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Testimony

Before the

**Health, Education, Labor, & Pensions Committee
United States Senate**

**Hearing on
Health Insurance Coverage and Uninsured Americans**

by

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Mr. Chairman, and members of the Committee, I am pleased to appear before you today to discuss uninsured Americans. My name is Paul Fronstin. I am a senior research associate and director of the Health Security and Quality Research Program at the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan, public policy research organization based here in Washington, DC. EBRI has been committed, since its founding in 1978, to the accurate statistical analysis of economic security issues. Through our research we strive to contribute to the formulation of effective and responsible health and retirement policies. Consistent with our mission, we do not lobby or advocate specific policy solutions.

Health Insurance Coverage

The most recent Census Bureau data, released just last week, shows that for the first time since at least 1987, the number of Americans without health insurance coverage has declined. In 1998, the number of uninsured (nonelderly) Americans had reached 43.9 million (chart 1). In 1999, the number of nonelderly Americans without health insurance coverage declined to 42.1 million. The percentage of nonelderly Americans without health insurance coverage declined from 18.4 percent in 1998 to 17.5 percent in 1999 (chart 2).

The main reason for the decline in the number of uninsured Americans is the strong economy and low unemployment. Since employment-based health insurance is by far the most common source of health coverage in the United States, it is not surprising that the lower rate of unemployment is beginning to translate into lower rates of uninsured. As a result of the strong economy, more workers and their dependents are covered by employment-based health insurance: Between 1998 and 1999 the percentage of nonelderly Americans covered by employment-based health insurance increased from 64.9 percent to 65.8 percent (chart 3).

Employment-based health insurance coverage increased substantially for adult workers last year. In 1998, 72.8 percent of workers were covered by an employment-based health plan (chart 4). By 1999, 73.3 percent were covered. The likelihood that an adult worker was uninsured declined from 18.1 percent in 1998 to 17.5 percent in 1999 (chart 5). Even nonworking adults experienced an increase in the likelihood of having employment-based health insurance coverage, increasing from 40.5 percent in 1998 to 41.7 percent in 1999 (chart 6).

The likelihood that a child is covered by employment-based health insurance has been increasing since 1994 (chart 7). In 1994, 58.1 percent of children were covered by employment-based health insurance. By 1999, 61.5 percent were covered. Because of declining enrollment in Medicaid (chart 8), the percentage of children without health insurance coverage has actually been growing over most of this period. However, between 1998 and 1999, the percentage of children without health insurance coverage declined dramatically from 15.4 percent to 13.9 percent (chart 9).

Despite the State Children's Health Insurance Program (S-CHIP), public health insurance coverage is not increasing. Between 1998 and 1999 the percentage of nonelderly Americans covered by Medicaid and other government-sponsored health insurance coverage did not change (chart 10)—remaining at 10.4 percent in 1999. While the March Current Population Survey (CPS) does not allow researchers to count the number of children enrolled in S-CHIP, it does appear that some children benefited from expansions in government-funded programs. Findings from the CPS indicate that the percentage of children in families just above the poverty level without health insurance coverage declined dramatically, from 27.2 percent uninsured in 1998 to 19.7 percent uninsured in 1999. Some of the decline can be attributed to expansions in Medicaid and S-CHIP. Between 1998 and 1999, the percentage of near-poor children covered by these programs increased from 39.3 percent to 40.5 percent. However, it appears that expansions in employment-based health insurance had an even larger effect. Specifically, the percentage of near-poor children covered by an employment-based health insurance plan increased from 30.5 percent to 34.5 percent.¹

Health Insurance Costs and Benefits

It is notable that this decline in the uninsured has occurred at a time when health insurance costs are going up. Since 1998, health insurance cost inflation has been increasing. According to data from a recent study (Gabel et al., 2000), health insurance costs increased 8.3 percent for all firms between spring 1999 and spring 2000, and they increased 10.3 percent for smaller firms (with between three and 199 workers) (chart 11). When health care costs increase, health insurance coverage would be expected to decline, with employers shifting the cost of coverage onto workers, or even dropping coverage completely. But as shown above, more workers and their

dependents were covered by employment-based health insurance coverage in 1999 than in 1998. Employers have not been shifting the cost onto workers. An annual survey by William M. Mercer indicates that the worker share of the premium has been unchanged since 1993 (William M. Mercer, 2000). In contrast, an annual survey by the Kaiser Family Foundation and the Health Research and Educational Trust found that there was a slight reduction between 1996 and 2000 in the percentage of the premium workers were required to pay (Gabel, 2000).

Despite rising health insurance costs, employers are increasingly offering health benefits to workers—again, because of the tight labor market. Between 1998 and 2000, the percentage of small firms offering health benefits increased from 54 percent to 67 percent, with much of that increase occurring among the smallest of the small firms (chart 12). Most small employers report that offering health benefits helps with recruitment and retention, and keeps workers healthy, which ultimately reduces absenteeism and increases productivity (Fronstin and Helman, 2000). Clearly, many employers realize there is real business value in providing health care coverage to their workers.

