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THE CHANGING PATTERN OF HEALTH INSURANCE COVERAGE AMONG NONELDERLY FAMILIES

by

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Introduction

In 1985, 37 million nonelderly Americans reported no health insurance coverage from any source; of these, nearly 35 million were adults and children in civilian, non-farm families.[1] The number of people without health insurance in these families has risen nearly 15 percent since 1982. The most rapid erosion of coverage has occurred among workers and children. The number of uninsured workers without health insurance coverage grew more than 22 percent between 1982 and 1985; the number of uninsured children under age 18 grew nearly 16 percent. In 1985, nearly 20 percent of all children under age 18 had no health insurance coverage from any source. These data are reported in Table 1.

The erosion of health insurance coverage among the nonelderly population is a matter of concern both for private industry and public policy. People without health insurance coverage or other obvious means of payment have difficulty obtaining access to needed, nonemergency medical care. When this population does receive care and is unable to pay, health care providers--hospitals and physicians--are likely to shift the costs of their care to privately insured patients in the form of higher charges.

Employers, who are the primary source of private insurance coverage among

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[1] Unless otherwise indicated, all data are based on EBRI tabulations of the March 1986 Current Population Survey conducted by the U.S. Department of Commerce, Bureau of the Census. Many of these tabulations are also presented in: "A Profile of the Nonelderly Population Without Health Insurance," EBRI Issue Brief No. 66 (May 1987).

Table 1

The Number and Percent of the Civilian Nonagricultural Population[a] Without Health Insurance in 1985, and Growth between 1982 and 1985

Work Status	1982 Number (millions)	1982 Percent	1985 Number (millions)	1985 Percent	Percent Increase 1982-1985
Total uninsured	30.3	15.6%	34.8	17.4%	14.9%
Workers	13.9	12.8	17.0	14.7	22.5
Family head[b]	8.2	12.5	10.2	14.4	24.0
Other workers	5.6	13.4	6.8	15.3	21.1
Nonworkers	16.4	19.1	17.8	21.0	8.3
Children[c]	9.6	17.0	11.1	19.7	15.6
Adults	6.8	23.1	6.7	23.9	-1.8

Source: EBRI tabulations of the March 1983 and March 1986 Current Population Surveys (U.S. Department of Commerce, Bureau of the Census).

[a] Data exclude people under age 65 employed in the military or in agriculture and members of their families.

[b] The family head is the family or subfamily memeber with the greatest earnings; all other family members with earnings are designated as secondary workers. Family-head workers include unrelated individuals that are workers.

[c] People under age 18 that reported no earnings and were not the family head.

the nonelderly population, have sought to avoid this so-called "hidden tax" on privately insured health care by negotiating charges with providers. As employer manage their health plan costs more rigorously, health care providers are less able to finance free care for people that are unable to pay. This, in turn, may further reduce access to care for uninsured population. Providers may also intensify cost-shifting to smaller employers who are unable to negotiate provider discounts. The high cost of coverage available to small employers, in turn, discourages many small businesses from offering health benefits to their workers. In 1983, two-thirds of all workers without health insurance benefits from their own employer were either self-employed or employed in firms with fewer than 25 employees.

In poor and near-poor families that have no private insurance and do not qualify for Medicaid, routine health care (including prenatal care) may be seriously neglected. Research on health services use among people without health insurance has repeatedly found that uninsured people use much less health care than people with insurance, even when health status or medical conditions are similar.

The Erosion of Private Health Insurance Coverage

The declining proportion of workers and their dependents covered by employer-sponsored health insurance is an important factor in the growing number of nonelderly people without health insurance. In 1982, employer plans provided health insurance for more than 67 percent of the nonelderly

population; this percentage declined to 65 percent in 1984, and edged up to 66 percent in 1985.

Employer plans have covered a growing number of workers since 1982; in 1985 employer plans covered 88 million workers, compared to 84 million in 1982. Nevertheless, the number of workers without employer-sponsored health insurance has risen much faster than the number with employer coverage. As a result, the proportion of all workers with employer-sponsored health insurance has eroded--from 78 percent in 1982, to 76 percent in 1985. The number of nonworker dependents covered by employer plans has actually declined. In 1982, employer plans covered more than 47 million nonworkers, including 36 million children. In 1985, employer plans covered 44 million nonworkers, and fewer than 35 million children.

