

medicaid
and the uninsured

October 2006

Why Did the Number of Uninsured Continue to Increase in 2005?**John Holahan
Allison Cook****Overview**

On August 29, 2006, the Census Bureau reported that the number of nonelderly uninsured Americans had increased in 2005 by another 1.3 million people—for a total of 46.1 million uninsured—continuing an upward trend that began in the year 2000.¹ The changes in the rate of employer-sponsored insurance (ESI) as well as in the uninsured rate in 2005, as in 2004, were substantially smaller than were seen from 2000-2003.² The changes in 2005 differed from the changes in 2004 in that while there was a comparable decline in the rate of ESI in both years, there was virtually no increase in Medicaid and SCHIP in 2005 and thus the uninsured rate increased. In 2004, there was an increase in Medicaid/SCHIP coverage that offset the ESI decline and there was no significant change in the uninsurance rate. The result was a greater increase in the number of nonelderly uninsured in 2005, 1.3 million, versus 850,000 in 2004.

As in previous years, most of the increase in the uninsured was among adults. Of the 1.3 million increase in the number of uninsured in 2005, 1.0 million was among adults. Between 2000 and 2004, all of the increase was among adults and the number of uninsured children declined. In contrast, in 2005 the number of uninsured children increased. The small increase in the number of uninsured children (300,000) in 2005 reversed the small coverage gains among children (400,000 fewer uninsured) that had been made between 2000 and 2004.

In this paper we describe in more detail the changes that occurred in the past year and place them in the context of what has been happening since 2000. We then argue that the 2000-2005 period is really comprised of two somewhat different periods. Between 2000 and 2003 there was a decline in employment, an increase in the unemployment rate and slow growth in real Gross Domestic Product (GDP).³ At the same time there were substantially faster increases in premiums than in wages and incomes.⁴ Between 2003 and 2005 the employment picture began to improve and real GDP increased at a faster rate. The number of working Americans increased and families moved up the income ladder. While private health insurance premiums continued to grow faster than wages and incomes, the rate of decline in ESI slowed as

did the increase in the uninsurance rate. But the key finding is that, despite the improving economy, the percentage of the population with employer-sponsored insurance nonetheless continued to decline, and the number of the uninsured continued to increase.

There are several reasons why this occurred. The first and most commonly discussed is that the rapid growth in health care premiums led to declines in employers offering health benefits, as well as the rate of which employees participate or “take-up” these offers. But there are also demographic and workplace changes that affected the rate of employer-sponsored insurance. For example, in the past five years, there has been a shift towards work in small firms and to self-employment. There has also been a decline in employment in industries that have historically provided high rates of coverage and a substantial increase in employment in industries that have not. Moreover, there have been much greater increases in population in the southern and western regions of the U.S. than in the east and midwest. The former have much lower rates of employer sponsored insurance and higher rates of insurance.

We describe a number of methodological issues involved in the analysis at the end of this brief, but a few merit attention at this point.

First, we rely on several years of the Current Population Survey (CPS) for our analysis. We regard the CPS as providing data on the uninsured at a point in time following recent comments by the Census Bureau that its estimates are more closely in line with point in time estimates of the uninsured from other surveys.⁵

Second, because of methodological changes in the way health insurance coverage is assigned to dependents, we cannot directly compare changes between 2003 and 2004 with changes in 2004 and 2005. These effects were relatively small, but nonetheless inhibit the ability to average across years.

Third, we use the health insurance unit – members of the nuclear family who can be covered under one health insurance policy – as our basic unit of analysis for family-level characteristics. This leads to results that differ from when household income is used because the latter involves the income of all relatives and unrelated individuals living together.

Finally, in the data presented below, the increase in the number of uninsured is often greater than could be explained by the change in the population alone. This seems to be due to the fact that there is an increase in the uninsurance rate but that it is not statistically significant at conventional levels. We make note of instances in which the ESI rate declined or the uninsurance rate increased and there is a p value between 0.1 and 0.2, meaning that there is between 80 % and 90% chance that the increase in the uninsurance rate was greater than zero. Otherwise, it is not possible to explain the population changes that occur. For example, in the results presented below, we show that the number of uninsured adults increased significantly by 1.0 million in 2005 ($p=.02$), but that there was, by conventional standards, no significant change in the uninsured rate. If the uninsured rate was truly unchanged, the number of uninsured could only have grown with population growth, or by 445 thousand. Thus, we report the uninsured rate change from 20.4% to 20.7% and the accompanying p-value ($p=.18$).

Table 1
Health Insurance Coverage, 2004-2005
Nonelderly by Age and Health Insurance Unit Income