Also worth mentioning is that American workers clearly identify health insurance coverage as far and away the single most valued work-place benefit. When asked to rank the importance of all employee benefits, health benefits are by far the benefit most valued by workers and their families. Sixty-five percent of workers responding to a recent EBRI survey rated employment-based health benefits as the most important benefit (Salisbury and Ostuw, 2000).

The Future

When findings from the March 2001 CPS are released, I expect the data for 2000 will show that the number of uninsured Americans continued to decline. The drop may even be larger than the 1.7 million decline experienced between 1998 and 1999. As mentioned above, between 1998 and 2000, the percentage of firms with three to 199 employees offering health benefits increased (Gabel, 2000). In addition, S-CHIP will continue to expand health insurance coverage. Last week, the Clinton administration announced that 2.5 million children had been enrolled in the S-CHIP program by June 30, 2000. An October 1999 report by the Health Care Finance Administration predicted that 2.7 million children would be enrolled in S-CHIP by Sept. 30, 2000. This combination of more employers adding health benefits, along with more children covered by S-CHIP, will result in continued expansion of health insurance coverage.

It is also worth noting that while the uninsured declined between 1998 and 1999, it did not drop by 44 million. More than 42 million Americans continue to be uninsured. Even if the number drops again next year, when the 2000 data are released, it is likely that 40 million Americans will still be uninsured—more than 15 percent of the population. As long as the economy is strong and unemployment is low, employment-based health insurance coverage will expand and the uninsured will gradually decline. However, even if the United States experienced five more years of similar declines in the uninsured as it did in 1999, 34 million Americans would still be uninsured in 2005 (chart 13). If the economy continues to soften or comes close to a recession (for instance, because of rising energy costs), the uninsured would easily and quickly start to increase again as unemployment rises. Even for those who keep their jobs, small employers would likely drop health benefits, and large employers would likely shift the cost of coverage onto workers, resulting in fewer workers accepting coverage. If the uninsured returned to its 1999 level of 17.5 percent of the nonelderly population, 38 million Americans would be uninsured in 2005. In contrast, if the downturn in the economy was severe and the uninsured represented 25 percent of the nonelderly population, 63 million Americans would be uninsured.

Mr. Chairman, this concludes my statement. It has been my pleasure to appear before the Committee today. I offer the Committee the assistance of the Employee Benefit Research Institute as you continue your work, which is vital to the economic security of all Americans.

