



# THE UNINSURED: A PRIMER

KEY FACTS ABOUT AMERICANS WITHOUT  
HEALTH INSURANCE

October 2006

# kaiser commission on medicaid and the uninsured

Over 46 million Americans were without health insurance in 2005. The number of uninsured under age 65 grew by 1.3 million from 2004 to 2005, continuing an upward trend from 2000. While the number of uninsured Americans has been increasing, who they are has remained constant. Two-thirds of the uninsured are low-income, and eight in ten come from working families. Many uninsured work for firms that do not offer insurance, and those who are offered insurance often find their share of the premiums unaffordable. Young adults, racial and ethnic minorities, and those who are non-citizens are more likely to be uninsured; however, most of the uninsured are adults over the age of 30, white, and American citizens.

It is important to understand the reasons why people lack health insurance because health coverage matters to whether people get needed and timely medical care. The uninsured are much more likely than those with insurance to forego or delay seeking care. And, the consequences can be severe. Reduced access to care leads to poorer health, preventable hospitalizations, and even premature death.

It is the Commission's hope that this updated primer will serve as a valuable resource to understand who is uninsured, the consequences of being uninsured, and why the number of uninsured Americans continues to grow.

James R. Tallon  
Chairman

Diane Rowland, Sc.D.  
Executive Director

# The Uninsured: A Primer

## Key Facts About Americans Without Health Insurance

---

**Over 46 million Americans under the age of 65 lacked health insurance coverage in 2005, an increase of 1.3 million from the year before and an increase of over seven million since 2000.**

Fundamental facts useful to understanding this many-faceted problem are framed in this primer under these nine questions:

- ▶ **How do most Americans obtain health insurance?.....1**  
Most under the age of 65 obtain health coverage as an employer benefit. While Medicare covers all of the elderly, the nonelderly who do not have access to or cannot afford private insurance go without health coverage unless they qualify for the Medicaid program, SCHIP, or other state-subsidized insurance programs.
  
- ▶ **Who are the uninsured?.....3**  
While the number of uninsured has been growing, who the uninsured are and the social and economic factors that place a person at risk of being uninsured have not changed substantially over time. The uninsured are largely low-income adults in working families, for whom coverage is either unavailable or unaffordable.
  
- ▶ **How does lack of insurance affect access to health care services?.....6**  
Health insurance makes a difference in whether and when people get necessary medical care, where they get their care, and ultimately, how healthy people are. The consequences of reduced access to care can be serious, particularly when preventable conditions go undetected.
  
- ▶ **How do the uninsured pay for medical care?.....8**  
For many of the uninsured, the costs of health insurance and medical care are weighed against equally essential needs. Medical bills can mount quickly for the uninsured, even for relatively minor problems like dental care, and the financial impact, particularly on a low-income family, can be severe.

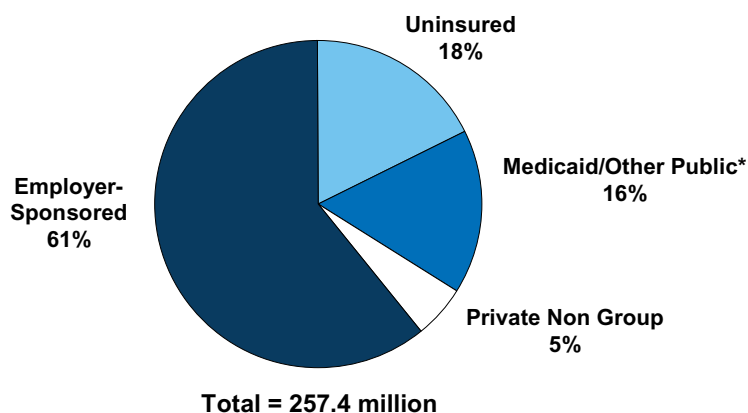
▶ How is uncompensated care financed?.....	10
Federal and state governments fund the vast majority of uncompensated care. That money is vital to the public hospitals and clinics that provide the bulk of such care, but funding levels have not kept pace with the rising number of uninsured and increasing medical costs.	
▶ How and why has the number of uninsured changed recently?.....	12
Changes in the overall economy and its impact on employment and family incomes, the rapid growth in health care costs and insurance premiums, and the ability of Medicaid and other public safety net programs to cover more of the uninsured, largely explain the trends in health coverage over the past decade.	
▶ Why doesn't employer-sponsored insurance cover more Americans?.....	15
Employer-sponsored health insurance is voluntary for employers and employees. Thirty-seven million people from working families were uninsured in 2005 because not all businesses offer health benefits, not all workers qualify for coverage, and many employees cannot afford their share of the health premium.	
▶ What is Medicaid's role?.....	19
Medicaid is this country's public health insurance program for low-income Americans, providing coverage based not only on a person's or family's income, but also on whether they fit into specific eligibility categories. Medicaid covers some of these basic groups of nonelderly, low-income people: children, their parents, pregnant women, and people with disabilities.	
▶ What can be done to decrease the number of uninsured?.....	23
The majority of the general public believes decreasing the number of uninsured is an important policy priority, but there is little agreement on how to achieve this goal. Building on the nation's mixed system of public and private insurance, the strategies being discussed vary not only by the means of insuring more Americans, but also by who is to be included in the reform. In the absence of national reform, more governors and state legislators are seeking solutions to help address the problem in their own state.	
Tables.....	27
Data Notes.....	38

