

Covering the Uninsured:
– Growing Need, Strained Resources –

Number of Uninsured Americans Is Growing

The number of uninsured under age 65 increased by 1.3 million between 2004 and 2005, adding to the nearly six million growth between 2000 and 2004—for a total of over 46 million nonelderly uninsured by 2005 (Fig. 1).

The economic downturn in 2001, coupled with rapidly rising health premiums, triggered a prolonged decrease in employer-sponsored coverage. Fewer families had two full-time workers; more had only one member working full-time or part-time, or no workers at all. Jobs also shifted from larger to smaller firms and self-employment, and to industries that have been less likely to offer health benefits.

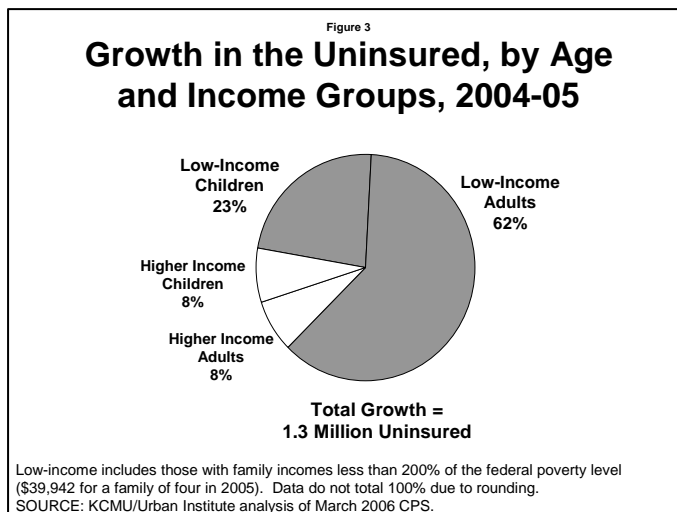
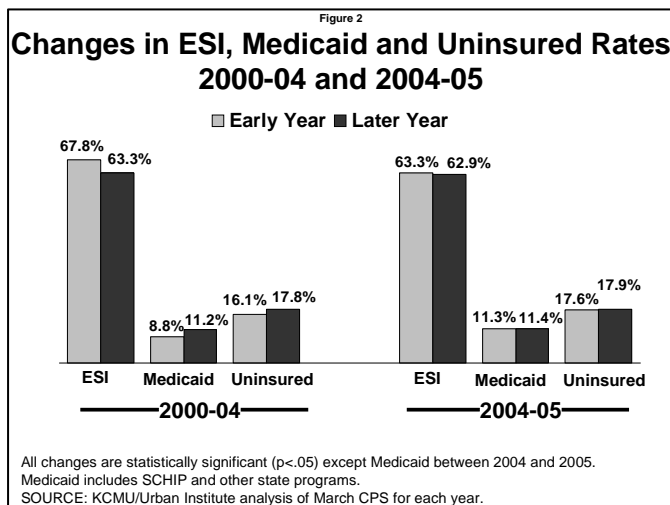
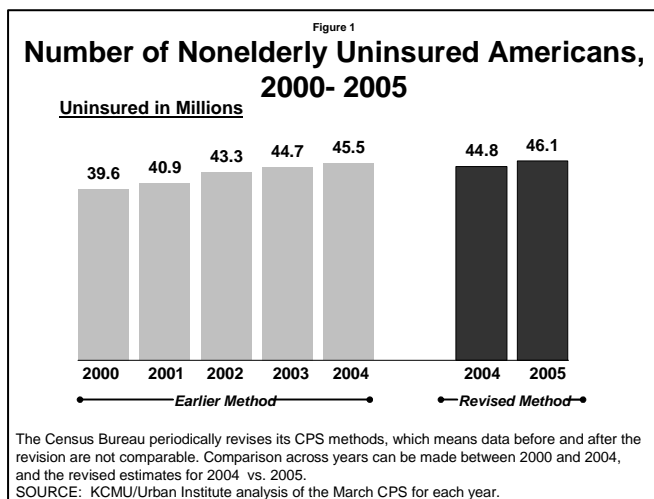
Enrollment in both Medicaid and SCHIP increased between 2000 and 2004, in response to the greater numbers who qualified and because of improved enrollment efforts (Fig. 2). These programs filled in the gap in private coverage for children, but were not enough to buffer adults' lost coverage. Children's uninsured rates actually decreased slightly between 2000 and 2004 and the number of uninsured children did not grow.

Public coverage had also increased among adults between 2000 and 2004, but with Medicaid's limits on adult eligibility, it was not enough to buffer the loss of job-based coverage. All of the growth in the number of uninsured over these four years was among adults.

By 2004 the economy began to improve, however the share of the population with employer-sponsored insurance continued to decline enough to increase the number of uninsured. Unlike earlier years, Medicaid was no longer expanding and the share with public coverage did not increase in 2005. Both the number of uninsured adults and children increased that year.

As in earlier years, most of the growth in the uninsured between 2004 and 2005 occurred among those with low incomes—1.1 million of the 1.3 million (85%) were from families with incomes less than twice the poverty level (Fig. 3).

Health insurance affects a person's access to care and well-being, as well as their financial security. While the uninsured receive less care than those with health coverage — and pay as much as one-third of their own medical costs — the



uninsured received about \$41 billion in uncompensated care in 2004 (care that was not paid for either by the uninsured themselves or by another identifiable source).