	NONELDERLY			ADULTS, 19-64			CHILDREN, 0-18		
	HI Coverage Distribution within Income Category		Change in Millions of People	HI Coverage Distribution within Income Category		Change in Millions of People	HI Coverage Distribution within Income Category		Change in Millions of People
	2004	2005	2004-05	2004	2005	2004-05	2004	2005	2004-05
All Incomes (millions of people)	255.1	257.4	2.4^a	177.3	179.5	2.2^a	77.8	77.9	0.1
Employer	63.3%	62.9%	-0.5%*	64.3%	63.9%	-0.4%#	61.1%	60.5%	-0.6%
Medicaid and State	11.3%	11.4%	0.1%	6.6%	6.8%	0.1%	21.9%	22.0%	0.1%
CHAMPUS/Medicare	2.3%	2.4%	0.1%	2.7%	2.8%	0.1%	1.3%	1.4%	0.1%
Private Nongroup	5.5%	5.4%	-0.1%	6.0%	5.9%	-0.1%	4.5%	4.5%	0.0%
Uninsured	17.6%	17.9%	0.3%*	20.4%	20.7%	0.3%	11.2%	11.6%	0.4%
Less than 200% of FPL	89.8	90.7	0.9	56.4	57.5	1.1^a	33.4	33.2	-0.2
Employer	30.0%	29.3%	-0.7%*	29.3%	28.8%	-0.6%	31.1%	30.2%	-1.0%
Medicaid and State	28.0%	27.9%	-0.1%	18.1%	18.3%	0.2%	44.7%	44.7%	-0.1%
CHAMPUS/Medicare	3.5%	3.5%	0.0%	4.6%	4.6%	0.0%	1.6%	1.6%	0.0%
Private Nongroup	6.2%	6.2%	-0.1%	7.7%	7.5%	-0.2%	3.8%	3.9%	0.1%
Uninsured	32.3%	33.2%	0.9%*	40.3%	40.9%	0.7%	18.8%	19.8%	0.9%#
Less than 100% of FPL	45.9	45.9	0.0	27.8	28.2	0.4	18.1	17.7	-0.3
Employer	17.4%	17.0%	-0.5%	16.8%	16.4%	-0.4%	18.3%	17.8%	-0.6%
Medicaid and State	36.5%	36.9%	0.4%	24.8%	25.6%	0.7%	54.5%	55.0%	0.5%
CHAMPUS/Medicare	3.2%	3.4%	0.1%	4.3%	4.5%	0.2%	1.6%	1.6%	0.0%
Private Nongroup	6.4%	6.3%	-0.2%	8.3%	8.1%	-0.2%	3.5%	3.3%	-0.2%
Uninsured	36.4%	36.5%	0.1%	45.7%	45.4%	-0.3%	22.0%	22.3%	0.3%
100-199% of FPL	43.9	44.8	0.9^b	28.6	29.3	0.7^b	15.3	15.5	0.2
Employer	43.1%	41.9%	-1.2%*	41.5%	40.6%	-0.9%	46.2%	44.3%	-1.8%*
Medicaid and State	19.1%	18.7%	-0.4%	11.5%	11.2%	0.0%	33.1%	32.8%	-0.3%
CHAMPUS/Medicare	3.7%	3.6%	-0.1%	4.9%	4.6%	-0.3%	1.5%	1.6%	0.1%
Private Nongroup	6.1%	6.1%	0.0%	7.1%	6.9%	-0.2%	4.2%	4.4%	0.3%
Uninsured	28.0%	29.8%	1.8%*	35.0%	36.6%	1.7%*	15.0%	16.8%	1.8%*
200 to 399% of FPL	74.6	74.4	-0.2	51.8	51.8	0.0	22.8	22.6	-0.2
Employer	74.1%	73.3%	-0.8%*	72.2%	71.8%	-0.3%	78.4%	76.6%	-1.8%*
Medicaid and State	3.9%	4.3%	0.3%*	2.2%	2.3%	0.1%	7.9%	8.7%	0.8%#
CHAMPUS/Medicare	2.1%	2.4%	0.3%*	2.3%	2.7%	0.3%#	1.4%	1.8%	0.4%*
Private Nongroup	5.6%	5.6%	0.1%	5.8%	5.8%	0.0%	4.9%	5.2%	0.3%
Uninsured	14.4%	14.4%	0.1%	17.5%	17.4%	-0.1%	7.4%	7.7%	0.4%
400% of FPL and above	90.6	92.3	1.7^a	69.0	70.2	1.2^a	21.6	22.1	0.5
Employer	87.5%	87.5%	-0.1%	87.1%	86.8%	-0.2%	89.0%	89.5%	0.5%
Medicaid and State	0.8%	0.9%	0.1%	0.5%	0.6%	0.1%	1.4%	1.7%	0.3%
CHAMPUS/Medicare	1.3%	1.4%	0.0%	1.5%	1.5%	0.1%	0.9%	0.9%	0.0%
Private Nongroup	4.8%	4.6%	-0.2%	4.7%	4.6%	-0.1%	5.2%	4.6%	-0.5%
Uninsured	5.6%	5.7%	0.1%	6.3%	6.5%	0.2%	3.5%	3.3%	-0.2%

Source: Urban Institute, 2006. Based on data from March Current Population Surveys, 2005, 2006.

Note: Excludes persons aged 65 and older and those in the Armed Forces.

* Indicates change in percent of people is statistically significant (at the 95% confidence level).

Indicates change in percent of people is statistically significant (at the 90% confidence level).

^a Indicates change in numbers of people is statistically significant (at the 95% confidence level).

