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**Statement**
**Before the Committee on Ways and Means**
**Subcommittee on Health**
**U.S. House of Representatives**

**Hearing on**
**Uninsured Americans**

**by**
**Paul Fronstin, Ph.D.**
**Senior Research Associate and**
**Director, Health Security and Quality Research Program**

**Employee Benefit Research Institute**
**2121 K Street NW, Suite 600**
**Washington, DC 20037**
**Voice: 202/775-6352**
**Fax: 202/775-6312**
**E-mail: fronstin@ebri.org**
**Internet: http://www.ebri.org**

**June 15, 1999**

**STATEMENT OF PAUL FRONSTIN**
**SENIOR RESEARCH ASSOCIATE AND**
**DIRECTOR, HEALTH SECURITY AND QUALITY RESEARCH PROGRAM**
**EMPLOYEE BENEFIT RESEARCH INSTITUTE**
**BEFORE THE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HEALTH**
**U.S. HOUSE OF REPRESENTATIVES**
**JUNE 15, 1999**

Mr. Chairman, ranking member, 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.

## Introduction

Between 1987 and 1997, the percentage of Americans without health insurance coverage increased from 14.8 percent to 18.3 percent, and now comprises 43.1 million nonelderly Americans (chart 1 and table 1). However, when examining this increase it is important to recognize that the determinants underlying the trend are different in the pre-1993 period from those in the post-1993 period. Prior to 1993, the percentage of uninsured was increasing in large part because the percentage of Americans covered by an employment-based health plan was declining. In 1987, 69.2 percent of the nonelderly Americans were covered by an employment-based health plan (chart 2 and table 1). That was down to 63.5 percent by 1993. The erosion of employment-based health insurance was in large part due to rising health care costs, resulting in small employers dropping insurance and large employers shifting the cost of coverage onto workers.[1]

Between 1993 and 1997, health insurance costs increased modestly and health care costs were in line with overall inflation. According to an annual survey by William M. Mercer, health insurance costs declined in 1994, increased 2.1 percent in 1995 and 2.5 percent in 1996, and barely increased in 1997. Low health care cost increases and the strong economy had an effect on employment-based coverage levels and the uninsured during this period. Unlike the period prior to 1993, between 1993 and 1997 the percentage of nonelderly Americans covered by an employment-based health plan increased from 63.5 percent to 64.2 percent. At the same time, the percentage of Americans without health insurance coverage continued to increase, though at a slower rate than experienced between 1987 and 1993.

The period since 1993 is unique. It is likely the first time in history that the United States population has experienced an increase in the uninsured population while the percentage of Americans covered by an employment-based health plan also increased. Researchers have yet to completely understand this trend, but speculation has been offered. It appears that individuals leaving welfare (and Medicaid) because of the strong economy and welfare reform are contributing to both the increase in the uninsured and the increase in employment-based coverage. As former welfare recipients get jobs, some get jobs that offer health insurance while others get jobs that do not offer health insurance.

The growth rate in the uninsured population has slowed since 1993, and may also be attributable to modest health insurance cost increases. Between 1987 and 1993, health insurance costs increased an average of 13.6 percent per year, according to chart 3. During this period the uninsured increased an average of 2.6 percent per year. In contrast, between 1994 and 1997, when health insurance costs increased an average of 2.9 percent per year, the uninsured increased an average of 1.4 percent per year. While the uninsured did not decline, lower health insurance cost increases did result in a slowing of the growth in the uninsured.

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[1] The decline in coverage was also the result of declining real income and structural changes in the economy, such as the movement of workers from the manufacturing sector to the service sector, the increased use of part-time workers, and the decline of unionization (Fronstin and Snider, 1996/97).

In formulating public policy for the uninsured population, it is important to understand the characteristics of the uninsured population. The remainder of this testimony presents this information.

## Data

The data in this testimony come from three sources: the Current Population Survey (CPS) and the Survey of Income and Program Participation (SIPP), both conducted by the U.S. Bureau of the Census, and the 1996 Medical Expenditure Panel Survey (MEPS), conducted by the Agency for Health Care Policy and Research.