## How Do Most Americans Obtain Health Insurance?

Most Americans under the age of 65 receive health insurance coverage as an employer benefit—61% in 2005. While Medicare covers virtually all those who are 65 years or older, the nonelderly who do not have access to or cannot afford private insurance go without health coverage unless they qualify for the Medicaid program, the State Children’s Health Insurance Program (SCHIP), or other state-subsidized insurance programs. The gaps in our private and public health insurance systems left 46.1 million nonelderly Americans—18% of those under age 65—without health coverage in 2005 (Figure 1).

Figure 1

### Health Insurance Coverage of the Nonelderly Population, 2005



\* Medicaid/Other Public includes Medicaid, SCHIP, other state programs, Medicare and military-related coverage.  
SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

### Private Health Insurance Coverage

- **Many, but not all, employers offer group health insurance policies to their employees as a benefit and also often extend coverage to their employees' families.** About half of Americans insured through employer-sponsored health plans are covered by their own employer (51%) and half are covered as an employee’s dependent (49%). Health insurance offer rates vary among businesses, with large firms and those with more high-wage workers more likely to offer coverage.<sup>1</sup>
- **Employer-sponsored health insurance is voluntary; businesses are not legally required to offer health benefits, and employees can choose not to participate.** In 2006, 61% of firms offered health benefits to at least some of their employees, down from 69% in 2000.<sup>2</sup> Even when businesses offer health benefits, some employees are ineligible because they are part-time employees or recent hires and some do not sign up because of the required employee share of the premium.
- **Private policies directly purchased in the non-group market (i.e., outside of employer-sponsored benefits) cover only 5% of nonelderly Americans.** Private, non-group insurance premiums are based on individual health risk and are substantially more expensive than group plans purchased by employers, with costs varying by age and health status. The share of the nonelderly with private non-group insurance has changed very little over time. Obtaining coverage in the individual

market can be difficult—in 2005, nearly three in five adults who sought coverage had difficulty finding a plan they could afford, and one in five were denied coverage, charged a higher price, or had a specific health condition excluded from coverage.<sup>3</sup>

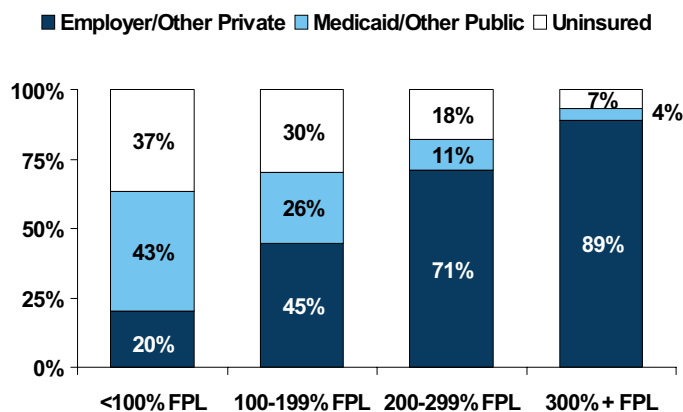
- Private health insurance coverage is subsidized through the federal tax system in several ways.** The most common form of private insurance subsidy is the employee tax exclusion of the health insurance premiums paid by employers. Those who are self-employed are now allowed to deduct all of the costs of their insurance premiums from their taxes. In addition, people with unusually high health care expenses (exceeding 7.5% of their adjusted gross income) can deduct the costs, including premiums, on their tax returns. Tax advantages are also available for health savings accounts (HSAs) and flexible spending accounts.