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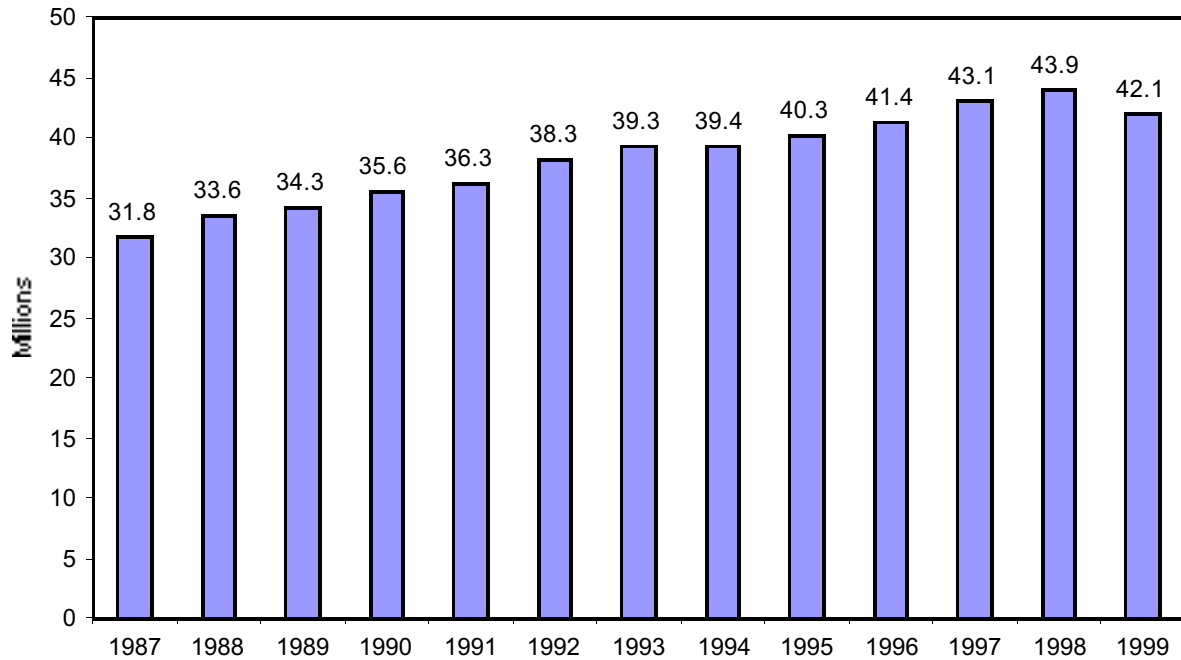
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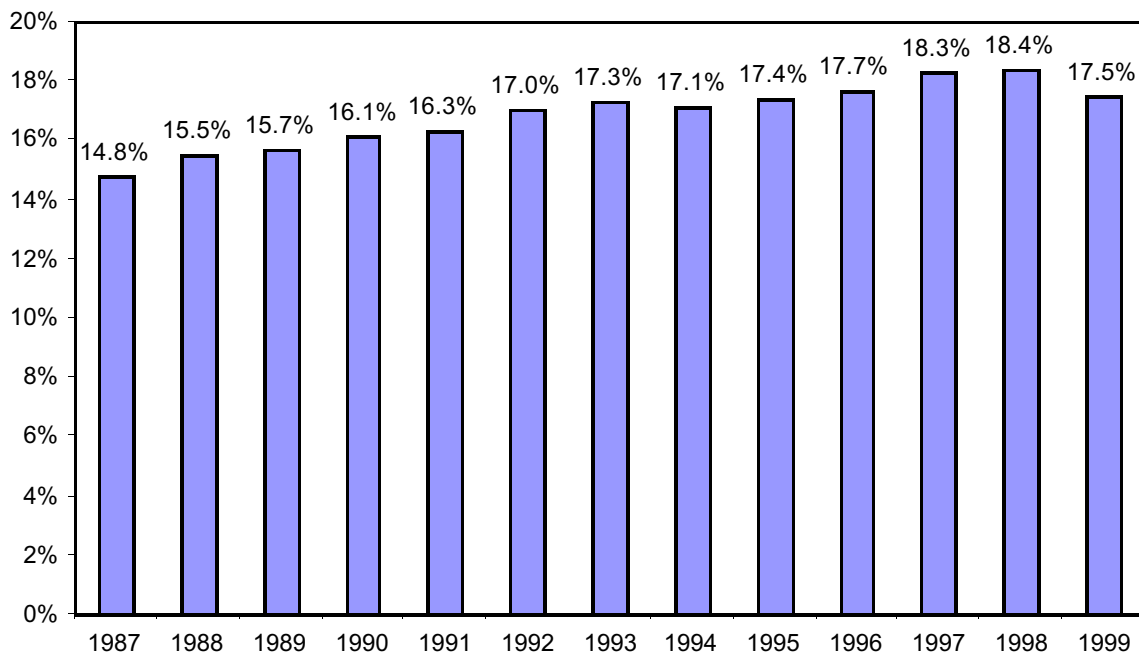
¹ The CPS (and most other surveys) are well known for under-reporting Medicaid coverage and coverage from other government programs. In the case of the CPS, it may not be picking up all Medicaid recipients because some states do not call the program Medicaid. In fact, there is strong evidence that the CPS under-reports Medicaid coverage, based on comparisons of these data with enrollment and participation data provided by the Health Care Financing Administration (HCFA), the federal agency primarily responsible for administering Medicaid. See Paul Fronstin, "Counting the Uninsured: A Comparison of National Surveys," *EBRI Issue Brief* no. 225, Employee Benefit Research Institute, September 2000, for more information.

Chart 1
Number of Uninsured Americans Ages 0-64, 1987-1999



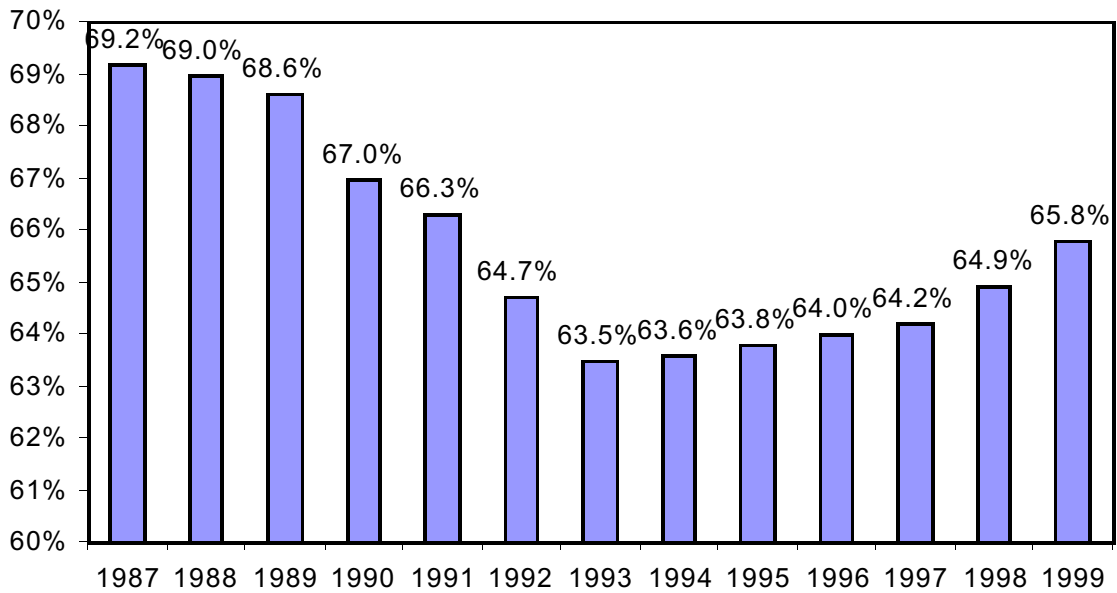
Source: Employee Benefit Research Institute.