^b Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Changes in Health Insurance Coverage, 2004-2005

Table 1 shows that the number of uninsured increased between 2004 and 2005 because of the decline in employer-sponsored coverage from 63.3% to 62.9%. This led to an increase in the uninsurance rate from 17.6% to 17.9%. Together with the growth in population, the number of uninsured increased by 1.3 million. The table also shows that there was a significant decline in the rate of ESI for those below 200% FPL and for those between 200% and 399% FPL. The uninsured rate among low-income people (those with income less than 200% of the FPL) increased from 32.3% to 33.2%, and they accounted for 1.1 of the 1.3 million increase in the number of uninsured. Among the low income, only the decline in ESI among the near poor (those between 100-199% FPL) was significant. For those between 100%-199% FPL, the ESI rate declined by 1.2 percentage points, the uninsured rate increased by 1.8 percentage points, and the number of uninsured increased by 1.0 million. Higher income Americans seemed to fare well; there was an increase in the number of people above 400% FPL, and the rate of employer-sponsored insurance was stable for that income group.

Among adults, there was a significant reduction in the rate of ESI from 64.3% to 63.9%. While the increase in the uninsurance rate from 20.4% to 20.7% was not significant at conventional levels ($p=.18$), the number of uninsured adults increased by 1.0 million. Thus most of the increase in the uninsured in 2005 was among adults. Of this increase most was among those with incomes below 200% FPL (800,000), and among these, most were near poor (700,000). The reduction in the rate of ESI for low-income adults appeared to lead to an increase in the uninsurance rate and contributed to the large increase in the uninsured (neither change was statistically significant; $p=.18$ for the ESI rate change and $p=.16$ for the uninsured rate change, however the increase in the uninsured among near-poor adults was significant, $p<.10$). High income (those with incomes greater than 400% of the FPL) adults fared well with no change in the rate of employer-sponsored insurance or uninsurance.

Among children there was a decline in employer-sponsored insurance from 61.1% to 60.5% ($p=.15$) and an increase in the uninsurance rate from 11.2% to 11.6% ($p=.13$). It's important to note that if we had categorized children as age 0-17 as reported by the Census Bureau, rather than 0-18, the changes would both have been statistically significant.⁶ The reduction in the rate of employer-sponsored insurance occurred both for those between 100-199% FPL, and those between 200-399% FPL. All of the increase in the number of uninsured children occurred among those below 200% FPL. This increase occurred exclusively among near-poor children where the uninsured rate increased from 15.0% to 16.8%. The rate of employer-sponsored insurance for middle-income children declined significantly from 78.4% to 76.6 % but there were increases in other forms of coverage and no (significant) change in the uninsurance rate. Children in higher income families saw no significant change in the rate of employer-sponsored insurance or in their uninsurance rate.

Thus, it seems that in 2005, soft labor market conditions for the low end of the income distribution adversely affected the rates of employer-sponsored insurance. Because there was little change in public coverage for adults or children, the result was an increase in the uninsurance rate. This was felt primarily among those below 200% FPL. Particularly noteworthy is that, among children, the decline in ESI was not offset by an increase in Medicaid/SCHIP, as it had been in earlier years, which led to the increase in the uninsurance rate.

Other noteworthy findings that are not shown in these tables are that all of the drop in employer-sponsored insurance occurred in households with one full-time worker. That is, there was no change in the ESI rate for the families with two full-time workers, part-time workers or no workers. Because of the decline in ESI among families with one full-time worker, their uninsurance rate increased from 17.9% to 18.9%. In addition, the largest regional drop in employer-sponsored insurance was in the south. The increase in the uninsurance rate was significant in both the south and the west. These two regions accounted for all of the growth in the number of uninsured in 2005.

Is There A Growing Number of Higher-Income Uninsured?

When the Census Bureau released the new data on insurance coverage in 2005, it showed that most of the increase in the number of uninsured was among those with household incomes greater than \$50,000. The number of uninsured with household incomes greater than \$50,000 increased by 1.5 million. The number of uninsured with a household income of less than \$25,000 fell by 500,000. Thus, based on household income, nearly all of the overall increase of 1.3 million uninsured seems to have occurred among higher income people. This seems at odds with our conclusion that most of the growth in the uninsured was among those with health insurance unit (HIU) income below 200% FPL.

Table 2 shows the increase of 1.5 million in the number of uninsured in households with incomes of \$50,000 or more, but the table also shows that 800,000 of these newly uninsured were among those who were also below 200% FPL. People can have high household incomes but still have incomes below 200% FPL for two reasons. One is that there are multiple persons living within a household—who cannot all purchase health insurance together as a family—and their combined income is substantially higher than that of the specific individuals who can form the health insurance units. The other explanation is that some households with incomes above \$50,000 can consist of large families which drops the family income below 200% FPL. These families could lose coverage because of declines in dependent coverage.

Table 2
Change in the Number of Nonelderly Uninsured, 2004-2005
By Household Income and Health Insurance Unit Income

	All Nonelderly	Household Income			
		<\$25,000	\$25,000-\$49,999	\$50,000-\$74,999	\$75,000+
All Incomes (millions of people)	1.3 ^a	-0.5 ^b	0.3	0.6 ^a	0.9 ^a
Income Levels					
Less than 200% of FPL	1.1 ^a	-0.4	0.6 ^a	0.5 ^a	0.3 ^a
200 to 399% of FPL	0.0	-0.2 ^a	-0.3	0.1	0.3 ^a
400% of FPL and above	0.2	n/a	0.0 ^b	0.0	0.3 ^a

Source: Urban Institute, 2006. Based on data from March Current Population Surveys, 2005, 2006.