The CPS is conducted monthly, and health insurance status is measured by a survey of 145,000 individuals conducted in March of each year. The CPS has become the most widely used source of data on the uninsured and is the source of the estimate that 43.1 million nonelderly Americans were uninsured in 1997. This is the survey that has been used to track the uninsured since as far back as 1980. While the questionnaire has been changed in various years to improve the accuracy of the data, many researchers feel comfortable making adjustments to the data that result in a consistent time series since 1987 (see Fronstin, 1998, for more details).

The MEPS also contains data on the uninsured, but is not used as often by researchers as the CPS because it has been conducted only intermittently since 1977 (previously under the name National Medical Expenditure Survey), and because of the smaller sample size. However, data were collected in MEPS that are not collected in CPS. For example, MEPS asks workers if their employer offers them health insurance coverage and about health care utilization. Additional data on premiums, plan design, health care expenditures, and source of payment are expected to be released later this year.

SIPP contains data on the uninsured, but is not used as often as CPS for a number of reasons, primarily because of the time lag in obtaining SIPP data. The strength of using the SIPP data for analysis of health insurance coverage is that it allows researchers to track individuals for as long as 36 months. This allows researchers to conduct comprehensive analyses of the duration of insurance status, some of the results of which are discussed below.

## The Uninsured

When examining the uninsured, it is important to understand that some uninsured workers are offered health insurance by their employer while others are not. For example, a 1997 study found that 24 percent of uninsured workers were offered health insurance by their own employer, while an additional 5.1 percent could have received coverage through a family member (Cooper and Schone, 1997). With an effective access rate of 29.1 percent, it is likely that over 12.5 million of the 43.1 million uninsured actually have access to an employment-based health plan.

*Access to Health Insurance*—This same study found that between 1987 and 1996 the percentage of workers offered an employment-based health plan increased, but take-up rates were down. The study found that while take-up rates declined across all income groups, they were down the most for low-income workers.

*Geographic Region*—The proportion of the nonelderly population with and without health insurance varies by geographic region. In 14 states, 20 percent or more of the population was uninsured in 1997 (chart 4). These states are in large part concentrated in the south central and southwestern parts of the United States. Many of these states have a higher concentration of minority groups, such as Hispanics, who are less likely to be covered by health insurance. The higher uninsured rates may be due in part to the fact that Hispanics are more likely to be in low-income families than other races. States with a low percentage of uninsured individuals include Hawaii, Wisconsin, Minnesota, Vermont, and Pennsylvania.

*Age*—Young individuals are typically more likely to be uninsured than older individuals (chart 5). This is apparent by looking at the data in chart 6, which shows that the uninsured population is disproportionately younger than the general population. The high proportion of young adults without health insurance may occur because they are no longer covered by a family policy and may not have established themselves as permanent members of the work force. Some young adults may also have lost access to Medicaid, which covered them up through age 18 in some states. Many in this group may think that they do not need health insurance because their probability of encountering a high-cost medical event is very low.

*Income*—Income plays an important role in whether or not an individual is uninsured. The uninsured are concentrated disproportionately in low-income families. For example, 37 percent of individuals in families with income just above the poverty line were uninsured in 1997 (chart 7). This compares with 8 percent uninsured among individuals in families with income at 400 percent or more of the poverty level.

## Work Status

Approximately 84 percent of the uninsured were members of families with a working head of household in 1997 (Fronstin, 1998). As a result, it is just as important to understand the job characteristics of uninsured workers as it is to understand the characteristics of the uninsured in general.

*Firm size*—Workers employed in small firms are more likely to be uninsured than workers employed in large firms (chart 8). As a result, the uninsured population is more likely to be composed of workers in small firms than the general working population. In 1997, over 60 percent of uninsured workers were employed in firms with fewer than 100 employees or were self-employed (98 percent of the self-employed reported a firm size of less than 100 employees). According to chart 9, 12 percent of uninsured workers were self-employed; 22 percent were in firms with fewer than 10 workers, 13 percent were in firms with 10–24 workers; and 14 percent were in firms with 25–99 workers.

*Industry*—Workers employed in the public sector or the manufacturing sector were least likely to be uninsured (chart 10). Workers were more likely to be uninsured if they were employed in agriculture, forestry, fishing, mining, construction, wholesale and retail trade, or the personal service sector.