Chart 2
Percentage of Americans Ages 0-64 Without Health Insurance, 1987-1999



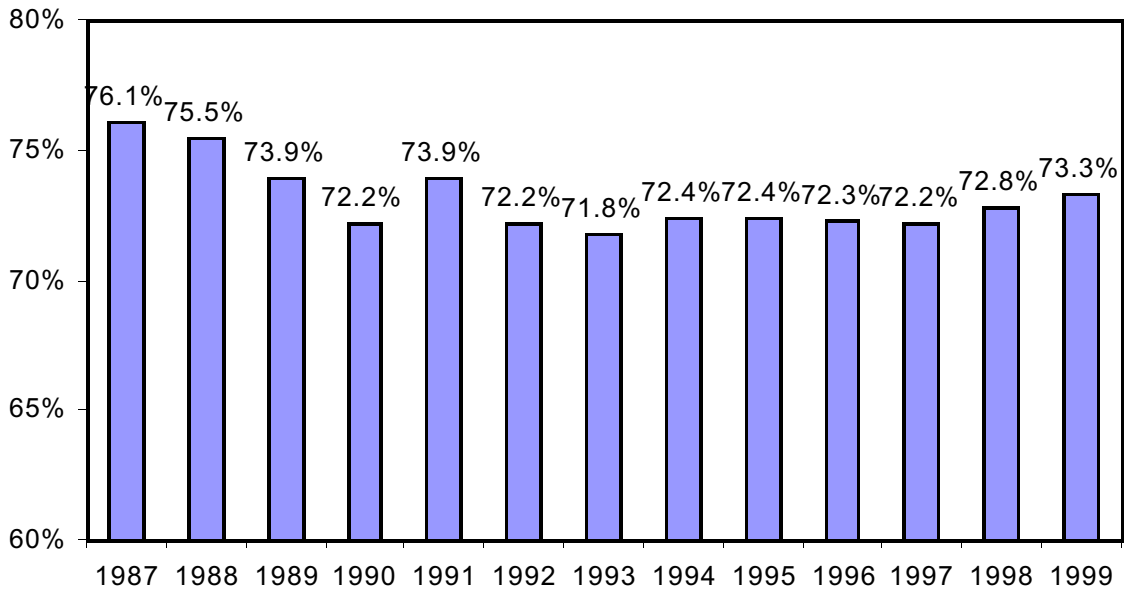
Source: Employee Benefit Research Institute.

Chart 3
Percentage of Americans Ages 0-64
With Employment-Based Health Insurance Coverage, 1987-1999



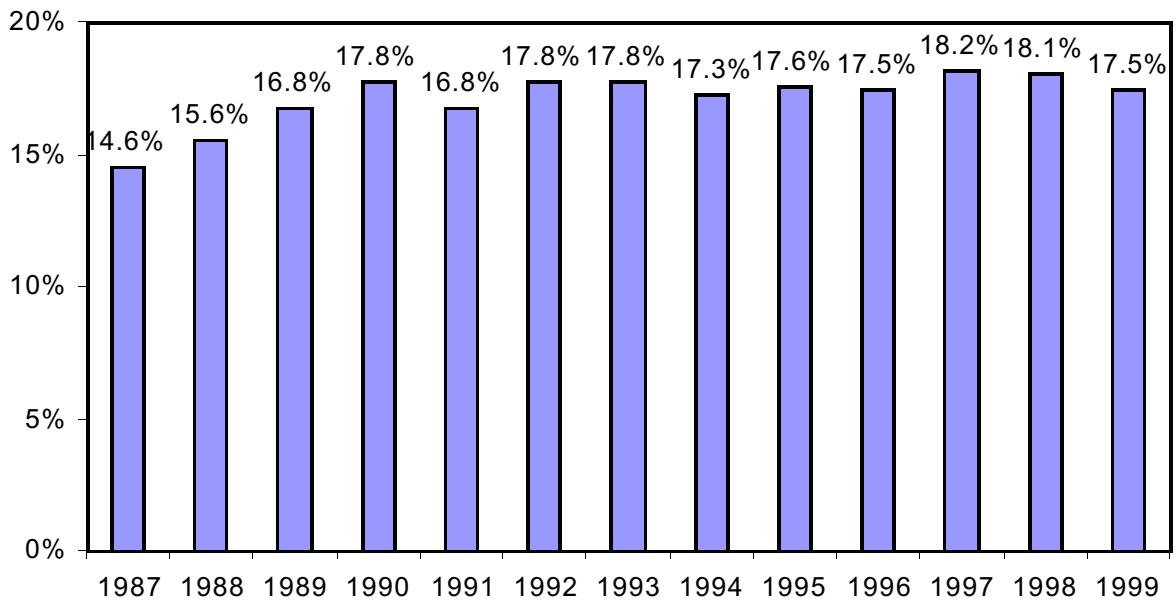
Source: Employee Benefit Research Institute.