Note: Excludes persons aged 65 and older and those in the Armed Forces. N/a denotes no available data.

* Indicates change in percent of people is statistically significant (at the 95% confidence level).

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^b Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Changes in Economic Conditions, 2000-2003 and 2003-2005

Economic conditions in the US clearly worsened between 2000 and 2003⁷, as illustrated in Table 3. Employment dropped from 131.4 million to 129.9 million. The unemployment rate increased from 4.0 percent to 5.9 percent. Real GDP had a cumulative increase of only 1.4 percent over the three years. In the following two years, conditions clearly improved. Employment increased to 132.9 million, the unemployment rate dropped to 5.1 percent and real GDP grew by a cumulative 5.0 percent.

Table 3
U.S. Economic Indicators, 2000 - 2005

YEAR	Employment Level (thousands)	Unemployment Rate %	Unemployment Level (thousands)	GDP (annual) (billions of current dollars)	Per Capita GDP (2005 dollars)	Rate of Year-to-Year Change
2000	131,377	4.0%	5,733	\$9,817	\$39,454.90	
2001	132,504	4.3%	6,141	\$10,128	\$39,174.02	-0.7%
2002	130,441	5.7%	8,290	\$10,470	\$39,466.77	0.7%
2003	129,920	5.9%	8,543	\$10,961	\$39,999.78	1.4%
2004	130,821	5.7%	8,397	\$11,713	\$41,236.31	3.1%
2005	132,876	5.1%	7,616	\$12,456	\$42,022.14	1.9%

Note: Employment, unemployment rate, unemployment level and average hourly earnings are all seasonally adjusted estimates from March.

Source: Bureau of Labor and Statistics, 2006. Employment data is from the Current Employment Statistics Survey; Unemployment data is from the Current Population Survey; Gross Domestic Product data from the Bureau of Economic Analysis.

Similar patterns are shown in Tables 4. The upper panel of Table 4 shows that the overall population increase between 2000-2003 was 7.6 million. The number of low-income people, below 200 percent of the FPL, increased by 7.7 million. There was a decline in the number of middle-income Americans (200% FPL – 399% FPL) of 1.9 million and a largely offsetting increase (1.8 million) in the number of high income (400% FPL+) Americans. Clearly, during this period both the number of people with low and high incomes increased, while the number of those in the middle income group declined. The large increase in those with low incomes is important because they are much less likely to have ESI and more likely to be uninsured than their higher-income counterparts.

Table 4
Change in Nonelderly Population by Income Level and Family Work Status

	<i>Change in Millions of People</i>			<i>Percent of Population by Coverage Type, 2005</i>	
	<i>2000-03</i>	<i>2003-05</i>	<i>2000-05</i>	<i>Employer</i>	<i>Uninsured</i>
All Nonelderly	7.6 ^a	4.7 ^a	12.4 ^a	62.9%	17.9%
Low-Income	7.7 ^a	2.3 ^a	10.1 ^a	29.3%	33.2%
Medium-Income	-1.9 ^a	1.7 ^a	-0.2	73.3%	14.4%
High-Income	1.8 ^a	0.7	2.5 ^a	87.5%	5.7%
2 Full Time Workers	-3.7 ^a	1.4 ^a	-2.3 ^a	84.6%	8.3%
1 Full Time Workers	3.8 ^a	2.2 ^a	6.0 ^a	65.5%	18.9%
Only Part-Time Workers	2.2 ^a	-0.1	2.1 ^a	32.8%	29.6%
No Workers	5.4 ^a	1.2 ^a	6.6 ^a	17.3%	29.4%

Source: Urban Institute, 2006. Based on data from March CPS 2001, 2004, and 2006

Note: Excludes persons aged 65 and older and those in the Armed Forces

^a Indicates change in numbers of people is statistically significant (at the 95% confidence level).

After 2003, the picture changed somewhat. The number of low-income persons continued to increase and accounted for about half of the overall increase in population between 2003 and 2005. But in contrast to the previous three years, the number of middle-income Americans increased by 1.7 million and there was a small increase in the number of high income Americans, about 700,000. These income changes should in themselves have improved the health insurance coverage picture.

The same data can be seen in a different way in the lower panel of Table 4 which shows CPS data on non-elderly by work status.⁸ Between 2000 and 2003 the number of people living in families with at least one full-time worker increased by less than 100,000. The number of people living in families with two full-time workers declined by 3.7 million. The number of people living in households with no workers increased by 5.4 million. Between 2003 and 2005 the picture changed. The number of people living in households with at least one full-time worker increased by 3.6 million and those in households with 2 full-time workers increased by 1.4 million. The number in households with no workers increased by only 1.2 million, far less than was seen in the first three years of the decade. The change in the employment picture from 2003 to 2005 would have been expected to lead to an increase in ESI and lower rates of uninsurance.

