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In 1988, 85 percent of nonelderly Americans were covered by private insurance or a public health care financing program, but 15 percent were not. Uninsured Americans totaled 33.3 million.



Update: Americans without Health Insurance

- ◆ In 1988, 85 percent of Americans under age 65 had health protection.
- ◆ In 1988, 33.3 million Americans reported no private insurance coverage of any kind and were ineligible for public program benefits to finance health care.
- ◆ Employer plans cover two-thirds of Americans under age 65, and nearly three-quarters (73 percent) of workers.
- ◆ Just over one-half of all workers (56 percent) are covered by an employer plan on their own jobs; another 17 percent are covered as dependents of another worker.
- ◆ Two-thirds of the uninsured population are in families of full-time, full-year workers, most of whom are steadily employed throughout the year.
- ◆ In 11 states, at least one in five residents under age 65 is uninsured; in two states—Texas and New Mexico—more than one in four are uninsured.
- ◆ Two-thirds of uninsured workers earn less than \$10,000; the median uninsured worker earns less than 150 percent of the federal minimum wage.
- ◆ Nearly one-half of uninsured workers (49 percent) are self-employed or employed in firms with fewer than 25 workers.
- ◆ Fifteen percent of American children under age 18—9.2 million children—are uninsured; two-thirds of uninsured children are over age 6.
- ◆ Among children of the working poor—full-time, full-year workers in poverty—nearly one-half (45 percent) are uninsured.

◆ Introduction

The number of Americans without health insurance and with reduced access to health care represents a longstanding public policy issue. In 1988, 33.3 million Americans reported having no private health insurance coverage of any kind and were ineligible for public program benefits to finance health care. Despite widespread concern among policymakers and providers of health care services, no agreement has been reached on a national strategy to guarantee universal access to health care and reasonable payment for that care.

Survey research has consistently documented that people without insurance or other means of payment use much less health care than those with comparable health care needs who have insurance. These studies suggest both that the uninsured have impaired access to many health care services and that health care providers may be inclined to overdeliver services to people with private insurance.

Those who advocate substantial expansion of private insurance, public health care programs, or both cite the first set of findings: many uninsured people are deterred from receiving needed care, especially routine preventive care, because they are unable to pay. Such underuse of health care can lead to death or impairment and may lead to much higher societal costs if acute or chronic health conditions or lifetime disabilities result.

Those concerned about health care costs and already strained public budgets emphasize the second set of findings. Expansion of health insurance is likely to bring about a surge in health services use and cost, much of which would be paid by existing or proposed federal and state government programs.

At least four major commissions¹ have reported during the last several years or will soon report on what government and employers might do to broaden health care financing and improve the uninsured population's

access to health care. Major trade associations and individual analysts have offered other proposals. Disagreement about these proposals' long-term effects on access to care and on the health care delivery system, and concern about the public cost of any change, are likely to prevent legislative action on the issue this year.

This *Issue Brief* reviews data on the number and characteristics of the uninsured population in the United States from the March 1989 Current Population Survey (CPS). It also reviews current legislative proposals to expand private health insurance coverage or public health care programs.

Questioning about health insurance coverage in the March 1989 CPS differed from that in earlier surveys conducted before 1988.² As a result, growth or decline in the prevalence of health insurance coverage compared to earlier years generally cannot be determined. This is especially true with respect to coverage among children, a population group for whom the survey questioning changed most radically.

◆ Sources of Insurance Coverage

In 1988, three-quarters of the U.S. population under age 65 reported coverage from a private insurance plan (table 1). Most people with private insurance—87 percent—had coverage from an employer health plan.

Employer-sponsored health plans, covering some 139 million people under age 65, represent the chief source of insurance coverage in the United States. In all, two-thirds of Americans have employer-based coverage, either directly as covered workers or indirectly as dependents.

About one-half of Americans under age 65 with employer coverage—33 percent of the total nonelderly population—are workers with direct coverage from

¹These are the National Leadership Commission, the U.S. Bipartisan Commission on Comprehensive Health Care (Pepper Commission), the Advisory Council on Social Security, and the special task force of the Secretary of Health and Human Services.

²The questioning used in the March 1989 CPS can only be compared with that used in 1988, the pilot year for the new question set. Since the final 1988 survey data were not made generally available for public use, tabulations from the earlier survey comparable to those reported here are unavailable.

their own employer-sponsored health plan. The other one-half of all nonelderly Americans with employer-based health insurance are covered only as dependents. More than one-half of all dependents covered by an employer plan (56 percent) are children under age 18; one-fourth (25 percent) are workers who do not have coverage as a benefit from their own jobs.

Nearly all workers with coverage from an employer plan receive an employer contribution to coverage for themselves, their covered dependents, or both. In 1988, 96 percent of workers with direct employer coverage reported that their employer paid at least part of the plan cost; 41 percent had plans that were fully paid by

their employer. In 1988, the estimated employer cost of health insurance benefits reached nearly \$133 billion (U.S. Department of Commerce, 1989).

More than 12 percent of the nonelderly population reported coverage from one or more public health financing programs during 1988. By far, most people who reported public program coverage had coverage from only one such program—most commonly Medicaid—and reported no private coverage during the year.

Medicaid—a state-based, joint federal-state program for poor people in selected eligibility categories—provided coverage for more than 2 million people under age 65,

Table 1
Nonelderly Population with Selected Sources of Health Insurance, by Own Work Status, 1988

Work Status	Total	Private Coverage					Public Coverage				No Health Insurance Coverage
		Total private	Employer provided			Other private	Total	Medicaid	Medicare	CHAMPUS/CHAMPVA	
			total	direct	indirect						
in millions											
Total	211.8	159.5	139.4	70.6	68.8	20.1	26.2	18.2	3.2	6.3	33.3
Family-Head Workers	74.0	60.2	54.0	50.7	3.4	6.1	4.4	2.1	0.3	2.1	11.4
Other Family Workers	47.6	39.4	34.7	17.6	17.2	4.7	2.2	0.8	0.2	1.3	7.1
Nonworkers	27.5	15.3	12.0	2.4	9.6	3.3	8.5	5.4	2.7	1.5	5.5
Children	62.8	44.6	38.7	0.1	38.6	6.0	11.2	9.9	0.1	1.4	9.2
percentage within work status categories											
Total	100.0%	75.3%	65.8%	33.4%	32.5%	9.5%	12.4%	8.6%	1.5%	3.0%	15.7%
Family-Head Workers	100.0	81.3	73.1	68.5	4.6	8.3	5.9	2.8	0.4	2.9	15.4
Other Family Workers	100.0	82.8	72.9	36.9	36.0	9.9	4.6	1.7	0.3	2.7	15.0
Nonworkers	100.0	55.8	43.7	8.6	35.1	12.0	31.0	19.7	9.7	5.3	20.0
Children	100.0	71.1	61.6	0.1	61.5	9.5	17.8	15.8	0.1	2.2	14.7
percentage within source of coverage categories											
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Family-Head Workers	34.9	37.7	38.8	71.7	4.9	30.5	16.6	11.4	10.1	34.2	34.3
Other Family Workers	22.5	24.7	24.9	24.8	24.9	23.4	8.3	4.5	5.1	20.4	21.5
Nonworkers	13.0	9.6	8.6	3.4	14.0	16.4	32.4	29.7	82.8	23.4	16.5
Children	29.6	28.0	27.7	0.1	56.1	29.7	42.6	54.4	1.9	22.1	27.8

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

nearly 9 percent of the nonelderly population in 1988. People under age 65 who qualify for Medicaid benefits include (1) pregnant women and children under age 6 with family income below the federal poverty level and (2) both families with children under age 18 and disabled individuals with family income below state-specified income standards.