Most of their care is provided through the informal network of hospitals, clinics, and health centers, referred to as the “safety net,” which is supported by federal, state, and local government as well as private sources. About half of all safety net funds come from the federal government—an amount that comprises less than one percent of overall federal spending.

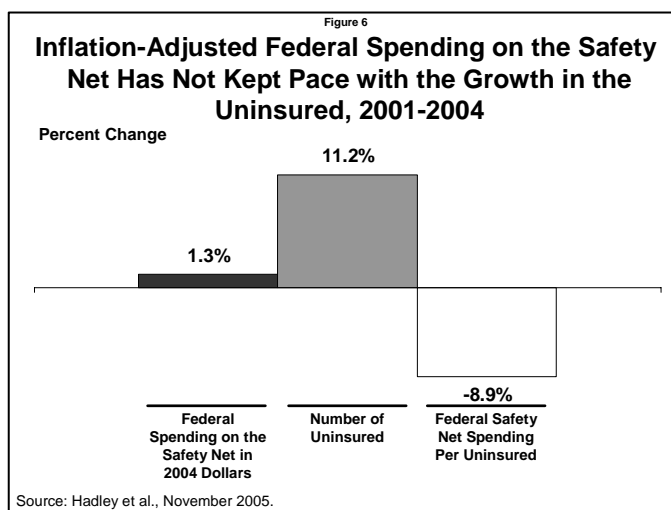
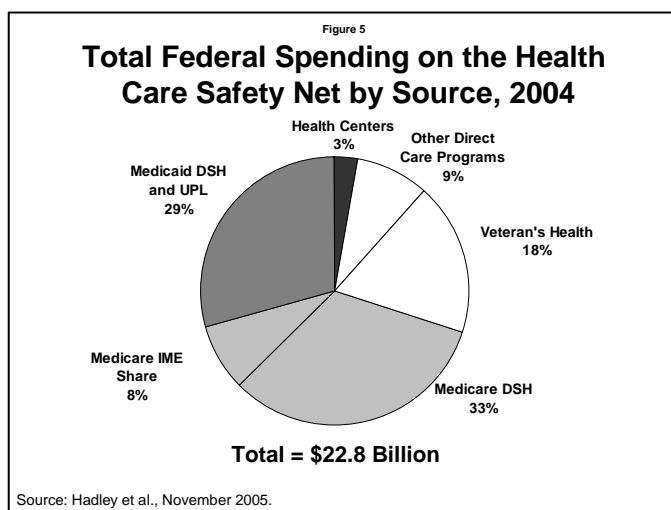
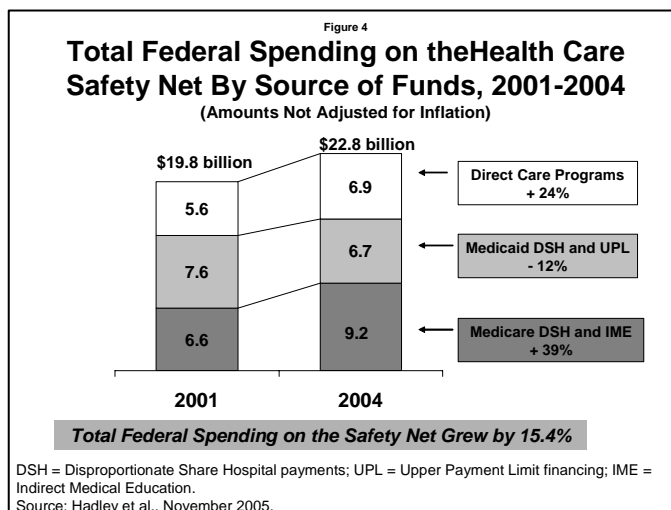
Federal Support of Health Care for Uninsured Wanes

Total federal outlays for the health care safety net grew from \$19.8 billion in 2001 to \$22.8 billion in 2004, an increase of 15.4% (Fig. 4). This overall increase reflects a decline in Medicaid spending (through its supplemental payments to providers), which was more than offset by increased spending for direct care programs – including health centers – and by Medicare.

Federal support for health centers has increased by more than 50 percent recently, growing from \$0.43 billion in 2001 to \$0.67 billion in 2004. However, federal funding for health centers still accounts for less than three percent of total federal spending on the safety net (Fig. 5).

Because medical spending overall is growing rapidly—nearly 14 percent during this time span—it’s important to weigh these increases relative to what any new dollars can buy. After adjusting for medical inflation and using constant 2004 dollars, total federal spending on the safety net increased by only slightly more than one percent between 2001 and 2004 (Fig. 6). Because the number of uninsured grew by nearly 5 million people, federal spending actually decreased from \$546 to \$498 per uninsured person over this time—a decline of 8.9%.

As critical to the care of the uninsured as safety net providers are, they are unable to meet all the needs of the uninsured, particularly if resources continue to decrease as the number of uninsured increases. Most federal safety net spending flows through Medicare and Medicaid, both of which are under budgetary pressures. Stable and sufficient financial support of safety net providers, in combination with affordable health insurance for more Americans, could provide the broadest access to health care.



Based on Holahan and Cook, “Why Did the Number of Uninsured Continue to Increase in 2005,” KCMU Report #7571, October, 2006 and Hadley et al., “Federal Spending on the Health Care Safety Net from 2001 – 2004: Has Spending Kept Pace with the Growth in the Uninsured?” KCMU, November 2005, Publication #7425. For additional copies of this publication (#7429-02), please visit kff.org.