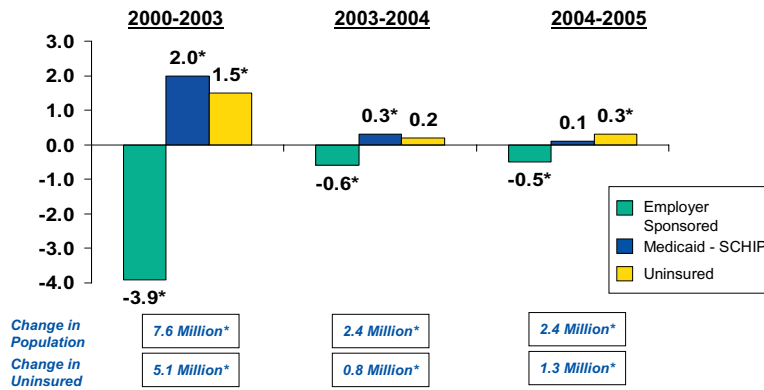
Changes in Health Insurance Coverage, 2000-2003 and 2003-2005

In this section we examine changes in coverage over the entire 2000-2005 period. As discussed below (see Methods section), combining coverage distribution data from 2003-2004 and 2004-2005 is inappropriate, given the methodological changes in the CPS in 2004 and 2005.⁹ Thus the figures below separate out the changes between 2000 and 2003 from 2003-2004 and 2004-2005. For the sake of space, we combine 2000-2003; as a result, the percentage changes are greater than for a single year. Nonetheless, it is clear that the average annual changes in employer and public coverage and in the uninsured rate were greater in the first three years of this decade than in the past two years.

The figures show percentage point changes in coverage. In general, a one percentage point change can represent the movement of very large numbers of people. Since the underlying percentage of individuals with some form of coverage must add to 100 percent in each year, an increase in one kind of coverage between two years needs to be offset by a decline in another. However, changes depicted here are not always completely offsetting because we exclude changes in private non-group, CHAMPUS and Medicare coverage (generally always small changes).

Between 2000 and 2003 the rate of employer-sponsored insurance fell by 3.9 percentage points, public coverage increased by 2.0 percentage points and the uninsured rate by 1.5 percentage points (Figure 1). As a result, the number of uninsured increased by 5.1 million.

Figure 1
Percentage Point Changes in Health Insurance Coverage
of the Nonelderly



* Statistically significant change ($p < .10$). Medicaid also includes SCHIP, other state programs.

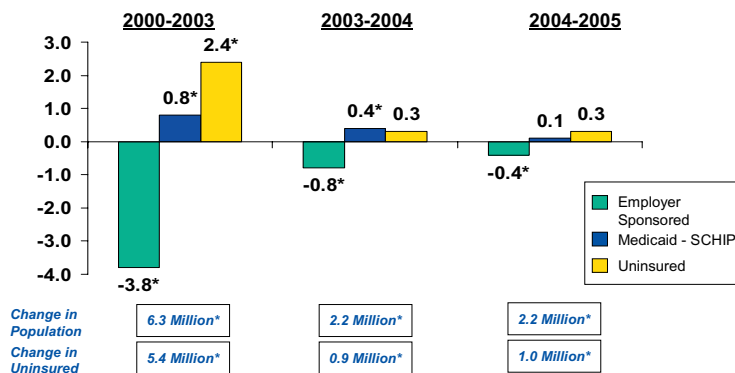
Figure excludes changes in CHAMPUS/Medicare and private nongroup insurance for ease of presentation because changes in coverage are generally small.

Source: Urban Institute

Between 2003 and 2005, the ESI rate continued to decline and the uninsured rate increased but by smaller amounts. In 2004, the rate of employer-sponsored insurance declined, but by only 0.6 percentage points, far less than in the previous three years. Medicaid coverage also increased and as a result, there is no significant change in rate of uninsured. However, because the population grew, the number of uninsured increased by 850,000. In 2005, the decline in employer-sponsored insurance was even lower, 0.5 percentage points. But there was no significant change in public coverage, and, as a result, the uninsured rate increased by 0.3 percentage points. The increase in the uninsured rate coupled with the population growth of 2.4 million resulted in an increase of 1.3 million uninsured. The big difference in 2005 was the slowing of Medicaid/SCHIP coverage growth.

Figure 2 shows the same information for adults. Between 2000 and 2003, there was a sharp decline in employer coverage – by 3.8 percentage points – and a small increase in public coverage; the uninsured rate increased by 2.4 percentage points. The increase in the uninsured rate coupled with an increase in the number of adults of 6.3 million, resulted in a growth of 5.4 million uninsured adults. In 2004, the decline in the rate of employer-sponsored insurance slowed to 0.8 percentage points. Medicaid/SCHIP grew by a small amount (0.4 percentage points), offsetting some of the loss in employer coverage. The resulting increase in the uninsurance rate for adults was not statistically significant (p=.20). Nonetheless, the number of uninsured grew significantly by 900,000, in part because of population growth. In 2005, the rate of employer-sponsored insurance fell by 0.4 percentage points, but the increase in Medicaid/SCHIP coverage was not statistically significant. The increase in the uninsured rate was again not statistically significant (p= .18), but the number of uninsured adults increased by 1.0 million.