## Duration of Being Uninsured

Finding solutions for reducing the level of the uninsured is like trying to hit a moving target. While the characteristics of the uninsured population do not vary much from year to year, the people within that population do change. For example, a recent study by my colleague Craig Copeland at the Employee Benefit Research Institute found that most uninsured spells were either very short or very long (Copeland, 1998). Specifically, 37 percent of all uninsured spells lasted four months or less, while 33 percent lasted 12 months or longer (chart 11). Spells were more likely to last longer than four months for the following groups:

- Hispanics.
- Individuals ages 25 and older.
- The self-employed.
- Workers not employed in manufacturing or the public sector.
- Individuals with long spells of unemployment.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify today. I would be happy to answer any questions that you or members of the committee may have, and invite you to call on EBRI in the future for additional information.

## References


Copeland, Craig. "Characteristics of the Nonelderly with Selected Sources of Health Insurance and Lengths of Uninsured Spells." *EBRI Issue Brief* no. 198 (Employee Benefit Research Institute, June 1998).

Cooper, Philip F., and Barbara Steinberg Schone. "More Offer, Fewer Takers For Employment-Based Health Insurance: 1987 and 1996." *Health Affairs* 16(6) (November-December 1997).

Fronstin, Paul. "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1998 Current Population Survey." *EBRI Issue Brief* no. 204 (Employee Benefit Research Institute, December 1998).

Fronstin, Paul, and Sarah C. Snider. "An Examination of the Decline in Employment-Based Health Insurance Between 1988 and 1993." *Inquiry* 33 (Winter 1996/97: 317-325).

Table 1

**Nonelderly Americans With Selected Sources of Health Insurance Coverage, 1987-1997**

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (millions) | | | | | |
| Total Population | 214.4 | 216.6 | 218.5 | 220.6 | 222.9 | 225.5 | 228.0 | 229.9 | 231.9 | 234.0 | 236.2 |
| Total Private | 162.8 | 162.9 | 164.3 | 162.1 | 161.3 | 160.5 | 161.5 | 162.8 | 163.9 | 165.8 | 167.5 |
| Employment-based coverage | 148.5 | 149.4 | 149.8 | 147.7 | 147.7 | 145.9 | 144.9 | 146.3 | 147.9 | 149.8 | 151.7 |
| own name | 72.5 | 73.5 | 74.0 | 73.1 | 73.1 | 71.7 | 74.9 | 75.2 | 75.9 | 76.9 | 77.4 |
| dependent coverage | 75.9 | 75.9 | 75.8 | 74.7 | 74.6 | 74.3 | 69.9 | 71.1 | 72.1 | 72.9 | 74.3 |
| Other private coverage | 14.3 | 13.5 | 14.5 | 14.3 | 13.6 | 14.6 | 16.6 | 16.4 | 16.0 | 16.0 | 15.8 |
| Total Public | 28.5 | 28.8 | 28.7 | 31.9 | 34.4 | 36.0 | 38.1 | 38.9 | 38.4 | 37.4 | 34.9 |
| Medicare | 3.1 | 3.2 | 3.2 | 3.4 | 3.5 | 3.9 | 3.7 | 3.7 | 4.1 | 4.6 | 4.7 |
| Medicaid | 18.4 | 18.9 | 19.2 | 22.4 | 24.8 | 26.5 | 29.0 | 28.7 | 29.0 | 28.2 | 26.0 |
| CHAMPUS/CHAMPVA[b] | 8.5 | 8.2 | 7.9 | 7.9 | 7.9 | 7.5 | 7.4 | 8.7 | 7.4 | 6.8 | 6.6 |
| No Health Insurance | 31.8 | 33.6 | 34.3 | 35.6 | 36.3 | 38.3 | 39.3 | 39.4 | 40.3 | 41.4 | 43.1 |
| | | | | | | (percentage) | | | | | |
| Total Population | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Total Private | 75.9 | 75.2 | 75.2 | 73.5 | 72.4 | 71.2 | 70.8 | 70.8 | 70.7 | 70.9 | 70.9 |
| Employment-based coverage | 69.2 | 69.0 | 68.6 | 67.0 | 66.3 | 64.7 | 63.5 | 63.6 | 63.8 | 64.0 | 64.2 |
| own name | 33.8 | 33.9 | 33.9 | 33.1 | 32.8 | 31.8 | 32.9 | 32.7 | 32.7 | 32.9 | 32.8 |
| dependent coverage | 35.4 | 35.0 | 34.7 | 33.8 | 33.5 | 32.9 | 30.7 | 30.9 | 31.1 | 31.2 | 31.5 |
| Other private coverage | 6.7 | 6.3 | 6.6 | 6.5 | 6.1 | 6.5 | 7.3 | 7.1 | 6.9 | 6.8 | 6.7 |
| Total Public | 13.3 | 13.3 | 13.2 | 14.5 | 15.5 | 16.0 | 16.7 | 16.9 | 16.6 | 16.0 | 14.8 |
| Medicare | 1.4 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.8 | 2.0 | 2.0 |
| Medicaid | 8.6 | 8.7 | 8.8 | 10.2 | 11.1 | 11.8 | 12.7 | 12.5 | 12.5 | 12.1 | 11.0 |
| CHAMPUS/CHAMPVA[b] | 4.0 | 3.8 | 3.6 | 3.6 | 3.5 | 3.3 | 3.3 | 3.8 | 3.2 | 2.9 | 2.8 |
| No Health Insurance | 14.8 | 15.5 | 15.7 | 16.1 | 16.3 | 17.0 | 17.3 | 17.1 | 17.4 | 17.7 | 18.3 |

