

Is the U.S. Health Care Crisis Over?

LAST YEAR THE CENSUS BUREAU REPORTED THE FIRST DECLINE IN THE NUMBER of uninsured Americans in more than a decade, and perhaps even longer. Though comparable data aren't available for periods before 1987, the data that are available suggest that after the 1982 recession the number of uninsured gradually rose throughout the 1980s. Concern over those who have no health insurance coverage has rightly been a central feature of the health care policy debates of the last several decades.

Does this most recent decline mean the problem has been solved?

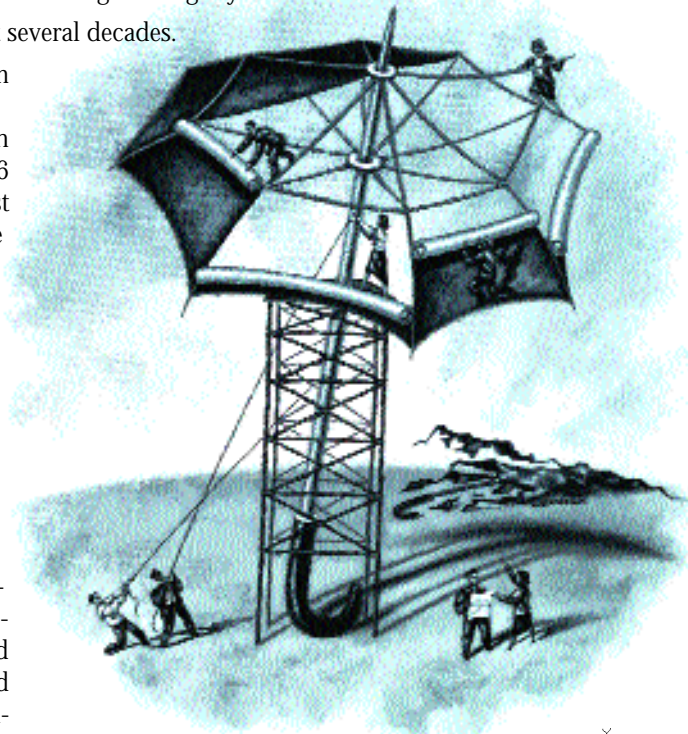
On one level, the answer is certainly no. Even with the most recent decline, there were still almost 42.6 million uninsured Americans in 1999. (As with most important questions, we're always looking out the rear window. Due to reporting lags, we don't know how many people were uninsured in a given year until September of the following year.)

But even if we still have a significant uninsured problem, have we at least "turned the corner"? To answer that question we must look at the underlying factors affecting coverage levels, and the causes of the recent decline.

The single most important factor affecting whether a person has health insurance is his income level. Fully a third (36 percent) of non-elderly Americans living below the federal poverty line are uninsured. (Because essentially all Americans over age 65 are covered through Medicare, most discussions of the uninsured focus on the "nonelderly"—those under age 65. Unless otherwise noted, all statistics in this article are based on the nonelderly population.) Less than one in ten (8 percent) of those with family incomes above four times the poverty level lack coverage.

A second key factor is employment. Eight out of 10 workers are offered health coverage by their employers. Only 15 percent of those living in families headed by a worker who is employed year-round are uninsured, while 27 percent of those in families headed by a nonworker are uninsured.

Of course, employment isn't enough. Low-wage workers, and those who work for small firms, are less likely to have health insurance than are other workers. In fact, one out of every five uninsured Americans is offered employer-sponsored health insurance but declines it. When asked, 68 percent of uninsured



workers who have turned down employment-based coverage cite cost as the reason.

Before the mid-1990s, much of the increase in the number of uninsured Americans can be attributed to declines in employer-sponsored coverage. The percentage of workers who are uninsured rose from 15 percent in 1979 to 23 percent in 1995. Regression analysis shows that this increase can be explained by the growth over the same period in per-capita health care spending relative to personal income.

For the past five years, however, employment-based coverage has been steadily rising, from 64.5 percent of the non-elderly in 1994 to 66.7 percent in 1999. Looking at more recent years when the trend has accelerated, 1997 to 1999, over half (54 percent) of the increase can be explained by rising wage levels. Another quarter of the increase (28 percent) can be explained by rising income levels. Most of the rest can be explained by changes in employment patterns.

Even though the number of workers covered through employment has been rising, for most of this

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period the number of uninsured Americans also rose. This occurred because the prevalence of public coverage dropped significantly over the same period, from 16.9 percent in 1994 to 14.2 percent in 1999. From 1994 through 1998, this drop swamped the increases in employment-based coverage.

While some of this decline in public coverage happened simply because there are fewer people with low incomes during a period of economic prosperity, the percentage of low-income workers receiving public coverage also declined. In 1994, 29 percent of those in families below 200 percent of the federal poverty level had public coverage—by 1998, that percentage had dropped to 26.3 percent.