Figure 2
Percentage Point Changes in Health Insurance Coverage
of Nonelderly Adults

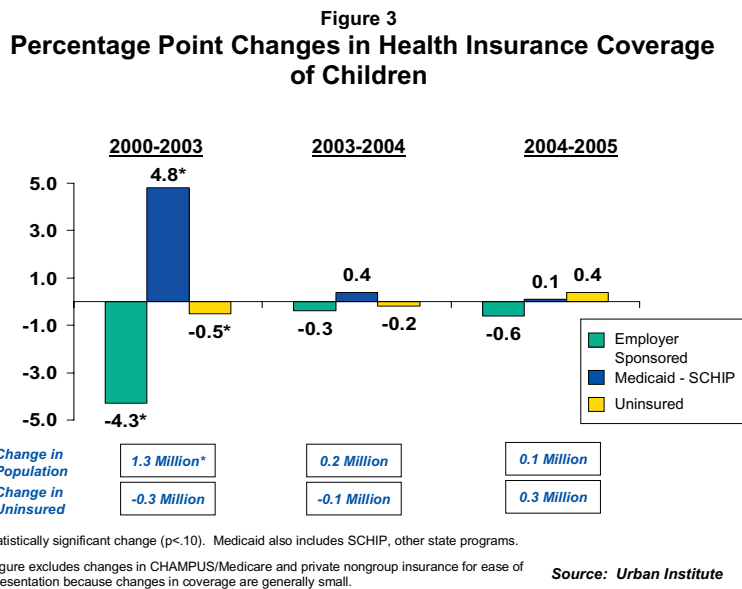


* Statistically significant change (p<.10). Medicaid also includes SCHIP, other state programs.

Figure excludes changes in CHAMPUS/Medicare and private nongroup insurance for ease of presentation because changes in coverage are generally small.

Source: Urban Institute

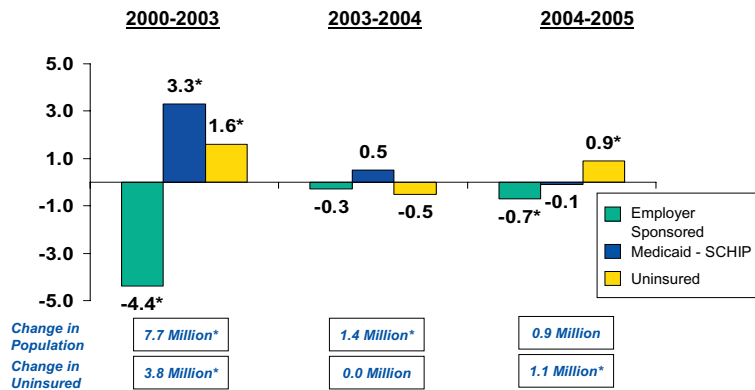
Among children, a somewhat different story emerges (Figure 3). Between 2000-2003, employer coverage fell by 4.3 percentage points. But this was more than offset by an increase in Medicaid coverage of 4.8 percentage points. The result was a statistically significant decline in the uninsured rate among children—from 12.3% to 11.8%. The number of uninsured children actually slightly declined by 300,000. In 2004 there was a decline in employer-sponsored insurance and an increase in public coverage, but neither was statistically significant; nor was the change in the uninsured rate.



In 2005, the rate of employer-sponsored insurance declined by 0.6 percentage points (p= .15). There is virtually no change in Medicaid/SCHIP coverage. The uninsured rate increased by 0.4 percentage points (p=.13) and the number of uninsured children increased by 300,000 in one year, (p=.13). This increase almost offset the decline in the number of uninsured children (400,000) between 2000 and 2004 (p=.11). The key departure from earlier years is that Medicaid and SCHIP increases did not offset the ESI decline and the number of uninsured children increased.

Figure 4 looks at changes in coverage among low-income people, defined as those below 200% of the federal poverty level (FPL). Between 2000 and 2003, the rate of employer-sponsored insurance declined by 4.4 percentage points, slightly more than for the population as a whole. Medicaid/SCHIP coverage increased by 3.3 percentage points. There was also a decline in non-group coverage (not shown), and as a result, the uninsured rate increased by 1.6 percentage points. The number of uninsured low-income Americans increased by 3.8 million and accounted for three-quarters of the growth in the uninsured during this period.

Figure 4
Percentage Point Changes in Health Insurance Coverage
of the Low Income (<200% FPL) Nonelderly



* Statistically significant change (p<.10). Medicaid also includes SCHIP, other state programs.

Figure excludes changes in CHAMPUS/Medicare and private nongroup insurance for ease of presentation because changes in coverage are generally small.

Source: Urban Institute

In 2004, the decline in employer-sponsored insurance among low-income Americans was not statistically significant, nor was the change in public coverage or the uninsured rate. Overall there was no change in the number of uninsured low-income Americans. In 2005, however, there was a greater decline in employer-sponsored insurance, 0.7 percentage points, and no change in public coverage. As a result, the uninsured rate among low-income Americans increased by 0.9 percentage points. The number of uninsured low-income Americans increased by 1.1 million. Therefore, almost all (85%) of the growth in the uninsured between 2004 and 2005 was among those below 200% FPL.

Figure 5 shows the same picture for low-income adults. Between 2000-2003, the rate of employer-sponsored insurance declined by 4.0 percentage points. There was a small increase in Medicaid coverage, but this only partly offset the decline in employer coverage. As a result, the uninsured rate increased by 3.2 percentage points. The number of uninsured low-income adults increased by 3.9 million over the three years, about three quarters of the overall growth in the uninsured between 2000 and 2003. In 2004, no changes in coverage were statistically significant for low-income adults. In 2005, there was a decline in employer-sponsored insurance of 0.6 percentage points (p=0.18), but there was virtually no change in public coverage. The uninsured rate increased by 0.7 percentage points (p=0.16). As a result of the increase in the uninsured rate coupled with the increase in the number of low-income adults, the number of uninsured adults below 200% FPL increased by over 800,000.