Coverage from other private insurance (principally individually purchased coverage) has also declined since 1982. Again, the decline in coverage is most apparent among children. In 1982, nearly 13 percent of the nonelderly population and nearly 9 percent of children reported nonemployer private coverage; in 1985, less than 12 percent of the nonelderly population and 7 percent of children reported coverage from such a plan.

The decline in employer-sponsored coverage among workers and their dependents parallels the redistribution of employment in the United States. Since 1980, employment in industries with historically low rates of employer coverage (including retail trade, construction, and business services) has grown more than four times as fast as employment in high-coverage industries

(see Table 2). Relatively fast employment growth in low-coverage industries (particularly in retail trade, and business and personal services) is likely to continue; this trend may further erode the rate of employer-sponsored health insurance among workers and their families in future years.

Noncoverage Among Children

The relatively high and growing proportion of children without health insurance is a matter of particular concern. In 1985, 20 percent of all children under age 18 were uninsured. The reasons for growing noncoverage among children probably include: (1) the growing number of low-income, single-parent families with children; (2) the cost of health insurance; and (3) the erosion of Medicaid coverage among the poor--including poor families with children.

The growth of single-parent families. The rising number of low-income, single-parent families has probably contributed to the growing rate of noncoverage among children. In 1985, nearly 27 percent of all children under age 18 lived in single-parent families; among children in poverty, nearly two-thirds (65 percent) lived in single-parent families.

Children living with a single parent are more than twice as likely as children in two-parent families to be uninsured. In 1985, one-third (33 percent) of all children in single-parent families were uninsured from any source, compared to 14 percent among children in two-parent families (see

Table 2

Total Nonagricultural Civilian Employment, Rates of Employment Growth and Employer-based Health Insurance Coverage by Industry, 1985

Industry	1985 Employment: Number of workers (thousands)	1985 Employment: Percent of all workers	Rate of employment change 1980-1985	Percent of workers with employer health plan, 1985[b]
All workers	103,163	100.0%	8.3%	75.8%
		High-coverage industries		
Mining	939	0.9%	-4.1%	88.8%
Manufacturing	20,879	20.2	-4.8	88.2
Transportaion, communication and public utilities	7,548	7.3	15.7	87.5
Finance, insurance and real estate	7,005	6.87	16.9	86.1
Wholesale trade	4,341	4.2	10.7	84.1
Professional and related services	21,563	20.9	8.6	81.7
Public administration	4,995	4.8	-6.5	87.6
Total, high-coverage	67,270	65.2%	4.2%	85.6%
		Low-coverage industries		
Construction	6,987	6.8%	12.4%	66.2%
Retail trade	17,955	17.4	10.4	63.7
Business and repair services	5,321	5.2	60.6	66.0
Personal services	4,352	4.2	13.4	50.3
Entertainment and recreation	1,278	1.2	22.1	59.4
Total, low-coverage	35,893	34.8%	17.0%	62.9%

Source: EBRI tabulations of the March 1986 Current Population Survey (U.S. Department of Commerce, Bureau of the Census); and U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1987, p. 388.

[a] Excludes agriculture, forestry, fisheries, and miscellaneous services.

[b] Includes wage and salary workers; excludes self-employed workers.

Table 3).

The high rate of noncoverage among children in single-parent families largely reflects the high proportion of single-parent families that are in poverty. In 1985, more than one-half (55 percent) of all children in single-parent families were poor. By comparison, the poverty rate among children in two-parent families was 11 percent.

Among all children in the United States, children of the working poor are the most likely to be uninsured. Among children in poor families headed by a full-year worker, nearly one-half (46 percent) were uninsured. The high rate of noncoverage among poor children in worker families is the same whether the family is headed by a single parent or by two parents.

Lower coverage among poor children in families of full-year workers reflects much their lower rate of Medicaid eligibility, compared to children in families headed by a nonworker or by an adult that works seasonally or intermittently. In 1985, poor children in single parent families headed by a full-year worker were less than half as likely as children in a nonworker single-parent family to have Medicaid coverage (35 percent, compared to 77 percent). After adjusting for the somewhat higher rate of employer coverage among poor children in two-parent worker families, the difference in Medicaid coverage between nonworker and worker families is comparable to that observed among children in single-parent families.