Source: Employee Benefit Research Institute estimates of the March 1988–1998 Current Population Survey.

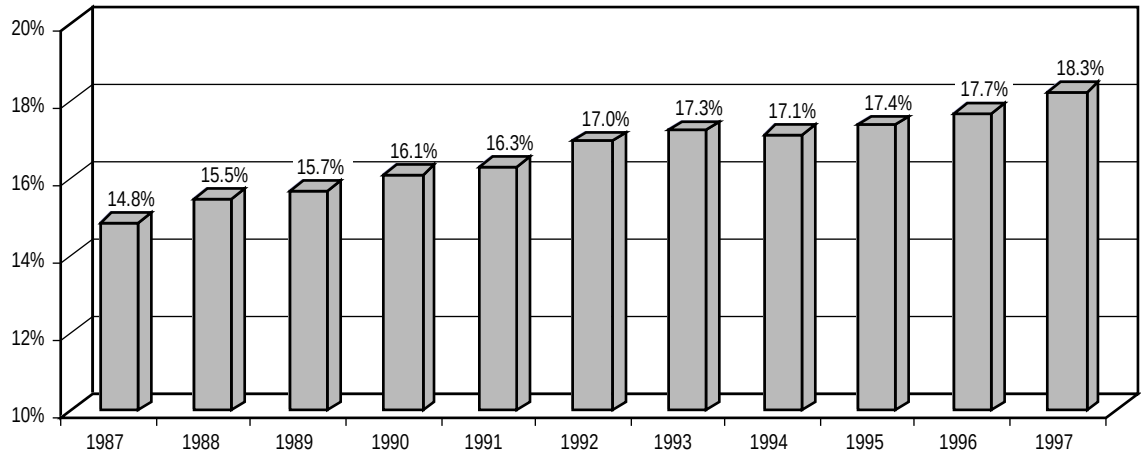
Note: Details may not add to totals because individuals may receive coverage from more than one source.

[a] Medicaid and uninsured data are not completely consistent with data from previous years. Starting with the March 1998 Current Population Survey, the Bureau of the Census modified its definition of the population with Medicaid and the population without health insurance coverage. Previously, individuals covered solely by the Indian Health Service were counted in the Medicaid population. Beginning with data from the March 1998 CPS, individuals covered solely by the Indian Health Service are counted as uninsured. This change decreased the Medicaid population and increased the uninsured population by 300,000, or 0.2 percent.

[b] Civilian Health and Medical Program of the Uniformed Services and the Civilian Health and Medical Program of the Department of Veterans' Affairs.