### **Public Health Insurance Coverage**

- The Medicaid program provides coverage to some, but not all, of the low-income and disabled uninsured.** Covering 13% of the nonelderly, Medicaid is larger than any single private health insurer. It provides health coverage based on both income and categories of eligibility, primarily covering four main groups of nonelderly, low-income people: children, their parents, pregnant women, and individuals with disabilities. Although Medicaid covers over 40% of the poor, the categorical nature of the program means that 37% of those below the poverty level remain uninsured (Figure 2).

Figure 2

### **Health Insurance Coverage by Poverty Level, 2005**



The federal poverty level was \$19,971 for a family of four in 2005. Data may not total 100% due to rounding.  
SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

- Medicaid and the State Children’s Health Insurance Program (SCHIP) cover one quarter of all children and half of low-income children.** Medicaid is the largest source of health insurance for children in the U.S., covering 28 million children. SCHIP supplements Medicaid by covering six million children who are low-income but whose family incomes are too high to qualify for Medicaid.<sup>4</sup>
- Medicaid covers one in five people with severe disabilities.** Medicaid provides health and long-term care coverage for eight million nonelderly people with disabilities, including over one million disabled children. Its role is more prominent for people with certain conditions, such as HIV/AIDS. However, eligibility for Medicaid for people with disabilities in most states is limited to those with incomes below the federal poverty level.

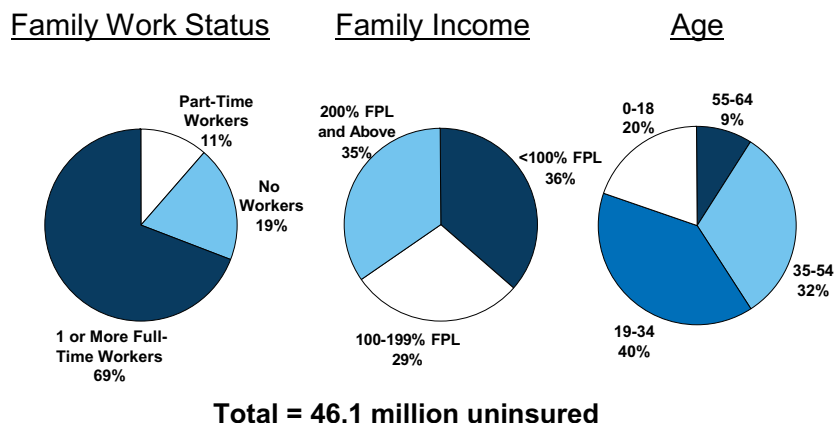
## Who Are the Uninsured?

In 2005, 46.1 million Americans under the age of 65 lacked health insurance. While the number of uninsured Americans has been growing, who the uninsured are and the social and economic factors that place a person at risk of being uninsured, have not changed substantially over time. The uninsured are largely low-income adult workers for whom coverage is either unavailable or unaffordable.

- In 2005, over eight in ten uninsured came from working families—almost 70% from families with one or more full-time workers and 11% from families with part-time workers.** Only 19% of the uninsured are from families that have no connection to the workforce (Figure 3). Even at lower income levels, the majority of the uninsured have workers in their family. Fifty-three percent of the uninsured who are poor have at least one worker in the family. (Poor is defined as an income less than 100% of the federal poverty level – \$19,971 for a family of four in 2005).
- Because of the high cost of health insurance, the poor and near-poor have the greatest risk of being uninsured.** The uninsured rate among the nonelderly poor is twice as high as the national average (36% vs.18%). Were it not for the Medicaid program, many more of the poor would be uninsured. The near-poor (those with incomes between 100% and 199% of poverty) also run a high risk of being uninsured (30%), in part, because they are less likely to be eligible for Medicaid. Two-thirds of the uninsured are either poor or near-poor.
- Adults are more likely to be uninsured than children.** Adults make up about 70% of the nonelderly population, but 80% of the uninsured (Figure 3). Most low-income children qualify for Medicaid or SCHIP, but low-income adults under age 65 qualify for Medicaid only if they are disabled, pregnant, or have dependent children. Income eligibility levels are generally much lower for parents than for children.