Chart 4
Percentage of Working Adults, Ages 18-64,
with Employment-Based Health Insurance Coverage, 1987-1999



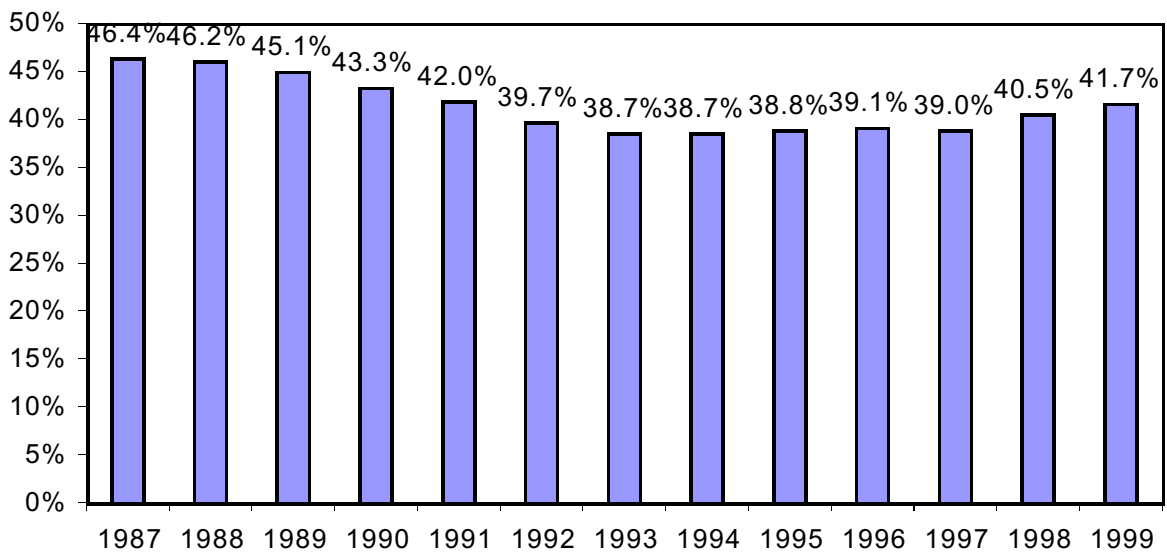
Source: Employee Benefit Research Institute.

Chart 5
Percentage of Working Adults, Ages 18-64,
Without Health Insurance Coverage, 1987-1999



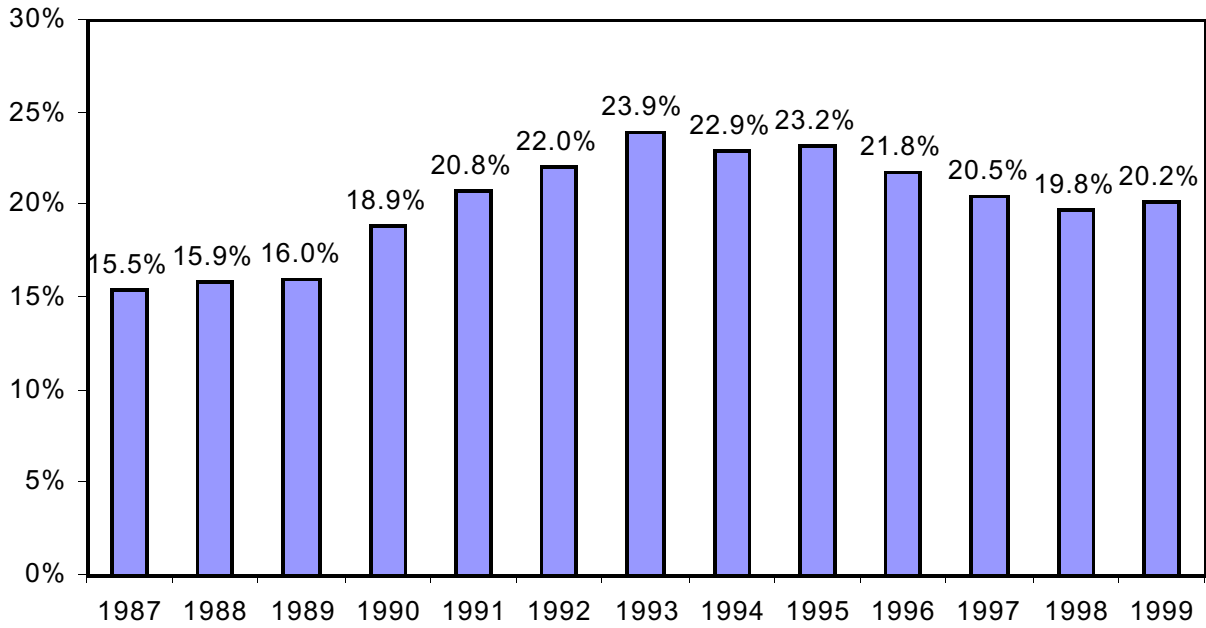
Source: Employee Benefit Research Institute.