Individuals and families must also qualify for Medicaid on the basis of their assets, a provision that may disqualify some otherwise eligible families (including farm families and families of small business owners) despite very low income. As a result of state income standards for most eligibility categories that are set well below the federal poverty level and Medicaid's categorical eligibility restrictions, only 42 percent of the population with family income below the federal poverty standard (48 percent of the poor population not otherwise covered by an employer health plan) qualified for Medicaid benefits in 1988.



In 1988, about 15 percent of all U.S. workers were uninsured.



Other public programs that provide coverage for people under age 65 include the federal Medicare program and the CHAMPUS and CHAMPVA³ programs. Medicare, a social health insurance program that principally serves the nation's elderly, covers nonelderly individuals who qualify for Social Security Disability Insurance benefits as well as individuals with end-stage renal disease. In 1988, 3.2 million people under age 65—less than 2 percent of the nonelderly population—reported coverage from Medicare.

³CHAMPUS, the Civilian Health and Medical Program of the Uniformed Services, serves active-duty and retired members (and their dependents) of the Army, Navy, Marine Corps, Air Force, Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of the National Oceanic and Atmospheric Administration. CHAMPVA (the Civilian Health and Medical Program of the Veterans Administration) provides health care financing for dependents of totally disabled veterans.

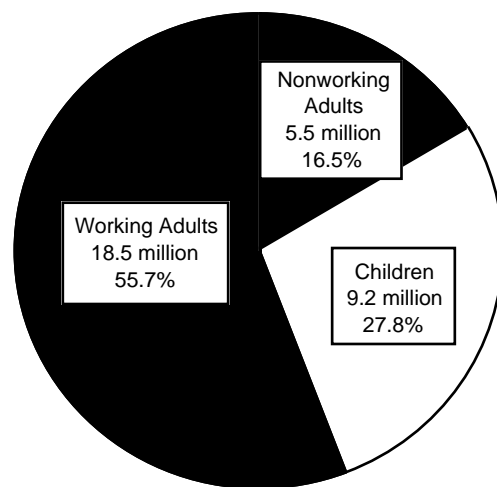
Rates of coverage from CHAMPUS or CHAMPVA vary widely among the states and are generally related to the location of military bases and facilities. Nationally, about 3 percent of the nonelderly population reported coverage from these programs at some time during 1988.

◆ Who Are the Uninsured?

Available evidence suggests that the general characteristics of people without private insurance or eligibility for any public program that finances health care have remained very much the same for more than a decade. Most people who were uninsured (56 percent) in 1988 were workers (chart 1); more than one-third were the family's primary worker (the family head).⁴ In 1988, about 15 percent of all U.S. workers were uninsured.

⁴The head of the family is defined as the individual in the family whose personal earnings exceed those of any other family member. In families in which (1) a spouse or (2) one or more parents of a minor child are present, the family head is the greater-earning spouse or parent. In families in which no adult member is a worker, the family head is defined as the spouse, parent, or individual in the family with the greatest personal income from any source.

Chart 1
**Nonelderly Population without Health Insurance,
by Own Work Status, 1988**



Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

More than one-quarter of the uninsured are children under the age of 18 (28 percent in 1988). Including coverage from family and other household members, as well as coverage from others not living in the household (a source of coverage not considered in earlier surveys), 71 percent of children in 1988 were privately insured (table 2).⁵ Medicaid covered almost 16 percent of children, but nearly as many (15 percent) were uninsured.

Worker Families

While more than one-half of the uninsured population in 1988 (56 percent) were themselves workers, fully 85 percent of the uninsured were members of a worker family. Two-thirds of the uninsured were in families of full-year workers, most of whom were steadily employed full-time throughout the year (chart 2). In 1988, 54 percent of the uninsured were in families of full-time, full-year workers who reported no unemployment during the year.

About 14 percent of the uninsured in 1988 lived in families in which the principal worker experienced some unemployment but was otherwise a full-year worker. Despite federal legislation⁶ that requires private employers with 20 or more employees to offer contin-

⁵Coverage from a family member not present in the household was allocated to "other private insurance," since the survey did not identify whether the plan was employer-based. Children under age 14 for whom coverage from outside the household was reported were considered to have coverage if (1) the family also reported income from alimony or child support or other regular income from someone outside the household or (2) the family head was insured.

⁶The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) added section 162(k) to the Internal Revenue Code to specify continuation coverage requirements for employer-provided health plans. As amended, COBRA requires employers with 20 or more employees to allow covered employees to elect, within 60 days of a qualifying event, continued coverage for themselves and/or their dependents. Qualified dependents are those who were covered by the plan on the day before the occurrence of the qualifying event. A qualifying event under COBRA includes (1) death of the covered employee; (2) termination or reduction of hours of employment (for any reason other than gross misconduct), including retirement; (3) divorce or legal separation from the covered employee; (4) loss of eligibility for plan benefits (in the case of a dependent child); and (5) bankruptcy of the plan sponsor (in the case of covered retirees). Medicare-eligible workers and retirees are not protected by COBRA, but their dependents who are not eligible for

ued coverage to workers and their dependents in most circumstances that might terminate benefits, 31 percent of people in families of sometime-unemployed workers were uninsured throughout 1988. The high rate of noncoverage among this population suggests that many unemployed workers left jobs that carried no health insurance benefits or were in small firms exempted under current law, or that the worker's cost for continuing the benefit may be higher than the worker is able to pay.

Income and Poverty Status

Nearly two-thirds of the uninsured in 1988 (61 percent) lived in families with total income of less than \$20,000 (table 3). Noncoverage rates in lower-income families ranged from 26 percent to more than 35 percent in the lowest-income families, despite relatively high rates of Medicaid coverage among the very poor. Nearly one-half of the uninsured in 1988 were poor or near poor (with family income less than 125 percent of the federal poverty level); about two-thirds lived in families with income of less than twice the federal poverty level (chart 3).

Although most of the uninsured population are in low-income families, a significant minority of them are in middle-class families. In 1988, nearly one-quarter of the uninsured population (22 percent) were in families with annual incomes of \$30,000 or more; 13 percent were in families with incomes of at least \$40,000. Poverty statistics, which are adjusted for family size, reflect the same phenomenon: 39 percent of the uninsured in 1988 had family incomes that exceeded 200 percent of poverty, and 12 percent had family incomes that exceeded 400 percent of poverty.

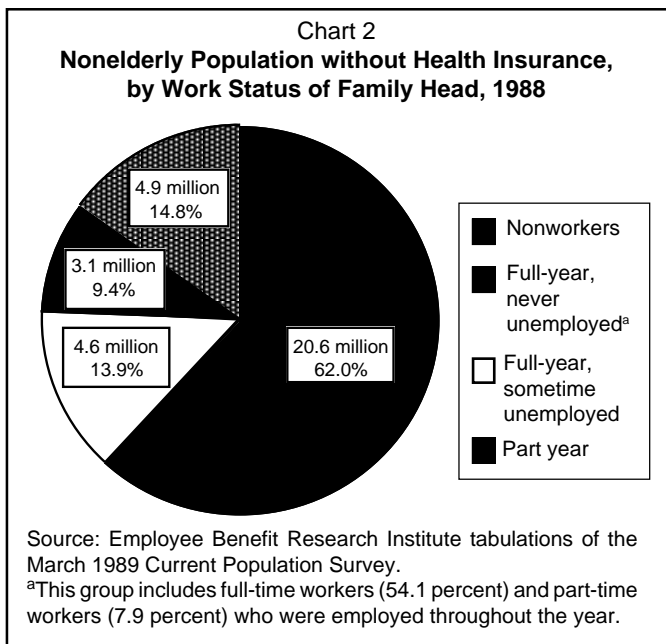
Noncoverage among individuals in middle-class families may simply reflect consumer values or unawareness of risk when health insurance is not an automatic part

Medicare are protected, and entitlement of the covered employee to Medicare is for them a qualifying event. Depending on the nature of the qualifying event, COBRA allows continuation for 18 or 36 months, or until death for retirees in the case of plan sponsor bankruptcy. Employers may charge workers and their dependents who elect continued coverage as much as 102 percent of the average plan cost for their age group.