Chart 1

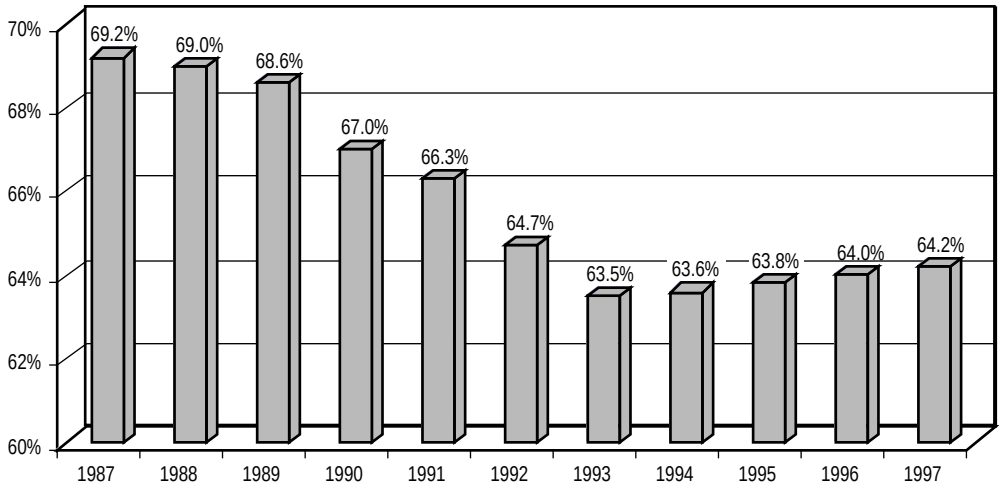
**Percentage of Nonelderly Americans Without Health Insurance, 1987-1997**




Source: Employee Benefit Research Institute estimates of the March 1988-1998 Current Population Survey.

Chart 2

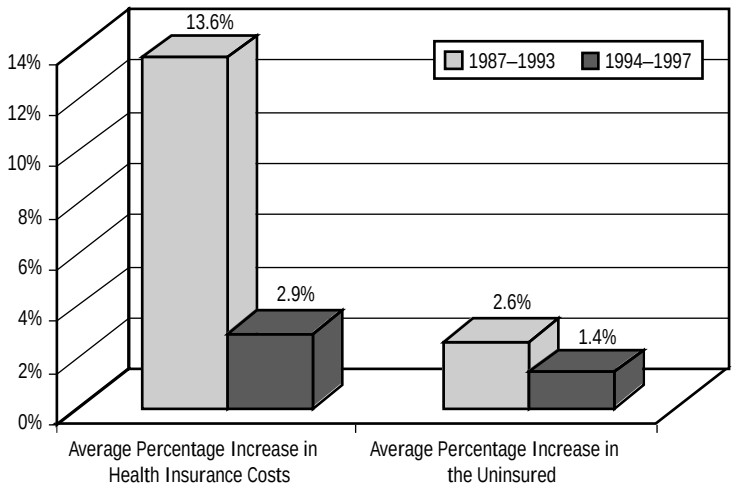
**Percentage of Nonelderly Americans Covered by an Employment-Based Health Plan, 1987–1997**




Source: Employee Benefit Research Institute estimates of the March 1988–1998 Current Population Survey.

Chart 3

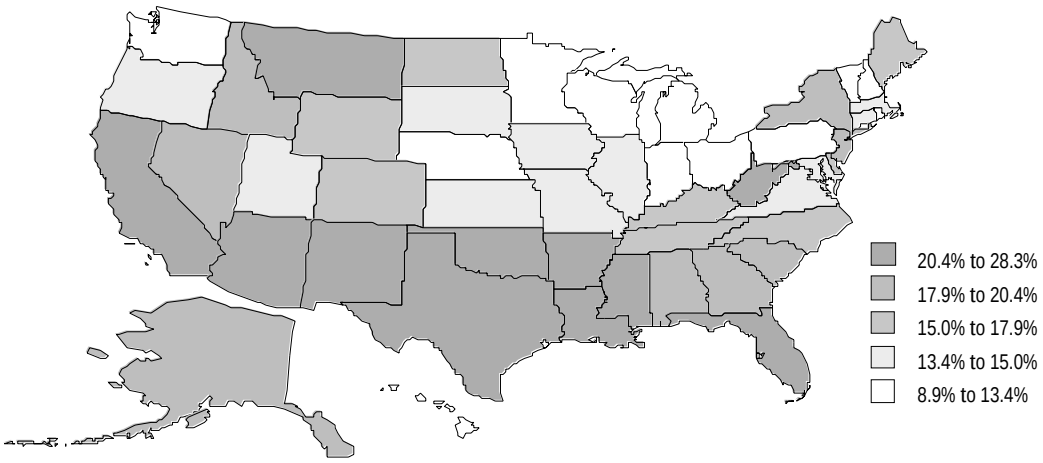
**Change in Health Insurance Costs and the Uninsured, A Comparison of 1987–1993 With 1994–1997**




Source: Employee Benefit Research Institute estimates of the March 1988–1998 Current Population Survey, and William M. Mercer, 1999.