Chart 6
Percentage of Nonworking Adults, Ages 18-64,
With Employment-Based Health Insurance Coverage, 1987-1999



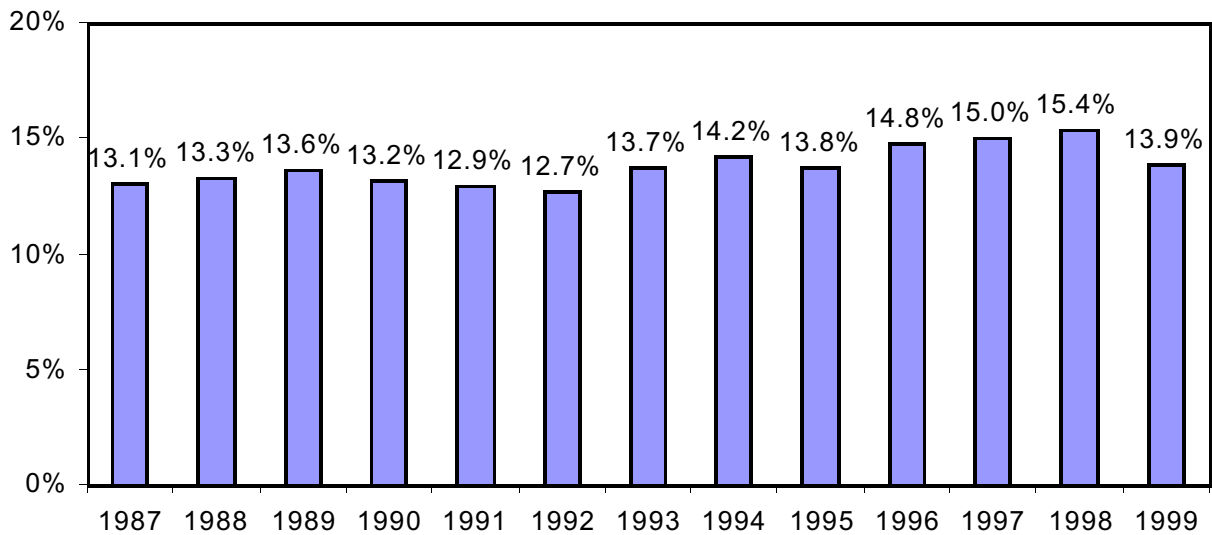
Source: Employee Benefit Research Institute.

Chart 8
Percentage of Children, Ages 0-17, With Medicaid, 1987-1999



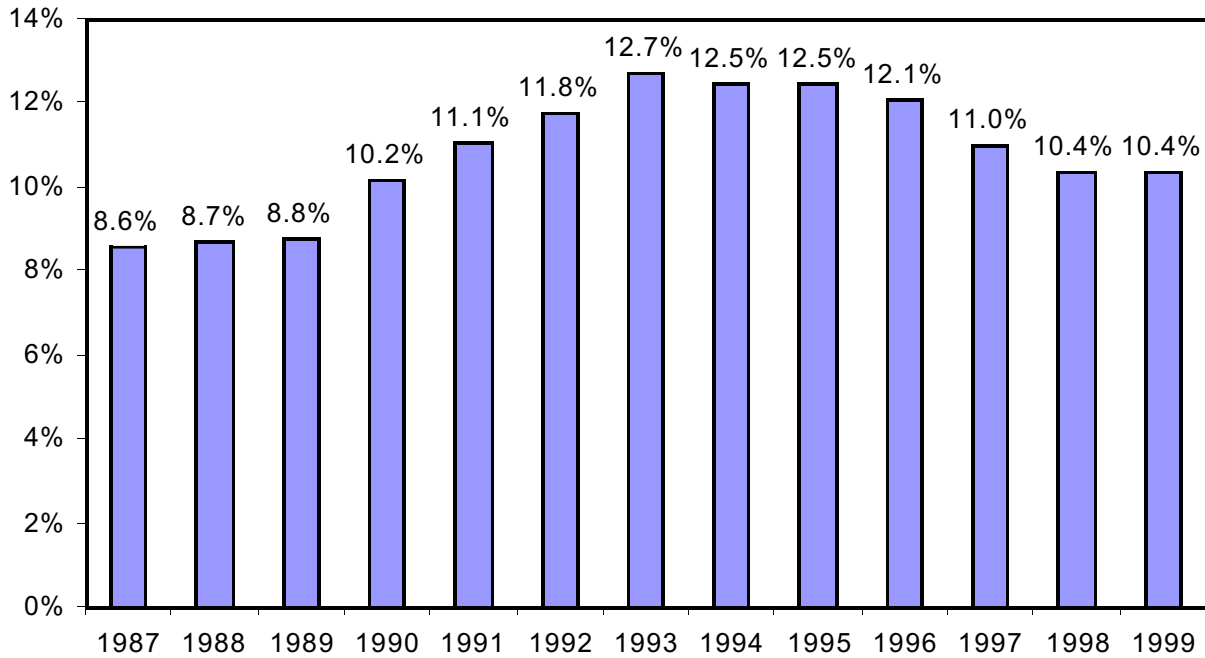
Source: Employee Benefit Research Institute.