Table 2
Children under Age 18 with Selected Sources of Health Insurance, by Age, 1988

Age	Total	Private Coverage				Public Coverage		
		Total	Employer Coverage	Other private coverage		Total	Medicaid	No Health Insurance Coverage
				inside household	outside household			
in millions								
Total	62.8	44.6	38.7	3.0	1.7	11.2	9.9	9.2
Infants	3.8	2.4	2.1	0.2	0.1	0.9	0.9	0.6
Age 1-5	18.0	12.4	10.9	1.0	0.4	3.6	3.4	2.5
Age 6-12	24.4	17.5	15.2	1.4	0.9	4.0	3.7	3.6
Age 13-17	16.6	12.3	10.5	0.4	0.3	2.6	2.0	2.5
percentage within age categories								
Total	100.0%	71.1%	61.6%	4.8%	2.7%	17.8%	15.8%	14.7%
Infants	100.0	62.9	54.7	6.2	1.8	24.6	22.8	16.3
Age 1-5	100.0	68.9	60.7	5.6	2.4	20.3	18.9	14.2
Age 6-12	100.0	71.9	62.4	5.6	3.7	16.6	15.0	14.8
Age 13-17	100.0	74.2	63.0	2.4	1.7	15.4	11.9	14.8
percentage within source of coverage categories								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Infants	6.1	5.4	5.4	7.8	4.0	8.4	8.8	6.7
Age 1-5	28.6	27.7	28.2	33.3	25.6	32.5	34.2	27.5
Age 6-12	38.9	39.3	39.4	45.5	53.9	36.2	37.0	39.0
Age 13-17	26.5	27.6	27.1	13.4	16.5	22.9	20.0	26.7

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.



of employee compensation. However, for at least some, noncoverage probably also reflects the high and growing cost of health care and health insurance relative even to middle-class family incomes.

Region and Location

Rates of noncoverage varied widely among states in 1988, from 8.3 percent of the nonelderly population in Michigan to 28.1 percent in New Mexico (table 4). In 11 states,⁷ at least one in five nonelderly residents was uninsured; in two states—Texas and New Mexico—more than one in four nonelderly residents were

⁷These are Alaska (21 percent), Arizona (22 percent), Arkansas (22 percent), California (20 percent), Florida (22 percent), Louisiana (26 percent), Mississippi (22 percent), Nevada (24 percent), New Mexico (28 percent), Oklahoma (24 percent), and Texas (27 percent).

uninsured. High rates of noncoverage in these states generally correspond to relatively low rates of employer coverage, Medicaid coverage, or both.

Noncoverage is more common among people living in rural areas of the United States than among those in urban areas. In 1988, 16.9 percent of the rural population under age 65 was uninsured, compared with 15.4 percent of the nonelderly population in urban areas. The higher rate of noncoverage in rural areas is partly explained by lower rates of employer coverage, lower average income, and greater poverty among rural

residents. However, the rural poor are also less likely than the urban poor to participate in Medicaid. In 1988, nearly 45 percent of the urban population in poverty reported Medicaid coverage, compared with fewer than 39 percent of the poor rural population.

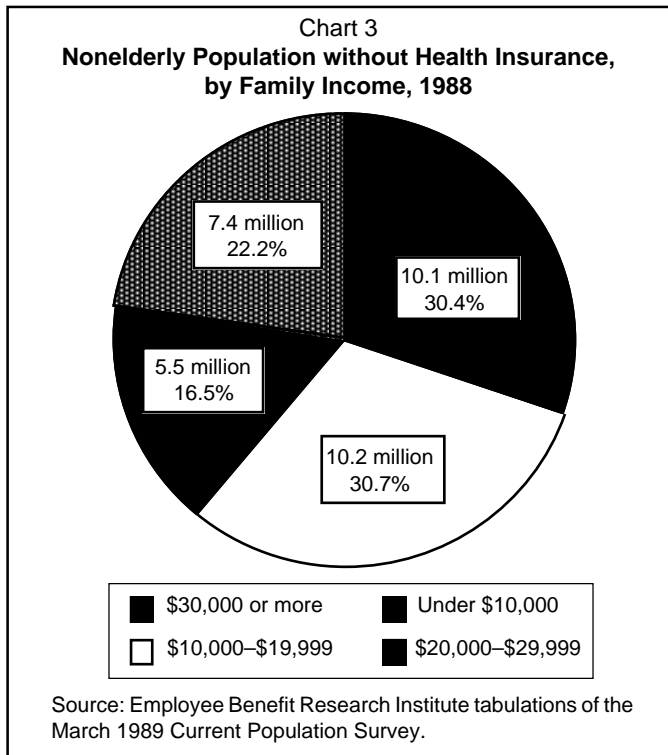
Workers

More than four of every five workers in the United States—82 percent in 1988—have private health coverage. While three-quarters (73 percent) of all workers have coverage from an employer plan, only

Table 3
Nonelderly Population with Selected Sources of Health Insurance, by Family Income, 1988

Family Income	Insured Population, Public and Private								No Health Insurance Coverage
	Total	Total	Total Private	Employer provided			Public Coverage		
				total	direct	indirect	Total	Medicaid	
in millions									
Total	211.8	159.5	139.4	70.6	68.8	20.1	26.2	18.2	33.3
Under \$5,000	13.4	2.5	0.8	0.5	0.3	1.7	6.5	6.2	4.8
\$5,000–\$9,999	15.8	4.5	2.6	1.8	0.8	1.9	6.6	5.8	5.4
\$10,000–\$14,999	17.2	8.8	6.4	3.9	2.4	2.4	3.5	2.5	5.7
\$15,000–\$19,999	17.4	11.8	9.6	5.5	4.1	2.1	1.8	1.1	4.5
\$20,000–\$29,999	35.4	28.5	25.0	12.8	12.2	3.5	2.7	1.3	5.5
\$30,000–\$39,999	32.6	28.9	26.3	12.6	13.7	2.6	1.7	0.5	3.0
\$40,000 or More	79.9	74.6	68.7	33.5	35.2	5.9	3.4	0.7	4.4
percentage within income categories									
Total	100.0%	75.3%	65.8%	33.4%	32.5%	9.5%	12.4%	8.6%	15.7%
Under \$5,000	100.0	18.9	6.0	3.7	2.4	12.9	48.7	46.0	35.4
\$5,000–\$9,999	100.0	28.3	16.5	11.4	5.2	11.7	41.4	36.8	33.9
\$10,000–\$14,999	100.0	50.9	37.1	22.9	14.2	13.8	20.2	14.7	33.3
\$15,000–\$19,999	100.0	67.7	55.3	31.7	23.6	12.3	10.6	6.3	25.8
\$20,000–\$29,999	100.0	80.5	70.6	36.1	34.5	9.9	7.6	3.7	15.6
\$30,000–\$39,999	100.0	88.5	80.6	38.6	41.9	7.9	5.3	1.6	9.3
\$40,000 or More	100.0	93.4	86.0	41.9	44.1	7.4	4.3	0.9	5.5
percentage within source of coverage categories									
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Under \$5,000	6.3	1.6	0.6	0.7	0.5	8.6	24.9	33.9	14.3
\$5,000–\$9,999	7.5	2.8	1.9	2.5	1.2	9.2	25.0	32.1	16.1
\$10,000–\$14,999	8.1	5.5	4.6	5.6	3.5	11.8	13.2	13.9	17.2
\$15,000–\$19,999	8.2	7.4	6.9	7.8	6.0	10.7	7.0	6.0	13.5
\$20,000–\$29,999	16.7	17.9	17.9	18.1	17.8	17.4	10.2	7.2	16.6
\$30,000–\$39,999	15.4	18.1	18.8	17.8	19.9	12.9	6.6	2.8	9.2
\$40,000 or More	37.7	46.8	49.3	47.5	51.2	29.3	12.9	4.0	13.1

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.



about one-half (56 percent) have coverage as a benefit from their own employer.