Chart 4

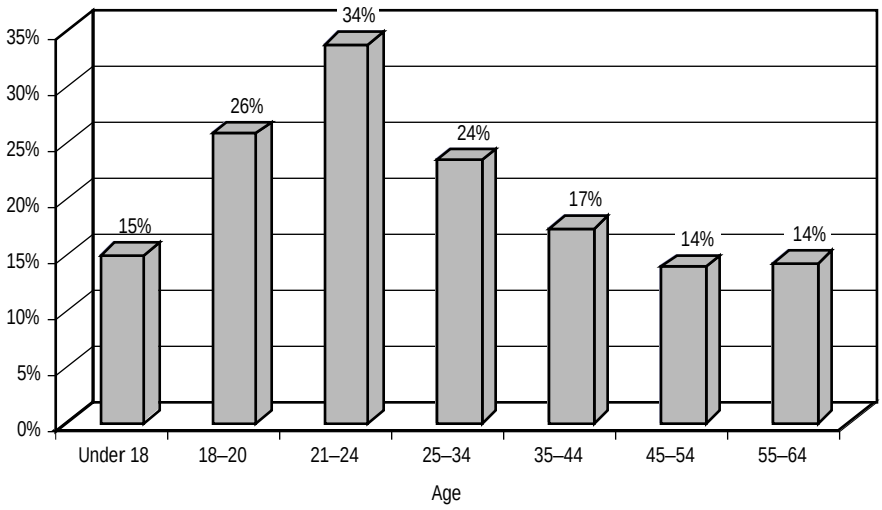
**Percentage Uninsured, by State, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Populatio

Chart 5

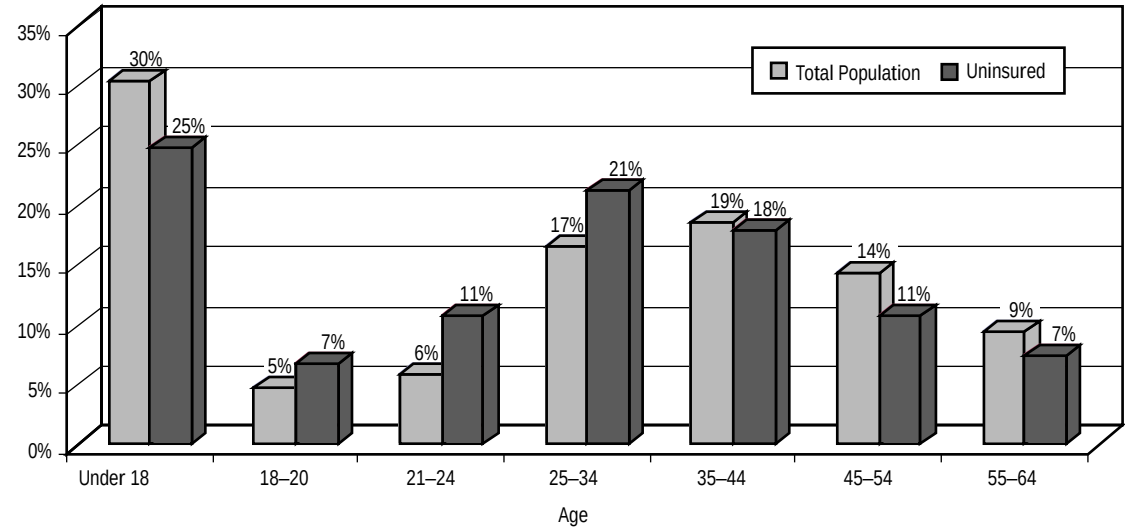
**Likelihood of Being Uninsured, by Age, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 6