Chart 9
Percentage of Children, Ages 0-17, Without Health Insurance Coverage, 1987-1999



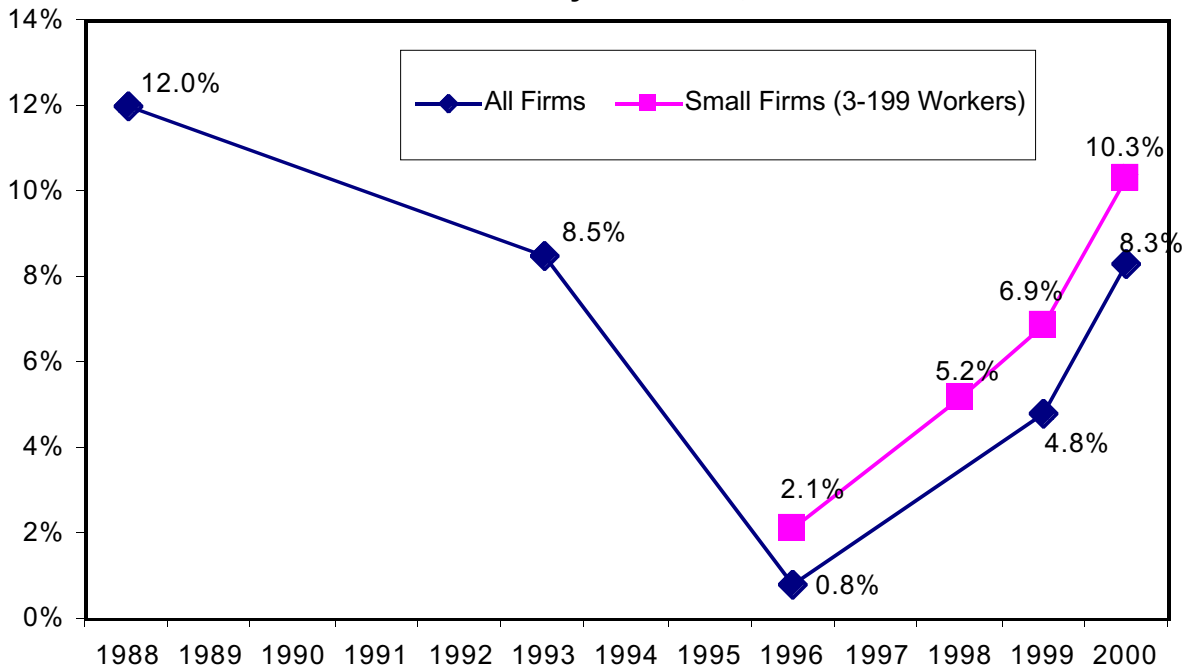
Source: Employee Benefit Research Institute.