Workers with coverage from their own employer are more likely to be men and to be over age 25. In 1988, nearly 63 percent of working men and 63 percent of workers aged 25 or over reported direct employer coverage, compared with 49 percent of working women and 43 percent of workers aged 18–24.

However, because working women are much more likely than working men to have coverage as dependents of other workers, rates of noncoverage among working women are actually slightly lower than those among working men.⁸ In 1988, 13 percent of all

⁸Working women also report greater access to coverage from Medicaid, presumably as a result of federal requirements that states cover pregnant women in poverty and state income assistance programs that favor families with children headed by women. However, most workers who report Medicaid coverage probably do not qualify for benefits during the time that they are employed; among full-time, full-year workers in 1988, fewer than 1 percent reported Medicaid coverage at any time during the year.

working women (compared with 17 percent of working men) and 10 percent of women who worked full-time all year (compared with 12 percent among men) reported having no health insurance from any source.

One-half (50 percent) of all uninsured workers in 1988 worked full-time throughout the year⁹ and reported no unemployment (chart 4). A substantial minority (21 percent) of uninsured workers sought to work the full year (either full-time or part-time) but reported some unemployment during the year.

Most uninsured workers earn low wages, commonly less than the federal minimum wage. In 1988, 89 percent of uninsured workers earned less than \$20,000; nearly two-thirds (63 percent) earned less than \$10,000 (chart 5). Approximately one-third of uninsured workers (29 percent) earned less than the 1988 federal minimum wage during the time that they worked; the median uninsured worker (54 percent) earned less than 150 percent of the federal minimum wage.



One-half (50 percent) of all uninsured workers in 1988 worked full-time throughout the year.



Most uninsured workers (80 percent in 1988) are either self-employed (13 percent in 1988) or employed in one of four major industry groups: services (especially business, personal, and entertainment services); retail trade; manufacturing; or construction. Wage and salary workers in these four industry groups accounted for two-thirds (67 percent) of all uninsured workers in 1988.

More than 19 percent of self-employed workers were uninsured in 1988, as were 42 percent of agricultural workers, 29 percent of construction workers, and 23 percent of retail trade workers. Among workers em-

⁹Full-time, full-year workers are defined as people aged 18 or over who worked (or sought work) 35 hours or more in a typical week and at least 35 weeks during the year.

Table 4
Nonelderly Population with Selected Sources of Health Insurance, by Region and State, 1988

Region and State	Total (millions)	Total Private	Employer Coverage	Other Private	Total Public	Medicaid	No Health Insurance Coverage
percentage within state categories							
Total	211.8	75.3%	65.8%	9.5%	12.4%	8.6%	15.7%
New England	11.3	83.3	74.0	9.3	9.7	6.7	10.2
Maine	1.0	77.8	67.9	9.9	14.8	10.9	11.3
New Hampshire	1.0	84.2	76.0	a	a	a	12.8
Vermont	0.5	81.8	69.8	a	a	a	a
Massachusetts	5.1	82.4	73.0	9.4	10.8	8.1	9.7
Rhode Island	0.9	85.6	75.0	10.6	12.4	a	a
Connecticut	2.8	86.2	77.9	8.3	6.1	3.6	10.3
Middle Atlantic	32.2	79.3	71.1	8.2	12.3	10.0	11.1
New York	15.3	74.9	67.0	8.0	15.6	13.4	12.5
New Jersey	6.6	84.1	75.5	8.7	7.6	5.5	10.5
Pennsylvania	10.3	82.6	74.3	8.4	10.5	7.8	9.5
East North Central	36.9	80.7	71.7	9.0	12.0	8.9	10.4
Ohio	9.7	80.4	72.5	8.0	13.0	9.5	10.1
Indiana	4.8	81.0	71.8	9.3	6.8	4.1	12.7
Illinois	10.0	78.9	70.1	8.8	12.1	9.3	11.8
Michigan	8.2	80.7	71.2	9.4	16.1	12.3	8.3
Wisconsin	4.1	85.4	75.0	10.4	7.4	5.3	9.7
West North Central	15.3	81.9	66.7	15.1	9.7	7.0	11.5
Minnesota	3.9	81.7	65.8	15.9	10.8	9.1	10.4
Iowa	2.4	86.2	67.5	18.7	6.7	5.0	9.0
Missouri	4.5	78.4	67.1	11.3	11.2	8.3	13.3
North Dakota	0.6	85.3	60.8	24.5	a	a	a
South Dakota	0.6	77.7	56.6	21.1	a	a	16.0
Nebraska	1.3	81.2	63.9	17.3	10.0	6.7	12.6
Kansas	2.0	85.4	73.1	12.3	7.3	a	10.9
South Atlantic	35.8	75.0	65.6	9.4	12.3	7.0	17.0
Delaware	0.6	80.8	73.8	a	a	a	a
Maryland	4.0	81.3	74.5	6.8	11.3	7.3	10.6
District of Columbia	0.5	69.5	60.8	a	a	a	19.5
Virginia	5.0	78.7	69.2	9.5	12.3	6.2	14.0
West Virginia	1.6	72.8	65.3	7.5	15.9	11.8	15.9
North Carolina	5.5	78.1	68.6	9.5	11.2	5.3	14.8
South Carolina	2.9	76.3	69.6	6.7	12.4	7.9	15.3
Georgia	5.5	73.0	63.3	9.7	13.3	8.6	18.6
Florida	10.2	70.1	58.8	11.3	12.1	6.1	22.2
East South Central	13.1	70.0	60.8	9.3	15.6	10.7	18.4
Kentucky	3.1	70.9	63.1	7.8	14.0	8.7	18.1
Tennessee	4.3	72.6	61.7	10.9	17.0	11.8	15.4
Alabama	3.5	69.9	62.2	7.7	13.8	9.5	19.7
Mississippi	2.2	64.2	53.4	10.8	18.0	13.1	22.4
West South Central	23.6	64.8%	55.7%	9.1%	12.5%	7.8%	25.9%
Arkansas	2.1	65.9	56.4	9.5	15.1	10.2	22.3
Louisiana	3.8	59.0	50.0	9.0	18.8	13.3	25.7
Oklahoma	2.7	66.8	56.3	10.5	13.3	7.0	23.6
Texas	14.9	65.7	57.0	8.7	10.4	6.2	26.9

(continued)

Table 4
(continued)

Region and State	Total (millions)	Total Private	Employer Coverage	Other Private	Total Public	Medicaid	No Health Insurance Coverage
percentage within state categories							
Mountain	11.4%	73.6%	63.2%	10.4%	10.4%	6.4%	19.2%
Montana	0.7	73.4	56.0	17.4	13.8	a	17.4
Idaho	0.9	76.0	61.1	15.0	9.2	a	17.4
Wyoming	0.4	78.7	66.9	a	a	a	a
Colorado	2.7	76.8	66.5	10.2	11.1	7.1	15.5
New Mexico	1.3	58.6	48.3	10.3	16.2	11.2	28.1
Arizona	3.0	72.0	63.6	8.5	9.2	4.9	21.6
Utah	1.5	81.7	71.8	10.0	7.8	5.7	13.3
Nevada	1.0	72.5	64.9	a	a	a	23.9
Pacific	32.2	70.1	61.2	9.0	14.5	10.5	19.0
Washington	4.1	79.2	68.7	10.5	12.0	6.9	12.2
Oregon	2.4	76.9	69.0	7.9	10.1	6.7	16.9
California	24.4	67.7	58.9	8.8	15.3	11.5	20.5
Alaska	0.4	64.3	56.0	8.3	21.0	15.9	20.9
Hawaii	0.8	79.0	69.6	9.4	11.6	5.8	13.0

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

^a Numbers are too small to be statistically significant.

ployed in services other than professional services, 26 percent were uninsured.