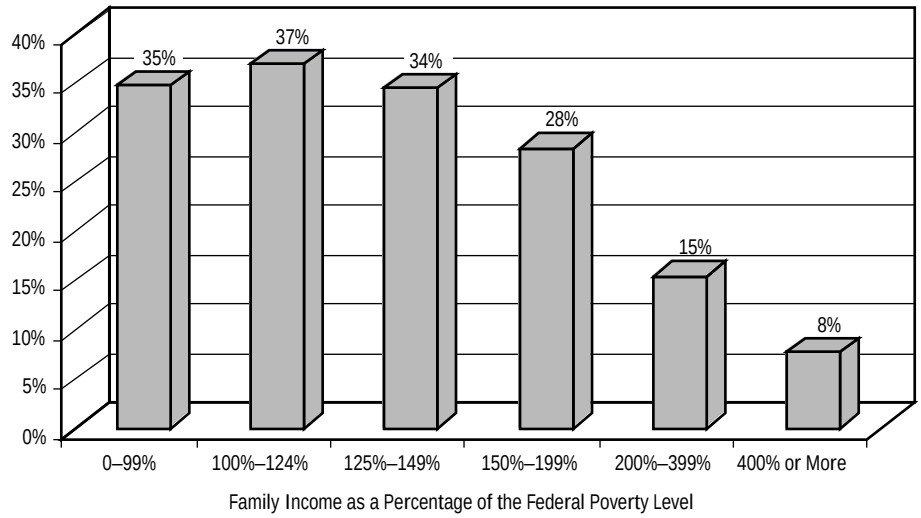
**Distribution of Americans and Uninsured Americans by Age, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 7

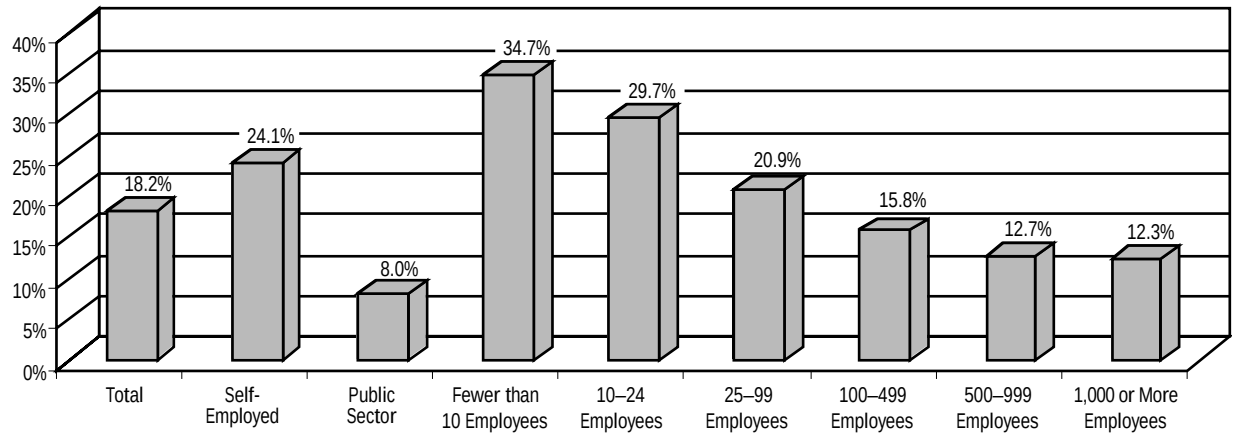
**Likelihood of Being Uninsured, by Family Income, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 8

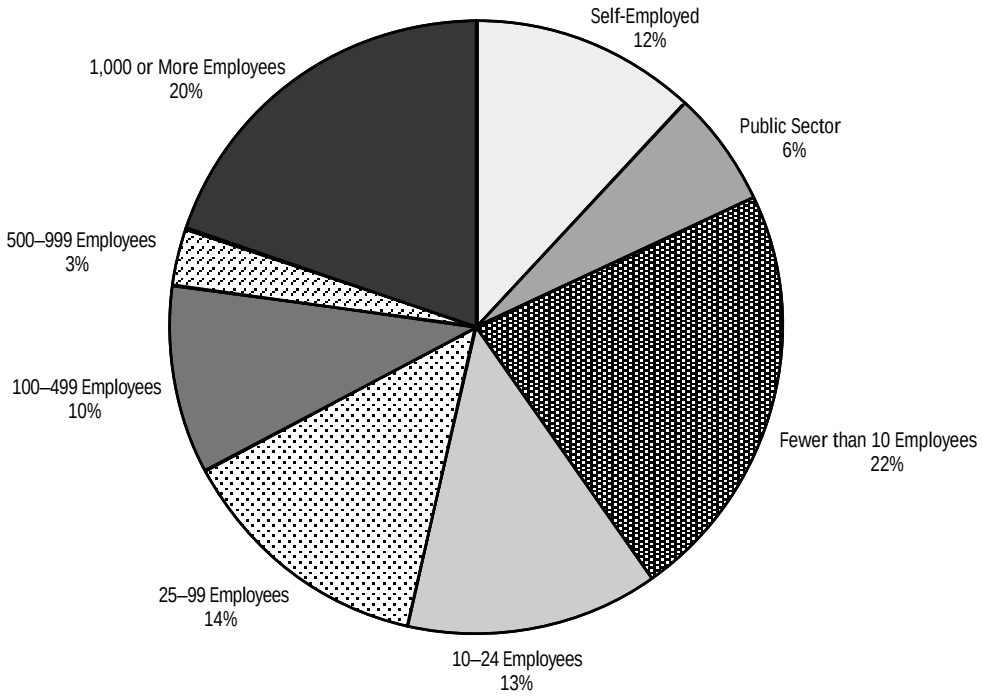
**Likelihood of Workers Being Uninsured, by Firm Size, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 9