Chart 10
Percentage of Americans Ages 0-64 with Medicaid Coverage, 1987-1999



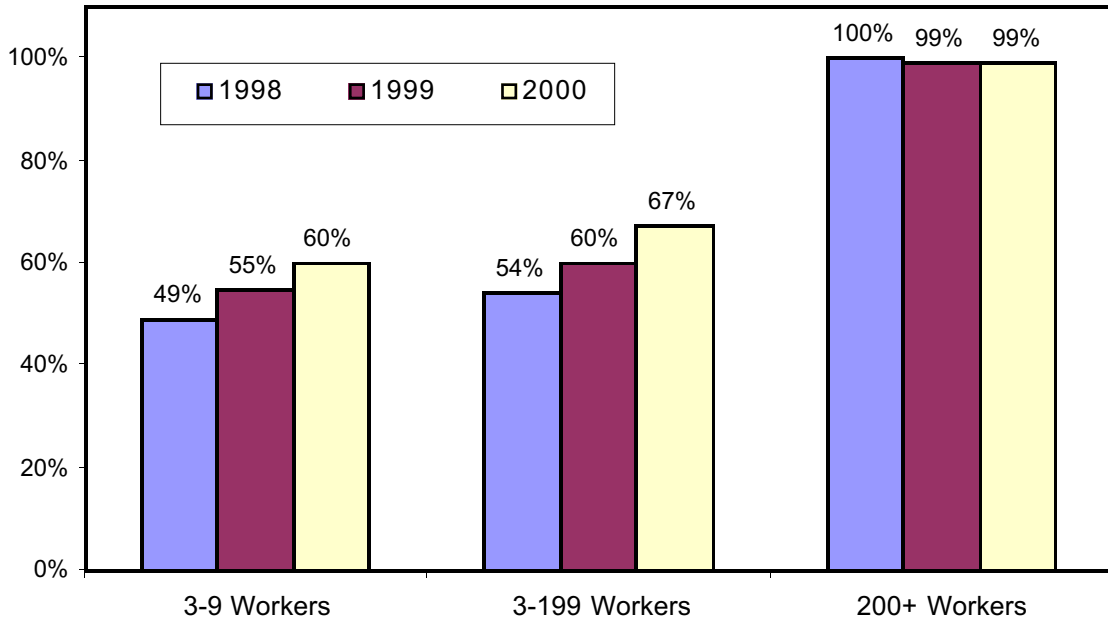
Source: Employee Benefit Research Institute.

Chart 11
Premium Increases by Firm Size, 1988-2000



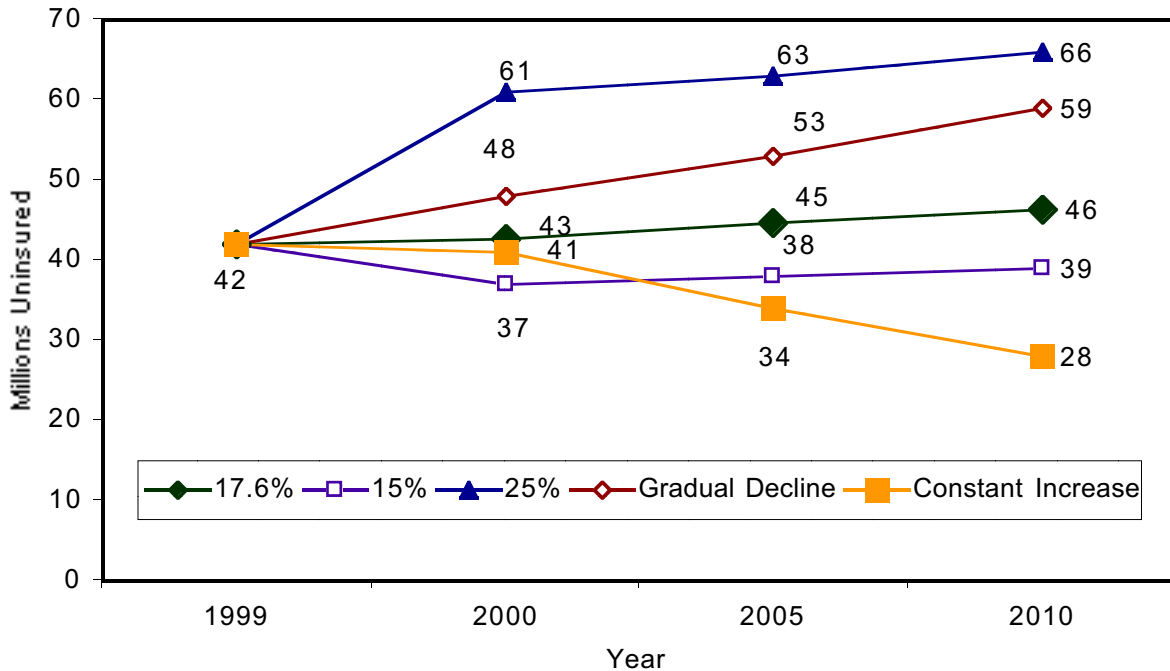
Source: Jon Gabel et al., "Job-Based Health Insurance in 2000: Premiums Rise Sharply While Coverage Grows," Health Affairs Vo. 19, no. 3 (September/October 2000): 144-151.

Chart 12
Percentage of Employers Offering Health Benefits, by Firm Size, 1998-2000



Source: Jon Gabel et al., "Job-Based Health Insurance in 2000: Premiums Rise Sharply While Coverage Grows," Health Affairs Vol. 19, no. 3 (September/October 2000): 144-151.

Chart 13
Number of Uninsured Americans, Ages 0-64, Various Assumptions About Percent Uninsured, 1999-2010



Source: Employee Benefit Research Institute.