While a substantial minority of uninsured workers in 1988 (13 percent) were employed in manufacturing, the number of uninsured manufacturing workers reflects the size of aggregate employment in manufacturing rather than unusually high rates of noncoverage. In 1988, manufacturing firms employed nearly 18 percent of the total work force. The rate of employer coverage in manufacturing firms was relatively high (88 percent in total and 77 percent with direct coverage), and the rate of noncoverage among manufacturing workers was relatively low (11 percent).

Nearly one-half of uninsured workers (49 percent in 1988) were employed or self-employed in firms with fewer than 25 workers (table 5). Two-thirds (65 percent) were employed in firms with fewer than 100 workers.¹⁰

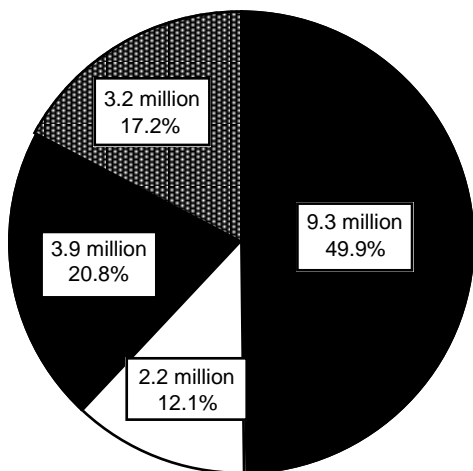
¹⁰Among the total uninsured population under age 65 in 1988, 39 percent lived in families in which the primary worker was employed in a firm with fewer than 25 workers; 53 percent lived in families in which the primary worker was employed in a firm with fewer than 100 workers.

The rate of direct employer coverage among workers employed in small firms is much lower than that reported among workers in larger firms. In 1988, 29 percent of workers in small firms reported coverage from their own employer, compared with 56 percent of workers in firms with 25–99 workers and 72 percent of workers in firms with 1,000 or more workers. Although small-firm workers report a somewhat higher rate of indirect coverage (25 percent in firms with fewer than 25 workers, compared with less than 16 percent in larger firms), indirect coverage nevertheless fails to offset the low rate of direct coverage among these workers.

Various surveys of small employers indicate that the cost of small-group coverage—both the absolute cost and the cost relative to measures of a firm’s willingness or ability to afford coverage—is the major impediment to offering health insurance as an employee benefit.¹¹ The second common reason that small employers state for not offering coverage—that their workers are

¹¹See, for example, the Alpha Center, “Meeting the Needs of Small Groups: Market Research and New Products” (Washington, DC: Alpha Center, forthcoming).

Chart 4
Workers Aged 18–64 without Health Insurance,
by Own Work Status, 1988



Part-year workers
 Full-year, full-time workers^a
 Full-year, part-time workers
 Other full-year workers^b

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

^aWorkers were never unemployed during the year.

^bIncludes workers who were unemployed part of the year.

insured through another family member—is not substantially supported by national survey data.

Children

In 1988, 15 percent of children under age 18—more than 9 million children—were reported to be uninsured (table 6). Two-thirds of uninsured children (66 percent) were over age 6, and 37 percent lived in families with income below the federal poverty level.

Federal legislation requiring states to provide Medicaid coverage to poor children under age 6 and pregnant women in poverty, and authorizing states to cover all children in poverty, have produced relatively high rates of Medicaid coverage among poor children. In 1988, Medicaid covered 57 percent of poor children and two-thirds of poor infants. Nevertheless, high rates of noncoverage persist among older children in poverty and among children in near-poor families. In 1988,

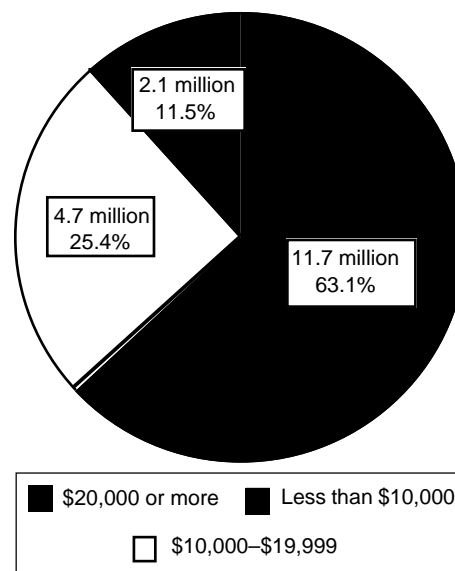
one-third of poor teenagers and 30 percent of all children in near-poor families were uninsured.

Rates of noncoverage among children in families of the working poor remain very high. Among children in poverty living in families of full-time, full-year, steadily employed workers, nearly one-half (45 percent) were uninsured in 1988 (table 7). While these children represent a minority of all uninsured children—13 percent in 1988—no other categorization of children by poverty status and work status of the family head exhibits such a high rate of noncoverage. Children in other circumstances—where the family head shows less labor force attachment or family income is higher—are somewhat more likely to have either Medicaid or employer coverage and, therefore, are less likely to be uninsured.

Proposals to Expand Coverage

Pending the final recommendations of the U.S. Bipartisan Commission on Comprehensive Health Care

Chart 5
Workers Aged 18–64 without Health Insurance,
by Personal Earnings, 1988



Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

Table 5
Workers with Coverage from Selected Sources of Health Insurance by Firm Size, 1988

Firm Size	Insured Population Public and Private						No Health Insurance Coverage
	Total	Total	Total private	Employer-provided			
				total	direct	indirect	
	number in millions						
Total	121.6	103.0	99.6	88.7	68.2	20.5	18.5
Firm Size							
Less than 25	35.8	26.7	25.4	19.8	10.5	8.8	9.1
25-99	16.1	13.3	12.8	11.5	8.9	2.6	2.9
100-499	17.2	15.1	14.6	13.8	11.3	2.5	2.1
500-999	6.6	5.9	5.8	5.4	4.6	0.9	0.7
1,000+	45.8	42.1	41.0	38.7	32.9	5.9	3.7
	percentage within firm size categories						
Total	100.0%	84.7%	81.9%	73.0%	56.1%	16.9%	15.3%
Firm Size							
Less than 25	100.0%	74.5%	70.9%	53.9%	29.4%	24.5%	25.5%
25-99	100.0	82.2	79.3	71.3	55.5	15.8	17.8
100-499	100.0	87.9	85.1	80.0	65.5	14.5	12.1
500-999	100.0	88.8	87.0	82.4	69.3	13.2	11.2
1,000+	100.0	91.9	89.5	84.5	71.7	12.8	8.1
	percentage within source of coverage categories						
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Firm Size							
Less than 25	29.5	25.9	25.5	21.7	15.4	42.7	49.3
25-99	13.3	12.9	12.8	13.0	13.1	12.4	15.5
100-499	14.1	14.7	14.7	15.5	16.5	12.1	11.2
500-999	5.4	5.7	5.8	6.1	6.7	4.2	4.0
1,000+	37.7	40.9	41.2	43.7	48.2	28.6	20.0

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

(Pepper Commission), relatively few bills have been introduced in this session of Congress to expand access



The Kennedy-Waxman bill would require all employers to provide a minimum level of health insurance benefits to employees (and their dependents) who work at least 17.5 hours per week.



to health care. One bill, the Basic Health Benefits for All Americans Act (S. 768) introduced by Sen. Edward Kennedy (D-MA), would comprehensively reform health care financing for the working population by requiring employers to provide health insurance benefits or pay a tax to support publicly organized and subsidized regional insurance plans for people without employer coverage and ineligible for either Medicaid or Medicare. This bill is a revision of legislation that Sen. Kennedy first introduced in the 100th Congress. Its companion bill, H.R. 1845, was introduced by Rep. Henry Waxman (D-CA).