Figure 5
Percentage Point Changes in Health Insurance Coverage
of Low Income (<200% FPL) Nonelderly Adults

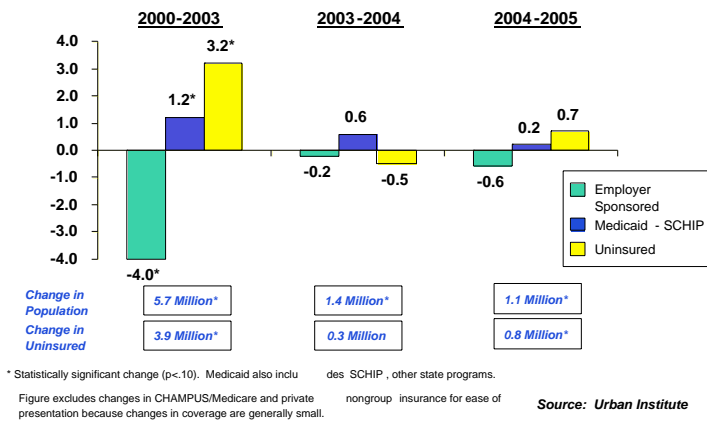
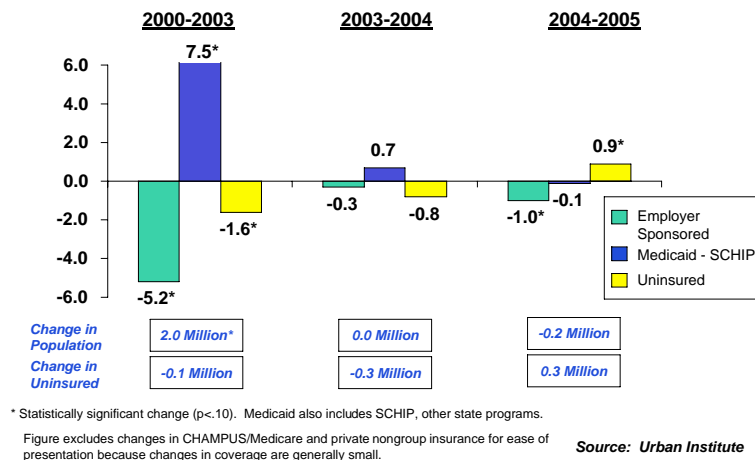


Figure 6 shows the same information for low-income children. Between 2000 and 2003, the rate of employer-sponsored insurance fell by over 5 percentage points. This was more than offset by the growth in public coverage and as a consequence the uninsured rate fell by 1.6 percentage points. Despite an increase in the overall number of low-income children of 2.0 million, there was no significant change in the number of uninsured children. In 2004, there was no significant change in employer or public coverage. There was however, a decline in the uninsured rate of 0.8 percentage points from 20.3% to 19.5% (p=.13). Because of this apparent decline in the uninsured rate, the number of uninsured low-income children declined by 300,000. In 2005, the rate of employer-sponsored insurance declined by 1.0 percentage points, but there was no change in public coverage. As a result, the uninsured rate increased by 0.9 percentage points. The number of uninsured children increased by 300,000 (p=0.13) despite a small drop in the overall number of low-income children.

Figure 6
Percentage Point Changes in Health Insurance Coverage
of Low Income (<200% FPL) Children



Why the Decline in Employer-Sponsored Insurance?

The decline in ESI has been the major factor driving the increase in the number of uninsured. The decline has largely been caused by increases in ESI premiums that have clearly and consistently outstripped the growth in wages and incomes.¹⁰ But there are other factors that are likely affecting the change in ESI coverage. Some have kept the decline in employer-sponsored insurance from declining even further; others are exacerbating the trend and are likely to continue to do so.

Table 5
Change in Nonelderly Adult Population, by Age

	<i>Change in Millions of People</i>			<i>Percent of Population by Coverage Type, 2005</i>	
	<i>2000-03</i>	<i>2003-05</i>	<i>2000-05</i>	<i>Employer</i>	<i>Uninsured</i>
Adults, 19-34	1.3 ^b	0.5	1.8 ^a	54.6%	29.0%
Adults, 35-54	1.4 ^b	1.3 ^b	2.6 ^a	69.8%	17.1%
Adults, 55-64	3.7 ^a	2.6 ^a	6.3 ^a	66.7%	13.6%
Total Change	6.3	4.4	10.8		

Source: Urban Institute, 2006. Based on data from March CPS 2001, 2004, and 2006.

Note: Excludes persons aged 65 and older and those in the Armed Forces.

^a Indicates change in numbers of people is statistically significant (at the 95% confidence level).

^b Indicates change in numbers of people is statistically significant (at the 90% confidence level).