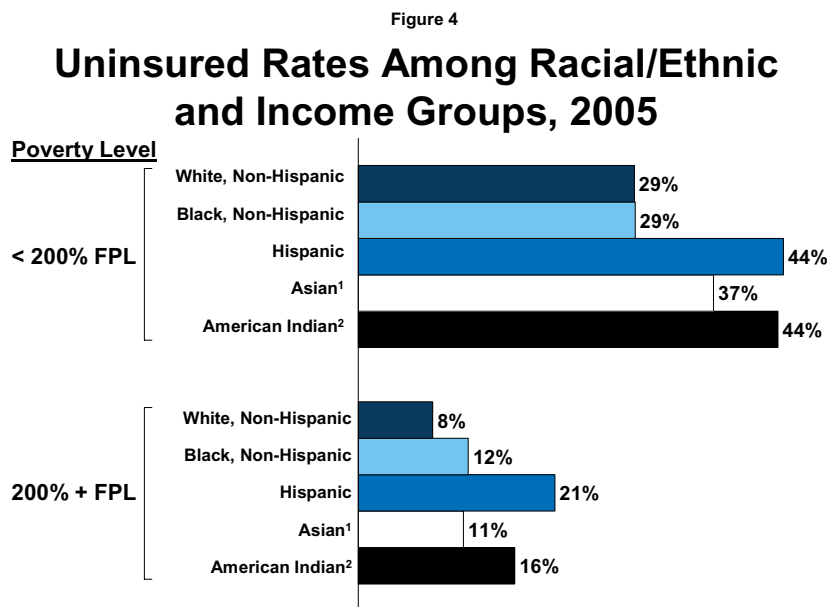
Figure 3

### Characteristics of the Uninsured, 2005



The federal poverty level was \$19,971 for a family of four in 2005. Data may not total 100% due to rounding.  
SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

- **More than 60% of non-elderly uninsured adults did not attend college, making them less able to get higher-skilled jobs that more typically provide health coverage.** Those with less education are also more likely to be uninsured for longer periods of time.
- **Minorities are much more likely to be uninsured than white Americans.** About one third of Hispanics and Native Americans are uninsured compared to 13% of whites. The uninsured rates among African Americans (21%) and Asian Americans (19%) are also much higher than that of whites. These differences are only partly explained by income disparities—insurance disparities exist at both lower and higher income levels (Figure 4).

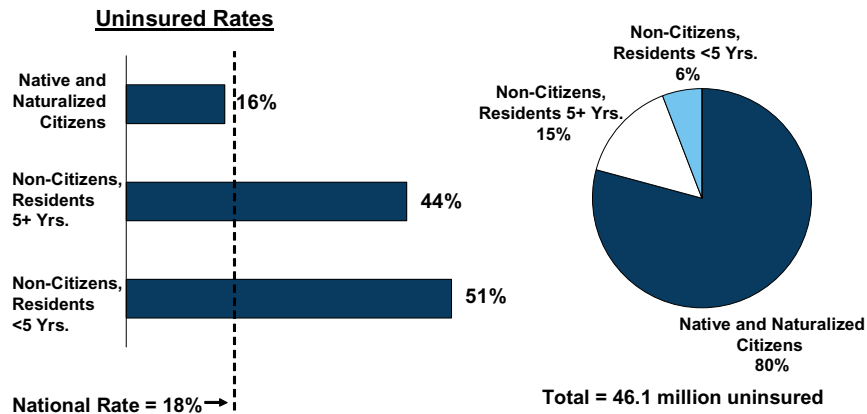


<sup>1</sup>Asian group includes Pacific Islanders. <sup>2</sup>American Indian group includes Aleutian Eskimos. 200% of the poverty level was \$39,942 for a family of four in 2005.  
SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

- **The large majority of the uninsured (80%) are native or naturalized U.S. citizens.** Non-citizens have high uninsured rates (roughly 40% to 50%) compared to citizens due to their employment in low-wage jobs that are less likely to offer health coverage and restrictions on their eligibility for public coverage (Figure 5). However, studies show that new immigrants are not primarily responsible for the growth in the overall uninsured population, mainly because they comprise a small share of the total U.S. population.<sup>5</sup>

Figure 5

## Nonelderly Uninsured by Citizenship, 2005



SOURCE: KCMU/Urban Institute analysis of March 2006 CPS. Data may not total 100% due to rounding.