The Kennedy-Waxman bill, would require all employers to provide a minimum level of health insurance

Table 6
**Children under Age 18 with Selected Sources of Health Insurance,
 by Age and Family Income as a Percentage of Poverty, 1988**

Age and Poverty Level	Total	Total Private	Employer Coverage	Other Private	Public Coverage		No Health Insurance Coverage
					Total	Medicaid	
				in millions			
All Children	62.8	44.6	38.7	6.0	11.2	9.9	9.2
Infants	3.8	2.4	2.1	0.3	0.9	0.9	0.6
Age 1-5	18.0	12.4	10.9	1.5	3.6	3.4	2.5
Age 6-12	24.4	17.5	15.2	2.3	4.0	3.7	3.6
Age 13-17	16.6	12.3	10.5	1.9	2.6	2.0	2.5
0-99% of Poverty	12.5	2.3	1.3	1.1	7.2	7.1	3.4
Infants	0.9	0.1	a	a	0.6	0.6	0.2
Age 1-5	4.0	0.8	0.5	0.3	2.5	2.5	0.9
Age 6-12	4.8	0.9	0.4	0.4	2.7	2.7	1.4
Age 13-17	2.7	0.6	0.3	0.3	1.3	1.3	0.9
100-124% of Poverty	3.3	1.7	1.2	0.4	0.9	0.8	1.0
Infants	0.2	0.1	a	a	a	a	a
Age 1-5	1.0	0.5	0.4	0.1	0.2	0.2	0.3
Age 6-12	1.3	0.7	0.5	0.2	0.3	0.3	0.4
Age 13-17	0.8	0.4	0.3	0.1	0.2	0.2	0.3
125-199% of Poverty	10.0	6.9	5.7	1.2	1.3	1.1	2.3
Infants	0.6	0.4	0.3	a	0.1	0.1	0.1
Age 1-5	3.1	2.1	1.8	0.3	0.5	0.4	0.7
Age 6-12	3.9	2.8	2.3	0.5	0.4	0.4	0.8
Age 13-17	2.4	1.6	1.2	0.4	0.3	0.2	0.6
200+% of Poverty	37.0	33.7	30.5	3.2	1.8	0.9	2.5
Infants	2.1	1.8	1.6	0.2	0.1	0.1	0.2
Age 1-5	9.8	9.0	8.2	0.8	0.4	0.3	0.6
Age 6-12	14.3	13.2	12.0	1.2	0.5	0.3	1.0
Age 13-17	10.7	9.8	8.7	1.0	0.7	0.3	0.7
				percentage within age categories			
All Children	100.0%	71.1%	61.6%	9.5%	17.8%	15.8%	14.7%
Infants	100.0	62.9	54.7	8.2	24.6	22.8	16.3
Age 1-5	100.0	68.9	60.7	8.1	20.3	18.9	14.2
Age 6-12	100.0	71.9	62.4	9.5	16.6	15.0	14.8
Age 13-17	100.0	74.2	63.0	11.2	15.4	11.9	14.8
0-99% of Poverty	100.0	18.7	10.0	8.7	57.7	56.9	27.5
Infants	100.0	12.6	a	a	68.0	67.1	23.3
Age 1-5	100.0	18.7	11.5	7.2	62.4	62.0	22.9
Age 6-12	100.0	18.0	9.3	8.7	57.0	56.1	29.0
Age 13-17	100.0	22.1	9.6	12.5	48.4	47.2	32.9
100-124% of Poverty	100.0	50.2	36.9	13.3	25.8	23.9	30.0
Infants	100.0	49.0	a	a	a	a	a
Age 1-5	100.0	51.1	40.9	10.2	24.7	23.2	30.0
Age 6-12	100.0	51.3	35.8	15.5	24.0	22.3	30.2
Age 13-17	100.0	47.8	32.8	15.0	29.1	26.1	30.4
125-199% of Poverty	100.0	68.8	56.8	12.0	13.2	11.0	22.5
Infants	100.0	64.6	55.7	a	19.0	16.6	22.0
Age 1-5	100.0	67.9	58.4	9.4	15.2	13.5	22.0
Age 6-12	100.0	71.6	59.1	12.6	11.4	9.7	21.2
Age 13-17	100.0	66.5	51.4	15.1	12.2	8.6	25.7

(continued)

Table 6 (continued)

Age and Poverty Level	Total	Total Private	Employer Coverage	Other Private	Public Coverage		No Health Insurance Coverage
					Total	Medicaid	
200+% of Poverty	100.0%	91.3%	82.6%	8.8%	4.8%	2.4%	6.9%
Infants	100.0	86.0	76.2	9.8	6.2	4.3	10.7
Age 1–5	100.0	91.5	83.6	7.9	4.2	2.5	6.5
Age 6–12	100.0	92.0	83.6	8.5	3.7	2.0	6.8
Age 13–17	100.0	91.3	81.5	9.7	6.6	2.6	6.6

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.
^aNumbers are too small to be statistically significant.

benefits to employees (and their dependents) who work at least 17.5 hours per week. It would require employers to pay 100 percent of the premium for workers (and their dependents) who earn less than 125 percent of the minimum wage and 80 percent of the premium for workers (and their dependents) who earn more. The bill would limit plan deductibles to \$250 for individual coverage and \$500 for family coverage. It would include a 20 percent copayment on all covered services, and limit beneficiaries' out-of-pocket costs to \$3,000 per family.

The bill would preempt all state-mandated insurance benefits and establish a federal minimum-benefit standard. Minimum benefits would include coverage for inpatient and outpatient hospital care, inpatient and outpatient physician services, diagnostic and screening tests, prenatal and well-baby care for children aged 1 year or younger, and limited inpatient and outpatient mental health care. Employers could comply with the bill by providing at least actuarially equivalent coverage but would still be required to provide the bill's minimum benefit for prenatal and well-baby care and for mental health care. The bill would require actuarially equivalent plans also to include some coverage for inpatient and outpatient hospital and physician care. Employer plans would be prohibited from excluding or limiting coverage for preexisting conditions. Those who do not offer qualified coverage would pay a maximum payroll tax of 10 percent.

Small employers would be required to provide coverage. However, employers with 10 or fewer employees and in business for less than 5 years could provide a reduced

benefit to employees and their dependents. The bill would authorize a federal subsidy to employers whose costs for meeting the bill's minimum coverage provisions exceeded 5 percent of gross revenue, calculated as 75 percent of the difference between the plan's actual (actuarially adjusted) cost and 5 percent of the employer's gross revenue.

Finally, the Kennedy-Waxman bill would require the Secretary of Health and Human Services to establish six to eight regional insurance plans, each underwritten by multiple private insurers and community-rated. Employers with 25 or fewer employees could participate in the regional plan, as would larger employers who failed to comply with the bill's mandatory coverage provisions by the bill's effective date. In addition, small employers who change insurers or change from a self-insured to an insured plan would be required to enter a regional plan.

S. 768 has been reported out of the Senate Labor and Human Resources Committee but has not yet been referred to other committees that would have oversight on the bill. H.R. 1845 has been referred to the House Energy and Commerce Committee and the House Education and Labor Committee.

The preliminary recommendations of the Pepper Commission include provisions similar to those in the Kennedy-Waxman bill but with some differences. The Pepper Commission recommendations also include a "play or pay" provision, requiring large employers (with 100 or more employees) to cover all workers and their dependents. Employers would pay 80 percent of premiums for full-time workers (17.5 hours per week or more),

and proportionately less of premiums for part-time workers.

Employers who did not provide a qualified insurance plan would be required to pay a tax on payroll as a premium payment to a publicly sponsored health insurance plan. The amount of the payroll tax would be

set at a level approximately equal to the cost of health insurance as a percentage of payroll among firms that offer a qualified health plan.

