

medicaid
and the uninsured

**The Economic Downturn and Changes in
Health Insurance Coverage, 2000-2003**

EXECUTIVE SUMMARY

Prepared by
John Holahan and Arunabh Ghosh
The Urban Institute

September 2004

kaiser commission medicaid and the uninsured

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.

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The number of uninsured Americans under age 65 increased by 5.1 million between 2000-2003 largely driven by continuing declines in employer-sponsored insurance. For children, this decline was more than offset by increases in enrollment in Medicaid and the State Children's Health Insurance Program (SCHIP), resulting in a decrease in the number of children without coverage. The same growth in public coverage did not occur for adults, and as a result all of the increase in the number of uninsured was among adults.

Since 2000, more Americans moved into economic circumstances in which the likelihood of employer-sponsored coverage was lower and the likelihood of being uninsured increased. The drop in employer-sponsored insurance occurred both because a smaller share of the population was working, but also because coverage among workers fell. This was affected by the shift in employment from industries that have historically had high rates of coverage to industries that have not, as well as from large firms to small firms and self-employment. In addition, the growth in the number of low-income Americans, particularly below the poverty line, increased significantly. As a result, the uninsured rate increased from 16.1% to 17.7% among the nonelderly population over the period.

Medicaid and SCHIP increase coverage of children

- For children, the decline in employer-sponsored insurance was more than offset by increases in public coverage and as a result the number of uninsured children declined by about 250,000.
- The number of uninsured children fell despite large increases (2 million) in the number of children below poverty and among the near poor. Both poor and near poor children had declines in employer-sponsored insurance that were more than offset by increases in Medicaid and SCHIP.

Loss of employer coverage increases the number of uninsured adults

- The rate of employer-sponsored insurance among adults fell between 2000 and 2003 from 68.9% to 65.1%. For adults, the decline in employer-sponsored insurance was not offset by the small increase in public coverage. As a result, the uninsured rate for adults increased by 2.4 percentage points; all of the increase in the uninsured over the 2000-2003 period was among adults.
- Most (three quarters) of the increase in the number of uninsured adults occurred among those below 200% of the federal poverty line. This occurred both because of a large growth in the number of low-income adults as well as an increase in the rate of uninsurance. This does not mean that the middle-

class was not affected, rather many in the middle income range became part of the low-income population during this period.

- About 25% of the increase in the number of uninsured adults occurred among those with higher incomes because of a decline in employer-sponsored insurance.

Change in patterns of work contributed to decline in employer-sponsored coverage

- There was a large decrease in the number of workers in medium- and large-sized firms and an increase in self-employment and work in small firms. Thus, the workforce moved to employment arrangements in which the likelihood of employer-sponsored insurance was lower and uninsured rates were higher. In addition, among the self-employed and workers in small firms, the reduction in the rate of ESI was particularly deep and increased the likelihood of being uninsured even more than that of workers in larger firms.
- There was also a shift in workers from industries with high rates of employer-sponsored insurance to those with low rates of coverage.

Growth in the Uninsured Varied by Demographics and Region

- About 60% of the growth in the uninsured occurred among young adults, almost 60% among whites, and about 70% among native citizens. Over half of the growth in the uninsured was in southern states.

The real success story in this period was the fact that children did not lose health coverage. The expansions of coverage in Medicaid the State Children's Health Insurance Program that occurred in the late 1990's allowed children to maintain coverage even with the loss of employer-sponsored insurance. These programs increased enrollment substantially with the result that there was actually a slight decline in the uninsured rate among children. We did not see, however, the gains in children's coverage that occurred in the late 1990s. In part, this is due to the large increase in the number of low-income children since 2000. However, the absence of greater progress in reducing uninsured children is also likely due to cutbacks in outreach and enrollment efforts that states have made in their Medicaid and SCHIP programs for children in the face of severe budget pressure that resulted from the substantial drop in state revenues during this period.

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