- **The uninsured tend to be in worse health than the privately insured.** Ten percent of the uninsured are in fair or poor health, compared to 5% of those with private coverage. Almost half of all uninsured nonelderly adults have a chronic condition.<sup>6</sup> Those with such conditions and others who are not in good health may find non-group coverage to be unavailable or unaffordable if they do not have job-based coverage.
- **The majority of uninsured adults (59%) have gone without coverage for a period of at least two years.<sup>7</sup>** Because health insurance is primarily obtained as an employment benefit, health coverage can be disrupted when people change jobs. This, as well as other changes in income and family composition, can cause temporary gaps in health insurance.

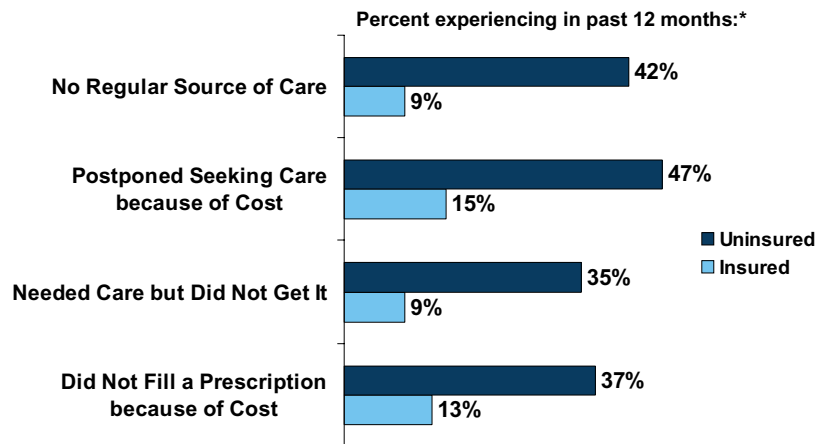
## How Does Lack of Insurance Affect Access to Health Care Services?

Health insurance makes a difference in whether and when people get necessary medical care, where they get their care, and ultimately, how healthy people are. Uninsured adults are far more likely than the insured to postpone or forgo health care altogether and less able to afford prescription drugs or follow through with recommended treatments. The consequences of reduced access to care can be severe, particularly when preventable conditions go undetected.

- The uninsured are up to three times more likely than those with insurance to report problems getting needed medical care, even for serious conditions.** Part of the reason many of the uninsured postpone or forgo needed care is because over 40% do not have a regular place to go when they are sick or need medical advice, compared to just 9% of those with coverage (Figure 6). About 20% of the uninsured (compared to 3% of those with coverage) say their usual source of care is an emergency room.<sup>8</sup>
- Anticipating high medical bills, many of the uninsured are not able to follow recommended treatment.** Over a third of uninsured adults say they did not fill a drug prescription in the past year and over a third went without a recommended medical test or treatment due to cost.<sup>9</sup> Insured nonelderly adults are at least 50% more likely to have had preventive care such as pap smears, mammograms, and prostate exams compared to uninsured adults.<sup>10</sup>

Figure 6

### Barriers to Health Care by Insurance Status, 2003

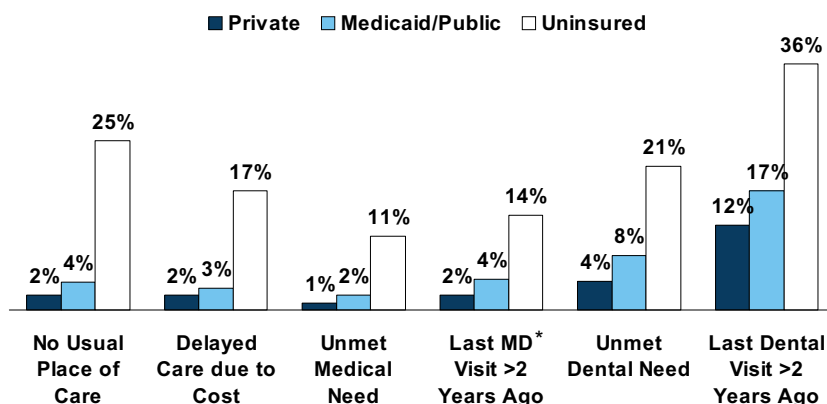


\* Experienced by the respondent or a member of their family.  
 Insured includes those covered by public or private health insurance.  
 SOURCE: Kaiser Family Foundation, Kaiser 2003 Health Insurance Survey.