Like the Kennedy-Waxman bill, the Pepper Commission also recommends federal preemption of state-mandated health insurance benefits and the establish-

Table 7
Children with Selected Sources of Health Insurance, by Work Status of Family Head and Family Income as a Percentage of Poverty Level, 1988

Work Status of Family Head	Total	Total Private	Employer Coverage	Other Private	Total Public	Medicaid	No Health Insurance Coverage
in millions							
Total	62.8	44.6	38.7	6.0	11.2	9.9	9.2
Full-Year Never Unemployed	47.6	40.1	35.7	4.3	3.3	2.3	5.8
Full-time	45.0	38.5	34.8	3.7	2.7	1.8	5.2
Part-time	2.6	1.5	0.9	0.6	0.6	0.5	0.6
Other Workers	8.3	3.8	2.8	1.0	2.8	2.6	2.2
Nonworker	6.9	0.8	0.2	0.6	5.1	5.0	1.3
0-99 of Poverty							
Total	12.5	2.3	1.3	1.1	7.2	7.1	3.4
Full-Year Never Unemployed	3.4	1.2	0.8	0.4	0.8	0.8	1.5
Full-time	2.7	1.0	0.7	0.3	0.5	0.5	1.2
Part-time	0.7	0.2	a	0.1	0.3	0.3	0.2
Other Workers	3.5	0.7	0.4	0.3	1.9	1.9	1.1
Nonworker	5.6	0.4	a	0.4	4.5	4.4	0.8
100-199 of Poverty							
Total	13.3	8.6	6.9	1.6	2.2	1.9	3.3
Full-Year Never Unemployed	10.1	7.2	6.0	1.2	1.1	0.9	2.3
Full-time	9.3	6.8	5.8	1.0	0.9	0.7	2.0
Part-time	0.8	0.4	0.2	0.2	0.2	0.2	0.3
Other Workers	2.3	1.1	0.8	0.3	0.6	0.6	0.7
Nonworker	0.9	0.2	a	0.2	0.5	0.4	0.3
200+ of Poverty							
Total	37.0	33.7	30.5	3.2	1.8	0.9	2.5
Full-Year Never Unemployed	34.0	31.6	28.9	2.7	1.3	0.6	2.0
Full-time	33.0	30.7	28.3	2.5	1.3	0.6	1.9
Part-time	1.1	0.9	0.6	0.2	0.1	0.0	0.1
Other Workers	2.5	1.9	1.5	0.4	0.3	0.2	0.4
Nonworker	0.4	0.2	a	0.1	0.2	0.1	0.1
percentage within work status categories							
0-99 of Poverty							
Total	100.0	18.7	10.0	8.7	57.7	56.9	27.5
Full-Year Never Unemployed	100.0	35.8	23.9	11.9	24.7	23.4	43.0
Full-time	100.0	38.4	27.2	11.1	19.6	18.7	45.4
Part-time	100.0	25.9	a	15.0	44.1	41.7	33.9
Other Workers	100.0	20.1	11.0	9.1	53.7	53.1	31.7
Nonworker	100.0	7.2	a	6.4	80.6	80.0	15.3

(continued)

Table 7 (continued)

Work Status of Family Head	Total	Total Private	Employer Coverage	Other Private	Total Public	Medicaid	No Health Insurance Coverage
percentage within work status categories							
100--99 of Poverty							
Total	100.0%	64.2%	51.9%	12.3%	16.4%	14.2%	24.4%
Full-Year Never Unemployed	100.0	71.2	59.5	11.6	10.7	8.7	22.5
Full-time	100.0	73.0	62.7	10.3	9.6	7.6	21.7
Part-time	100.0	51.4	25.4	25.9	22.5	20.0	31.9
Other Workers	100.0	50.0	36.3	13.7	26.8	24.9	30.5
Nonworker	100.0	23.3	a	16.4	52.4	48.2	29.9
200+ of Poverty							
Total	100.0	91.3	82.6	8.8	4.8	2.4	6.9
Full-Year Never Unemployed	100.0	92.9	84.9	8.0	3.9	1.7	6.0
Full-time	100.0	93.2	85.6	7.5	3.9	1.7	5.8
Part-time	100.0	84.8	61.1	23.7	5.0	2.4	13.1
Other Workers	100.0	77.9	62.8	15.0	11.5	7.6	14.9
Nonworker	100.0	44.1	a	28.6	35.8	26.6	29.5
percentage within source of coverage categories							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Full-Year Never Unemployed	75.8	89.7	92.4	72.5	29.2	22.9	62.8
Full-time	71.6	86.4	90.0	62.8	24.2	18.0	55.8
Part-time	4.2	3.4	2.4	9.6	5.0	4.9	7.0
Other Workers	13.2	8.4	7.1	16.8	25.0	26.5	23.6
Nonworker	11.0	1.8	0.5	10.7	45.8	50.6	13.6
0--99 of Poverty							
Total	19.9	5.2	3.2	18.3	64.6	71.9	37.3
Full-Year Never Unemployed	5.5	2.8	2.1	6.9	7.6	8.1	16.0
Full-time	4.3	2.3	1.9	5.1	4.8	5.1	13.4
Part-time	1.1	0.4	a	1.8	2.8	3.0	2.6
Other Workers	5.6	1.6	1.0	5.4	17.0	18.9	12.1
Nonworker	8.8	0.9	a	6.0	40.0	44.8	9.2
percentage within source of coverage categories							
100--199 of Poverty							
Total	21.2	19.2	17.9	27.5	19.5	19.1	35.2
Full-Year Never Unemployed	16.1	16.1	15.6	19.7	9.7	8.8	24.7
Full-time	14.7	15.1	15.0	16.0	7.9	7.1	21.7
Part-time	1.4	1.0	0.6	3.7	1.7	1.7	2.9
Other Workers	3.6	2.6	2.1	5.2	5.5	5.7	7.5
Nonworker	1.5	0.5	a	2.6	4.4	4.5	3.0
200+ of Poverty							
Total	58.9	75.6	78.9	54.2	16.0	9.0	27.5
Full-Year Never Unemployed	54.2	70.9	74.7	45.9	12.0	5.9	22.2
Full-time	52.6	68.9	73.1	41.7	11.5	5.7	20.7
Part-time	1.7	2.0	1.7	4.2	0.5	0.3	1.5
Other Workers	3.9	4.3	4.0	6.2	2.5	1.9	4.0
Nonworker	0.7	0.4	a	2.1	1.4	1.2	1.4

Source: Employee Benefit Research Institute tabulations of the March 1989 Current Population Survey.

^aNumbers are too small to be statistically significant.

ment of a federal minimum-benefit standard for all employer-sponsored health plans. The minimum benefit recommended by the Pepper Commission is similar to that proposed by Kennedy-Waxman. However, the Commission recommends that specific services within broad service categories (for example, preventive care) be covered only if they meet some standard of cost-effectiveness. The Pepper Commission also recommends that prescription drugs eventually be considered as a covered expense, subject to evidence of cost-effectiveness.

The public health insurance plan recommended by the Pepper Commission would be a centralized plan similar to Medicare (unlike Kennedy-Waxman's regional plans), financed and administered by the federal government. It would be first-payer for covered services provided to Medicaid beneficiaries. Revenues to support federal financing would come from employer and individual premium payments, federal general revenues, and current (inflation-adjusted) state Medicaid spending for services covered by the new federal plan.



Recent bills would expand Medicaid coverage and benefits and establish personal income tax credits to encourage low-income families and individuals to buy private health insurance.



Like Kennedy-Waxman, the Pepper Commission also recommends special assistance for small businesses (with fewer than 25 workers and average payroll below \$18,000) in the form of a temporary tax credit or subsidy equal to 40 percent of the cost of health insurance. After six years, the tax credit would expire and firms with 10 or fewer employees at "extreme financial risk" would qualify for subsidized participation in the public insurance plan. Firms with 100 or fewer workers would not be required to offer coverage until the fifth year of the plan, and then only if coverage targets were

not met—that is, if fewer than 80 percent of workers in such firms were insured.