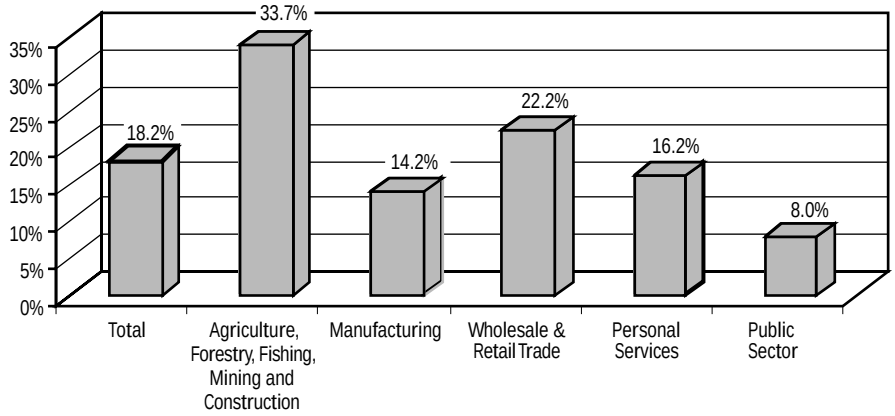
**Distribution of Uninsured Workers, by Firm Size, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 10

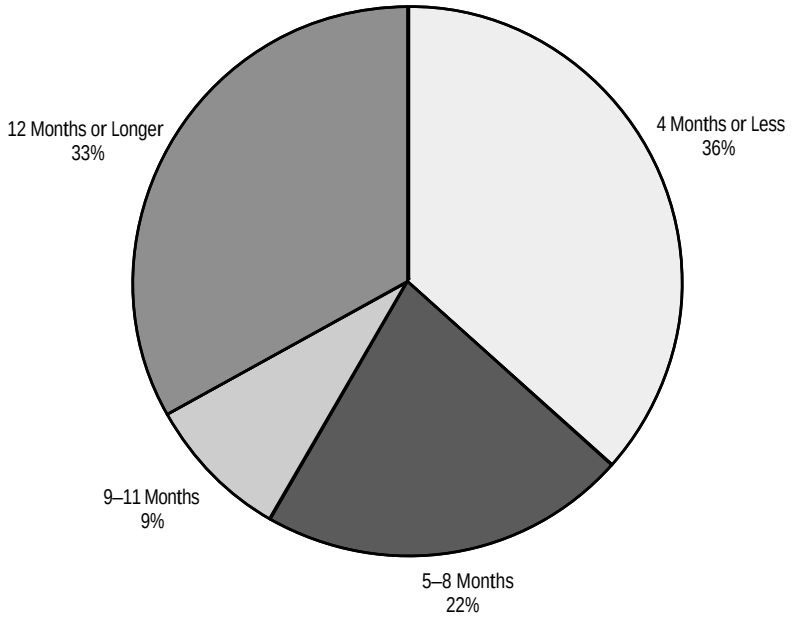
**Likelihood of Being Uninsured, by Industry, 1997**




Source: Employee Benefit Research Institute estimates of the March 1998 Current Population Survey.

Chart 11

**Distribution of Nonelderly Americans With an Uninsured Spell, by Length of Spell, 1994-1995**




Source: Copeland, 1998.