The cost of insurance coverage. The declining rate of private insurance

Table 3

The Percent of Children with Health Insurance Coverage from Various Sources, by Family Type, Work Status of the Family Head, and Poverty Status, 1985

Family Type/ Work Status of Family Head[a]	Number of Children (millions)	Private Insurance		Public Insurance		Uninsured
		Total Private	Employer Coverage	Total Public	Medicaid	
			All Children			
Total	55.4	67.1%	62.0%	16.0%	14.1%	19.5%
Spouse present	40.6	80.7	75.8	7.5	5.4	14.4
Full-year worker	38.4	83.4	79.2	5.5	3.5	13.6
Part-year worker	1.0	51.4	35.6	20.1	15.7	33.5
Nonworker	1.1	13.4	-	64.6	60.0	25.9
Spouse absent	14.8	29.8	24.2	39.4	37.8	33.4
Full-year worker	8.1	47.0	40.8	15.7	14.1	40.3
Part-year worker	1.9	22.5	14.1	51.6	49.3	31.2
Nonworker	4.9	3.5	-	75.0	73.7	22.6
			Children in Families Below Poverty			
Total	12.6	17.0%	12.4%	52.7%	51.5%	33.4%
Spouse present	4.4	30.4	24.7	33.5	31.8	39.9
Full-year worker	3.2	36.8	32.0	22.3	21.1	45.0
Part-year worker	0.4	30.3	18.5	38.1	34.3	37.5
Nonworker	0.9	b	-	73.5	70.7	22.1
Spouse absent	8.2	9.8	5.7	63.2	62.2	29.8
Full-year worker	2.2	21.5	14.5	36.4	35.5	46.2
Part-year worker	1.5	14.6	9.4	60.4	58.8	30.7
Nonworker	4.5	2.3	-	77.5	76.7	21.2

SOURCE: Employee Benefit Research Institute tabulations of the March 1986 Current Population Survey (U.S. Department of Commerce, Bureau of the Census).

a Data exclude people under age 65 employed in the military or in agriculture and members of their families. The family head is the family or subfamily memeber with the greatest earnings; all other family members with earnings are designated as secondary workers. Family-head workers include unrelated individuals that are workers. Full-year workers are defined as workers that were either employed or sought work for 35 weeks or more during 1985.

b Statistically insignificant.

coverage among children--and the growing rate of noncoverage--probably also reflects the rising cost of both employer-sponsored health insurance and individually purchased insurance.

In 1985, nearly 20 percent of uninsured children lived with a parent (or, rarely, a spouse) with coverage from an employer plan. Employer plans typically allow workers to include dependents. Increasingly, however, workers are required to contribute all or part of the cost of coverage for dependents. In 1985, 54 percent of larger-establishment workers that participated in an employer health plan were required to pay all or part of the cost for dependents' coverage. The surprisingly high proportion of uninsured children living with an employer-insured parent may be related to the worker cost of coverage for dependents. Nevertheless for some (perhaps one-third of insured children living with an employer-insured parent or spouse), the level of family income ($30,000 or more in 1985) suggests that an employee contribution for coverage might have been affordable.

Data that measure the cost of individual insurance coverage are unavailable. It is likely, however, that the cost of individual coverage is rising at least as fast as the cost of health care as a whole. Between 1980 and 1985, the cost of health care (as measured by the medical care component of the consumer price index) rose nearly 52 percent--an average annual rate of nearly 9 percent. At the same time, the proportion of families with children in poverty rose from 10 percent to nearly 13 percent. Persistent increases in the cost of health care and health insurance, coupled with the declining income status of families with children, have probably contributed to the

erosion of private insurance coverage among children.

Medicaid. Medicaid is a federal-state program that finances health care services for, among other categorically eligible groups, children under age 18. In 1985, however, only about one-half (51 percent) of children living in families with income less than the federal poverty standard reported coverage from Medicaid; 34 percent reported no coverage from any source. Among children living in near-poor families (between 100 percent and 125 percent of the federal poverty standard), 13 percent reported Medicaid coverage; 37 percent reported no coverage from any source.