More recent bills would target uninsured children and low-income families and individuals. They would, respectively, expand Medicaid coverage and benefits and establish personal income tax credits to encourage low-income families and individuals to buy private health insurance.

The Medicaid Child Health Act of 1990 (S. 2459), introduced by Sen. Lloyd Bentsen (D-TX) in April 1990, would require states to extend Medicaid coverage to all children under age 19 with family incomes of less than 100 percent of the federal poverty level. Under current law, states are required to provide Medicaid coverage to children under age 6 with family income less than the federal poverty level. S. 2459 would phase in coverage of older children one year at a time, starting with children aged 6 and 7 in January 1991. Under the provisions of this bill, all children under age 19 with family incomes below the federal poverty level would be covered by the year 2002.

S. 2459 would also require that:

- state Medicaid payments to hospitals for the care of children under age 19 (1) provide an outlier adjustment, if the state sets Medicaid payments prospectively; (2) not be limited in duration (some states limit the number of hospital days for which the program will pay); and (3) not be limited in amount for infants under age 1; and
- state Medicaid programs modify their asset test for pregnant women to broaden eligibility and provide continuous eligibility for (1) pregnant women who once qualify for benefits and (2) children under age 6 for periods of six months, regardless of any change in family income or resources.

Finally, S. 2459 would authorize states to provide several optional coverages, including coverage of:

- children under age 19 with family income below 185 percent of the federal poverty level;
- foster children in foster homes, group homes, or private institutions;

- home and community-based services for children with AIDS and for ventilator-dependent children;
- home visitor services for infants younger than 6 months; and
- outreach services for pregnant women and infants.

S. 2459 is distinguished by the seniority and bipartisanship of its sponsor and cosponsors. The bill's sponsor, Sen. Bentsen, chairs the Senate Committee on Finance, which has oversight on the bill. Cosponsors are Sens. John Chafee (R-RI), Donald Riegle (D-MI), Daniel Patrick Moynihan (D-NY), Dave Durenberger (R-MN), Jay Rockefeller (D-WV), Bill Bradley (D-NJ), David Pryor (D-AR), and Thomas Daschle (D-SD), and Majority Leader George Mitchell (D-ME).

S. 2032, introduced by Sen. William Cohen (R-ME) in January 1990, would provide a personal income tax credit for health insurance expenses for families and individuals with incomes approximately below the national median. For couples filing jointly with combined adjusted gross income (AGI) of \$28,000, the bill would authorize a personal income tax credit equal to 60 percent of health insurance expenses under \$2,400. The percentage of qualified health insurance expenses would be reduced for couples with joint incomes above \$28,000 and would phase out altogether for couples whose joint income exceeds \$33,000. Individuals with AGIs of \$18,000 or more would receive a 60 percent credit against health insurance expenses of \$1,200, with the credit phased to zero for individuals whose AGI exceeds \$23,000.

Under S. 2032, taxpayers who have coverage from an employer plan or from a public health care financing program (including Medicare) would not qualify for the credit. However, employers with workers who qualify for the credit would be required to make advance payment of the new credit, similar to employers' advance payment of the earned income credit under current law. No available research indicates whether such a credit would be effective in achieving higher rates of health insurance coverage among low-income families and individuals.

A third bill, the Comprehensive American Health Care Act (S.2535) introduced by Sen. Mitch

McConnell (R-KY), includes personal income tax credit provisions identical to those in S. 2032. However, among its omnibus provisions, S. 2535 would limit employers' obligation to pay health insurance credits in advance, requiring them to make advance payments of the credit only to workers with gross family incomes of less than 150 percent of the federal poverty level.¹²

Each of these bills has been referred to the Senate Committee on Finance. These tax credit proposals are broader versions of a proposal introduced by Senator Lloyd Bentsen (D-TX) in June 1989 authorizing an income tax credit for children's health insurance. That bill, the Child Care and Health Insurance Act of 1989 (S. 1185), would allow a 50 percent income tax credit for health insurance expenses of \$1,000 or less, for children under age 19 in families with incomes less than \$21,000.

Key provisions of S. 1185, including the health insurance tax credit, were incorporated into the Act for Better Child Care (the ABC bill, S. 5), per an amendment offered by Sen. George Mitchell (D-ME). The ABC bill was passed by the Senate, and a separate version (which does not include the health insurance credit) was passed by the House. The bill is currently in conference; however, action has been postponed pending the conclusion of federal budget negotiations.

◆ Conclusion

Recent national survey data indicate that 33.3 million Americans under age 65 had no private health insurance in 1988 and did not qualify for public programs that finance health care. These people total 15 percent of the U.S. nonelderly population under age 65.

¹²Among other provisions, S. 2535 would also (1) eliminate differential Medicare payments to large urban, other urban, and rural hospitals; (2) authorize a federal scholarship and loan repayment program for selected health services professionals; (3) reauthorize the federal vaccine and immunization program; (4) establish uniform, federal rules for medical malpractice law; (5) clarify the federal tax status of long-term care insurance premiums and benefits and establish a separate tax credit for the purchase of long-term care insurance; (6) extend Medicare Part B coverage to include screening mammography as well as in-home respite care for chronically dependent beneficiaries; and (7) provide for federal certification of health insurance plans marketed to the elderly.

The lower estimate of uninsured Americans in 1988, compared with estimates in earlier years, reflects changes in the Current Population Survey's questioning about health insurance, especially with respect to children. The new data provide no evidence that actual noncoverage among Americans has changed significantly from its peak rate reported in 1986.

Despite extensive coverage from employer plans among the nonelderly population, 85 percent of the uninsured are workers and their families. More than one-half of uninsured Americans live in families of full-time, full-year, steadily employed workers.

The percentage of the nonelderly population that is uninsured varies markedly among the states. In 11 states, the rate of noncoverage exceeds 20 percent; in two states—Texas and New Mexico—more than one in four residents are uninsured.

About one-half of American workers (56 percent) are covered by an employer plan on their own jobs. Another 17 percent do not have coverage from their own employers but are covered by an employer plan as the dependent of another worker.

Workers without coverage from an employer plan—either from their own jobs or as dependents of other workers—are commonly employed in low-wage jobs and small firms and are either self-employed or employed in one of a few industry groups: services (other than professional services), retail trade, manufacturing, or construction. Agricultural workers report the highest rate of noncoverage of any industry group—42 percent of agricultural workers were uninsured in 1988.

For more than a half century the Congress and consecutive administrations have debated public policy measures to guarantee needed health care for all Americans. Concern about the problem of inadequate health care for the poor and elderly prompted legislation of the Medicaid and Medicare programs in the mid-1960s, but no agreement has been reached on a national strategy to guarantee health care for the larger U.S. population.

The federal tax exemption granted to employer and employee contributions to employer group health

insurance plans remains the primary instrument with which public policy addresses most Americans' health care financing needs. While Medicaid serves about 12 percent of nonelderly Americans and 15 percent of the nation's children, 15 percent of the population and 15 percent of children remain uninsured.

Nearly all of the uninsured live in families with modest or low income; one-third live in poverty. These people are not served by current-law tax provisions: their employers do not offer health insurance as an employee benefit or do not contribute enough of the plan cost to make it affordable to them. Similarly, they are not served by Medicaid programs that limit benefits to particular categories of people with, in most states, income below one-half the federal poverty level.

The 101st Congress has funnelled most of its attention to the uninsured population into the Pepper Commission's deliberations. Although the commission's full report is scheduled for release later this summer, its general recommendations were released last March and were widely declared to be infeasible in an era of stringent federal budgets. The nature of the most recent legislative proposals—continuing to improve Medicaid coverage and benefits for children and pregnant women and establishing modest new tax credits for low-income individuals and families without employer coverage—suggests that public debate about the wisdom and feasibility of broader, national health care financing reform in the United States will continue for some time.

◆ Reference

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