiums, because employers and insurers are required to provide additional benefits. States have always had the opportunity to mandate benefits; however, many large and small employers are exempt from state mandates under the Employment Retirement Income Security Act (ERISA) through self-insurance, leaving employers who have not self-insured with the additional cost burden. The current policy environment has led many health policy analysts to believe that future state and federal legislation will impose additional cost burdens on insurers and employers. For example, some of the areas that policymakers are interested in regulating are mandated minimum mastectomy length of stay, emergency room care, expanded mental health parity, experimental treatments, mandatory out-of-network coverage, and an expansion of portability and guaranteed issue. In addition, the recent case in New York concerning ERISA preemption and the states' ability to tax third party payers of health care raises additional concerns about future health insurance costs. In sum, the health care market and health care policy continue to be highly dynamic, with significant implications for individuals, employers, insurers, providers, and policymakers.

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## Appendix

ment to the Current Population Survey (CPS). The March CPS is conducted annually by the Census Bureau and provides an important source of information about the economic and health insurance status of the U.S. population. In March of each year, the survey includes supplemental questions relating to work experience, income, and receipt of noncash benefits during the

### The Data

The data for this *Issue Brief* are from the March 1988–1996 supple-

mentary data from the March 1996 survey, for example, questions individuals about their health insurance coverage during 1995. It asks about private health insurance provided through an employer, private health insurance purchased directly from an insurer, and public health insurance provided through Medicare, Medicaid, and other programs. A person who did not report health insurance coverage from any of the previously mentioned sources is determined to be uninsured. The survey does not include a question asking if individuals were uninsured during the previous calendar year. Assuming accurate responses are given, the uninsured should include only those individuals who were without health insurance coverage during the entire calendar year. However, many researchers believe that the majority of respondents actually answer the health insurance questions with regard to a particular point in time. These researchers believe that there is an inherent recall bias built into the CPS, in that, individuals are asked to recall their health insurance status as far back as January of the previous calendar year. This opinion is based in large part on comparisons of the results of the CPS with those of other selected surveys.

Since March 1988, the CPS has undergone two changes that affect comparability of the health insurance questions. First, changes were made to the population weights starting with the March 1994 survey. Second, the March 1995 survey introduced revised questions on private health insurance coverage.

Between the March 1988 survey and the March 1993 survey, population weights were based on the 1980 census. Starting with the March 1994 survey, the CPS began using population weights based on the 1990 census. Subsequently, revised population weights were released for the March 1990 and March 1993 surveys. The change in the population weight resulted in two changes to the data. Use of the 1990 population weights increased the size of the weighted sample, giving the appearance that the uninsured population increased by 2.2 million people between 1992 and 1993 (the March 1993 and March 1994 surveys), when, in fact, it in-

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creased by fewer than 1 million (see Fronstin, 1996). In addition, use of the 1990 population weights resulted in a revised distribution of individuals with and without health insurance coverage. For example, when analyzing the March 1993 CPS, we found that 16.7 percent of the nonelderly population were uninsured based on 1980 population weights, and 17.0 percent were uninsured based on 1990 population weights. Currently, in order to analyze health insurance data across the March 1988–1996 period, the March 1988, 1989, 1991, and 1992 surveys need to be based on the 1990 population weights. Data presented in this *Issue Brief* are corrected for changes in the population weights. We are able to reconstruct weights based on the 1990 Census for the March 1988 and 1989 CPSs using the 1980 and 1990 population weights in the March 1990 CPS. Similarly, we reconstruct weights for the March 1991 and 1992 CPSs using the weights in the March 1993 CPS.

Between 1988 and 1994, the survey asked three questions regarding private health insurance. First, individuals were asked whether they were covered by a private health insurance plan. If they responded “yes,” a second question was asked to determine whether the coverage was in their own name. If the coverage was in the individual’s own name, a third question was asked to determine if the private coverage was provided through an employer. This series of questions has certain drawbacks. First, the questions do not allow an individual to have both employment-based coverage and privately purchased coverage. Second, individuals are not asked if they have employment-based coverage through their own employer and perhaps through their spouse’s employer. Consequently, we were not able to completely understand how individuals in those circumstances may have answered the questions. This also calls into question the reasons for the underlying trends if employers were systematically moving away from subsidizing family coverage, and employees were systematically moving away from dual sources of employment-based coverage.

Starting with the March 1995 CPS, more detailed questions were asked about private health

insurance. Separate questions were asked regarding employment-based health insurance and private health insurance purchased directly from an insurer. While the revised questions did not appear to affect the total percentage of individuals with any private health insurance coverage, they did appear to affect the percentage of individuals reporting employment-based coverage and the percentage reporting other private coverage. Specifically, the percentage of individuals reporting employment-based health insurance increased, while the percentage reporting other private coverage decreased. When making comparisons between data from the March 1994 CPS and March 1995 CPS, it at first appears that the percentage of nonelderly individuals with employment-based coverage increased over 3 percentage points. However, it is more likely that the revised questions are a more accurate representation of private health insurance coverage, and the historical data need to be revised based on the current distribution of private health insurance coverage. The data in this *Issue Brief* are revised to reflect the current private health insurance coverage distribution.

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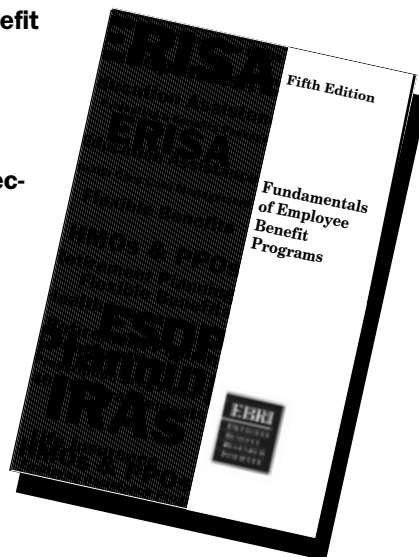
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