- Problems getting needed care also exist for uninsured children, who are generally healthy and for whom access to care is a solid investment.** Uninsured children are much more likely to lack a usual source of care, to delay care, or to have unmet medical needs than children with insurance. Uninsured children with common childhood illnesses and injuries often do not receive the same level of care. As a result, they are at higher risk for preventable hospitalizations and for missed diagnoses of serious health conditions (Figure 7).<sup>11</sup>

Figure 7

## Children's Access to Care, by Health Insurance Status, 2004



\* MD or any health care professional, including time spent in a hospital. All estimates are age-adjusted.  
SOURCE: National Center for Health Statistics, CDC. 2006. Summary of Health Statistics for U.S. Children: National Health Interview Survey, 2004.

- Lack of health coverage, even for short periods of time, results in decreased access to care.** Those who have been uninsured for less than six months are already less likely than those with continuous health coverage to have a usual source of care and more likely to report having an unmet need for medical care or a prescription drug in the past year. As the period without coverage lengthens, more of the uninsured face these kinds of access problems.<sup>12</sup>
- Access to health care improves after an uninsured person obtains health insurance; similarly, losing coverage, whether it is private insurance or Medicaid, substantially decreases access to care.** For example, people who have lost Medicaid coverage are two to three times more likely than Medicaid beneficiaries to report going without medical care because it is too expensive and they are worried about medical bills.<sup>13</sup>
- Because the uninsured are less likely than the insured to have regular outpatient care, they are more likely to be hospitalized for avoidable health problems.** When they are hospitalized, they are more likely to receive fewer services and to die in the hospital than are insured patients.<sup>14</sup>
- The uninsured are also less likely to receive timely preventive care.** For example, people with insurance are significantly more likely to have had recent mammograms and colon and cervical cancer screenings. Consequently, uninsured cancer patients are diagnosed in later stages of the disease and die earlier than those with insurance.
- Having insurance improves health overall and could reduce mortality rates for the uninsured by 10-15%.** It has been estimated that the number of excess deaths among uninsured adults age 25-64 is in the range of 18,000 a year.<sup>15</sup>

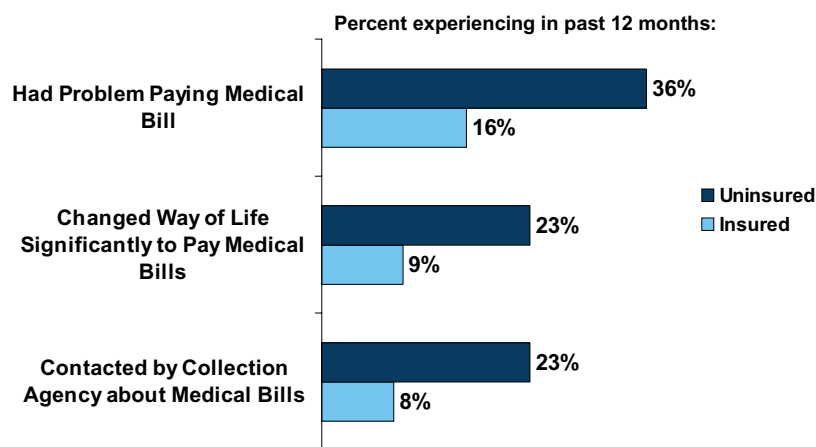
## How Do the Uninsured Pay for Medical Care?

For many of the uninsured, the costs of health insurance and medical care are weighed against equally essential needs. The uninsured are twice as likely as those with health coverage to live in a household that is having difficulty paying monthly expenses as basic as rent, food, and utilities. Medical bills can mount quickly for the uninsured, even for relatively minor problems like dental care, and the financial impact on a family can be serious.