The level of public coverage essentially stabilized between 1998 and 1999 (34.1 million in 1999 vs. 34.2 million in 1998). That stabilization, combined with continued growth in private coverage (170.3 million in 1998

to 174.1 million in 1999), resulted in a decline in the number of uninsured (from 43.9 million in 1998 to 42.1 million in 1999).

Math Lesson

What does this tell us? The number of uninsured Americans fell in 1999 because employer-sponsored private coverage became more common. This in turn was due to economic growth and a tight labor market. Will the decline continue? There are indications that it won't.

While from 1994 to 1998 the cost of coverage grew more slowly than the overall inflation rate, premiums increased sharply from 1998 to 2000. So far, employers haven't passed these costs on to employees or stopped offering coverage. This may not be surprising, given that the U.S. unemployment rate hit a 30-year low of 3.9 percent in April of 2000, and again in September 2000. Since then, the unemployment rate has risen back to 4.2 percent.

While we've clearly been enjoying an almost unprecedented economic boom, recent indications are that it has paused, if not come to an end. If so, the same factors that led to increases in private coverage as they rose—income and employment levels—will cause private coverage to decline as they fall.

And even if the economy remains favorable, it's not at all clear that employment levels can rise significantly enough to address the bulk of the remaining 43 million uninsured Americans. Even in the absence of an economic downturn, some researchers suggest that demographic and labor-market changes may lead to a modest decline in the prevalence of employer-sponsored coverage.

What should we conclude? The nation still has a significant coverage problem, and that problem is unlikely to disappear anytime soon. Any practical solution must recognize that many low-income Americans simply cannot afford to purchase health insurance unaided. For those with incomes below the federal poverty level, most of whom have no meaningful connection with the labor force, coverage cannot be made affordable unless virtually the entire cost is subsidized.

Reducing the marginal cost of coverage by tinkering with market rules won't be enough to help very low-income Americans. Since this group represents one-fourth of the problem, and health care isn't cheap, any solution is likely to be expensive. And while the "working poor," those with incomes between one and two times the federal poverty level, have more financial resources, cost is still a significant barrier for them and significant subsidies are likely to be required.

Polling during the 2000 election cycle showed broad bipartisan support for several measures that would reduce the cost of coverage. Providing uninsured Americans with tax deductions, credits, or other financial incentives to purchase private coverage was supported by 68 percent of Republicans and 67 percent of Democrats. Expanding state programs for low-income uninsured individuals was supported by 67 percent of Republicans and 84 percent

of Democrats. Increasing federal funding for community health centers was supported by 72 percent of Republicans and 89 percent of Democrats.

While there are sharp party-line differences on many other health care issues, this developing consensus on targeted measures to make private coverage more affordable for the working poor and to provide public health care coverage to very low-income uninsured individuals could provide the basis for political compromise.

Why We Should Care

When the issue of uninsured Americans comes up, someone often notes that no one in the United States is denied health care. The implication is that while lack of coverage may be economically inefficient and create some level of personal inconvenience, no one is actually harmed.

Though it's true that the uninsured receive health care, there's a growing body of research demonstrating that the lack of health insurance coverage has very real consequences.

As would be expected, people who are uninsured tend to spend much less on health care. On average, the uninsured spend less than half as much on health care than the typical American. This isn't because they're uniformly healthy. When these people are divided into two groups based on whether they describe their health as good, very good, or excellent or as fair or poor, in both groups the uninsured spend less than half of the average for that group.

Of course, looking at spending doesn't give the whole story. Uninsured people not only pay for less health care, they in fact receive less health care. Uninsured adults, particularly low-income uninsured adults, are less likely than others to receive routine physical exams and preventive care, and are more likely to have unmet health needs. Even when experiencing potentially serious symptoms that they believe require treatment, the uninsured are much less likely to receive care.

Health insurance can make a difference even for difficult-to-serve populations; among the homeless health insur-

ance coverage is associated with greater use of health care.

Health insurance is important for children as well as adults. Uninsured children have fewer office visits, hospital inpatient visits, hospital outpatient visits, and prescription drugs than do children who are insured. They also have fewer emergency room visits, suggesting that access to hospital emergency rooms isn't fully substituting for reduced access to other sources of care.

While there is doubtless a great deal of unnecessary care provided in the United States, excessive use of health care services by those with insurance doesn't

completely explain the difference in usage. One literature review found evidence associating the lack of health insurance with a variety of health consequences ranging from delays in seeking treatment and unnecessary hospitalizations through delayed diagnosis of cancer and up to increased mortality rates.

None of this should be too surprising. The purpose of health insurance is to make sure people can afford the health care they need. To the extent that health care is good for them, ensuring access to that care should be beneficial also. Research confirms this; health insurance makes a difference in people's lives. ●

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