The relatively low rate of Medicaid coverage among children in poverty is in part due to the erosion of qualifying income for AFDC benefits relative to the federal poverty standard. AFDC (Aid to Families with Dependent Children) is a federal-state cash assistance program that automatically confers Medicaid eligibility. Most children who qualify for Medicaid benefits do so through the AFDC program. Each state determines the income ceiling that qualifies categorically eligible families in that state for AFDC benefits.

No state automatically indexes qualifying income to the cost of living. As a result, qualifying income in most states has eroded relative to the federal poverty standard. In 1975, the states' average qualifying income for AFDC was 71 percent of the federal poverty standard; one-half of all states set AFDC qualifying income at more than 79 percent of poverty. In 1986, average (and median) qualifying income for AFDC benefits was less than half the federal poverty standard (48 percent). As a result, many poor families

with children fail to qualify for either AFDC or Medicaid.[2]

Summary and Concluding Remarks

Speculating about the future is generally a hazardous undertaking, and speculating about families' future ability to finance health care is not different. Since most private insurance coverage is provided by employer plans, the rate of employment is an important factor in explaining the rate of insurance coverage among workers and among dependent children. In general, one would expect an expanding economy to improve rates of insurance coverage among workers and their families.

This expectation, however, is contradicted by recent history. Despite significant employment growth since the 1981-1982 economic recession, rates of employer coverage have declined--especially among families with children. In 1985, employer plans covered fewer children, absolutely and as a percent of all children, than they did in 1982. Reasons for this apparently include a redistribution of employment toward industries that historically are less likely to provide health insurance as an employee benefit. In addition, employment in small firms may be rising faster than employment in large firms. If the faster expansion of employment in low coverage sectors continues, the aggregate rate of employer coverage among workers and their dependents may continue to decline.

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[2] In Texas, for example, a family of three with a monthly income of $185 in 1986 would have failed to financially qualify for AFDC and Medicaid.

Other trends related to families with children also suggest that the loss of insurance coverage among children, in particular, may continue. The growing number of low-income single-parent families may be an important factor in further reducing the number and proportion of children with health insurance. Children in single-parent families are five times as likely as children in two-parent families to be poor, and more than twice as likely to be uninsured.

In part because of the growing number of single-parent families, the number and percent of families in poverty is significantly greater now than at the beginning of the decade. Between 1979 and 1985, the number of people in poor families with children rose 25 percent, and the proportion of families with children that are poor rose by four percentage points: more than one-fifth of all people in families with children are poor. Concurrently, the cost of health care and health insurance have been increasing at an average annual rate of more than 9 percent--faster than the cost of other consumer goods and services, and faster than average family income. The eroding ability of families to buy health insurance is reflected in the loss of private, non-employer coverage among children since 1982.

Finally, the erosion of Medicaid coverage among the poor and Medicaid's exclusion of the working poor may be important in the continuing decline of insurance coverage among children. Only about half of all poor children qualify for Medicaid; more than one-third of poor children without private insurance coverage failed to qualify for Medicaid and were uninsured throughout the year. The low levels of qualifying income that many states set

for AFDC and, therefore, Medicaid eligibility is probably an important factor in the failure of these children to qualify for Medicaid. Although the 1984 Deficit Reduction Act (DEFRA) and the 1985 Consolidated Omnibus Reconciliation Act (COBRA) expanded Medicaid coverage for poor children (currently, children under age 5) and pregnant women, further erosion of the qualifying income for AFDC benefits established by most states is likely to continue to depress Medicaid coverage among poor families with children.

The low rate of Medicaid coverage among the children of workers in poverty suggests that there is virtually no insurance option for low-income working families with children, if they do not have access to an employer health plan. The rate of noncoverage among children living with one or more working parents in poverty is extremely high--nearly half had no coverage from any private plan or Medicaid in 1985. Without access to Medicaid, these families are largely without access to insurance coverage of any type.

Various measures have been proposed to address private employer coverage among workers and their families and Medicaid coverage of the poor and near-poor. As a nonpartisan research organization, the Employee Benefit Research Institute does not endorse any particular proposal. However, each of these proposals, and others related to federal and state welfare reform, deserve serious consideration by the Congress and the public. Access to health care and responsible health care financing in the United States are issues of growing importance, and may be among the most critical issues for families in the future.