- **Among the nonelderly in 2004, the costs of medical care received by those uninsured for the full year were just over half that of those with insurance.** Because the uninsured receive less care, their per capita costs were \$1,629 compared to \$2,975 for the insured. Over a third (35%) of the costs of care received by the full-year uninsured are paid for themselves out-of-pocket.<sup>16</sup>
- **Having health insurance makes a difference in the debt individuals and families face because of medical bills.** The uninsured are more than twice as likely to have had problems paying medical bills in the past year as those who have coverage. In addition, the impact of these bills is much greater on uninsured families (Figure 8). Nearly a quarter (23%) of the uninsured reported spending less on other basic needs such as food and heat in order to pay medical bills.<sup>17</sup>
- **Having health insurance makes a difference to a person's credit history.** Like any bill, when medical bills are not paid or paid off too slowly, they are turned over to a collection agency, and a person's ability to get further credit is significantly limited. About a quarter (23%) of the uninsured report that they were contacted by a collection agency about unpaid medical bills in just the past year.<sup>18</sup>

Figure 8

### Financial Burden of Medical Bills by Insurance Status, 2003



Insured includes those with public or private insurance coverage.  
SOURCE: Kaiser Family Foundation, Kaiser 2003 Health Insurance Survey.

- **The uninsured are increasingly paying "up front" before services will be rendered.** When the uninsured are unable to pay the full medical bill in cash at the time of service, they can sometimes negotiate a payment schedule with a provider, pay with credit cards (typically with high interest rates), or can be turned away.<sup>19</sup>
- **Most of the uninsured do not receive health services for free or at reduced charge.** Hospitals frequently charge uninsured patients two to four times what health insurers and public programs actually pay for hospital services.<sup>20</sup> Only about one quarter of low-income uninsured adults (those with incomes under 200% of the poverty line) report they have received care for free or at reduced rates in the past year.<sup>21</sup>

## How Is Uncompensated Care Financed?

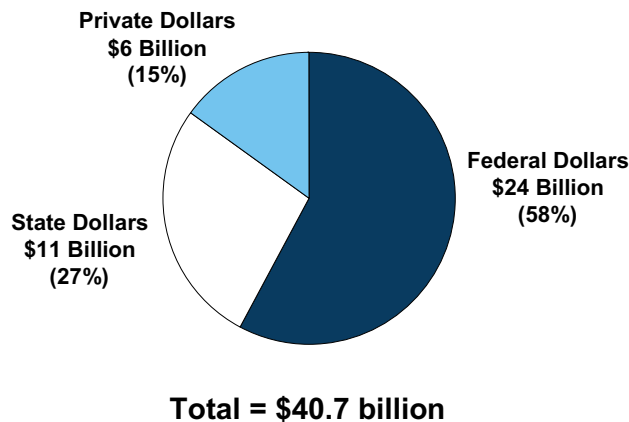
When the uninsured are unable to pay for care they receive, that uncompensated care is paid for through a patchwork of federal, state, and private funds. The bulk of such care is funded by the government and is crucial to the strength of the nation's public hospitals and clinics, which provide most of the uncompensated care the uninsured receive. Although this funding remains important, it has not kept pace with the rising numbers of uninsured and increasing medical costs.

- **The costs of uncompensated care were estimated to be about \$41 billion in 2004.** Projected government spending available to pay for the care of the uninsured in 2004 was \$34.6 billion—about 85% of the total uncompensated care bill (Figure 9). More than half of all funds for uncompensated care come from the federal government, with the majority of federal dollars flowing through Medicare and Medicaid.

Most government dollars for uncompensated care are paid to hospitals based partly on the share of uncompensated care they provide. Uncompensated care costs in direct service programs, such as community health centers and the Veterans Affairs health system, are funded almost completely by public dollars.<sup>22</sup>

Figure 9

### Payment Sources for Uncompensated Care, 2004



SOURCE: Derived from Hadley J. and J. Holahan. 2004. *The Cost of Care for the Uninsured: What Do We Spend, Who Pays, and What Would Full Coverage Add to Medical Spending?* KCMU, Issue Update, May 2004.

- **The federal uncompensated care funding that flows through Medicaid is a major source of financing for health care providers that serve the low-income and uninsured populations.** Medicaid is the largest source of third-party payments for community health centers, accounting for over one-third of their operating revenues. Medicaid also provides 37% of public hospital net revenues (Figure 10).



































