One factor that is keeping the rate of employer-sponsored insurance from falling even more is the aging of the US adult population. As shown in Table 5, over half of the growth in the number of adults throughout the 2000-2005 period has been among those aged 55-64. This group has high rates of employer coverage (as well as CHAMPUS/Medicare and private non-group coverage) and, as a result, has the lowest uninsured rate among adults. In contrast, the number of young adults, ages 19-34, accounts for only 1.8 million out of an overall increase of 10.8 million adults. Young adults have lower rates of employer coverage and much higher uninsurance rates. If the growth in the number of young adults had been faster and older adults slower, the rate of employer-sponsored insurance likely would have been lower and the uninsurance rate higher than we have observed. This suggests that when the baby boomers have aged beyond 65, the overall uninsured rate could increase.

Between 2000-2003 the decline in employer-sponsored insurance was affected by the decline in employment in medium size and large firms and the growth in employment among the self-employed and in small firms (Table 6). This changed between 2003 and 2005 with much slower growth among the self-

employed and smaller firms and increased employment among medium and large firms. That is, the population has moved most recently towards working in firms that are much more likely to have employer coverage and less likely to lack insurance. This has contributed in the past two years to a slowing in the decline of employer-sponsored insurance as well as slowing in the increase of the number of uninsured. Over the entire five year period, however, the dominant shift has been towards self-employment or work in small firms; if the trend continues, it also likely portends lower ESI rates into the future.

Table 6
Change in Nonelderly Workers, 18-64, by Firm Size and Industry

	<i>Change in Millions of People</i>			<i>Percent of Population by Coverage Type, 2005</i>	
	<i>2000-03</i>	<i>2003-05</i>	<i>2000-05</i>	<i>Employer</i>	<i>Uninsured</i>
All Workers	0.2	3.4 ^a	3.6 ^a	70.6%	18.8%
Self-employed	1.0 ^a	0.7 ^a	1.7 ^a	50.1%	26.7%
Small Firms	2.2 ^a	0.1	2.3 ^a	53.4%	32.3%
Medium Firms	-0.9 ^b	1.1 ^a	0.2	75.5%	16.4%
Large Firms	-2.1 ^a	1.5 ^a	-0.6	81.4%	11.4%
Workers in High-ESI Industries	-2.3 ^a	0.3	-2.0 ^a	83.3%	10.0%
Workers in Low-ESI Industries	2.5 ^a	3.1 ^a	5.6 ^a	64.3%	23.2%

Source: Urban Institute, 2006. Based on data from March CPS 2001, 2004, and 2006.

Note: Excludes persons aged 65 and older and those in the Armed Forces.

^a Indicates change in numbers of people is statistically significant (at the 95% confidence level).

^b Indicates change in numbers of people is statistically significant (at the 90% confidence level).

High ESI industries are those in which greater than 80% of workers had ESI in 2000 (Education, Finance, Manufacturing, Mining, Public Administration, Utilities).

Low ESI industries are industries in which less than 80% of workers had ESI in 2000 (Agriculture, Arts/Entertainment/Recreation, Construction, Former Military, Health and Social Services, Information and Communications, Other Services, Professional, Transportation, Wholesale and Retail Trade).

Table 6 also shows that there has been a shift in work away from high ESI industries (e.g., manufacturing, finance and government) to lower ESI industries (e.g., services, construction and agriculture). High ESI industries are those that had ESI rates of 80% or more in 2000. There was a substantial shift in this direction between 2000-2003. While the overall number of workers shown in the CPS increased by only 200,000, there was an increase of 2.5 million in the number working in low ESI industries, and a decline of 2.3 million of those working in high ESI industries. In the next two years, the number working in high ESI industries stabilized while the number in low ESI industries increased by 3.1 million. Virtually all of the net increase in employment in the last five years occurred in those industries that are much less likely to have employer coverage and more likely to have much higher uninsurance rates.

In addition, there has been a shift in the population toward the south and west that also exacerbates the decline in employer coverage and increase in the uninsured (Table 7). Between 2000-2003, the number of people living in the south and the west increased by 6 million out of the overall growth in the population of 7.6 million. Similarly, between 2003 and 2005, 3.9 million of the 4.7 million in overall population growth occurred in the south and the west. This means that the population is moving to parts of the country where, in general, ESI rates are lower and where uninsurance rates are substantially higher than average.

Table 7
Change in the Nonelderly Population by Region

	<i>Change in Millions of People</i>			<i>Percent of Population by Coverage Type, 2005</i>	
	<i>2000-03</i>	<i>2003-05</i>	<i>2000-05</i>	<i>Employer</i>	<i>Uninsured</i>
Northeast	0.6	0.6 ^b	1.2 ^a	67.9%	14.0%
Midwest	1.0 ^a	0.3	1.3 ^a	68.9%	13.5%
South	3.6 ^a	2.4 ^a	6.0 ^a	59.4%	21.2%
West	2.4 ^a	1.5 ^a	3.9 ^a	58.5%	20.2%
Total	7.6	4.7	12.4		

Source: Urban Institute, 2006. Based on data from March CPS 2001, 2004, and 2006.

Note: Excludes persons aged 65 and older and those in the Armed Forces.

^a Indicates change in numbers of people is statistically significant (at the 95% confidence level).

^b Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Conclusion

The data provided in this paper have shown that over the first five years of this decade the rate of employer-sponsored insurance has declined and the uninsurance rate increased. By 2005, the number of uninsured children began to increase as Medicaid/SCHIP coverage no longer fully compensated for the decline in ESI as it had in earlier years. In the first three years of the decade, the economy was declining based on a number of measures, and this exacerbated the decline in employer-sponsored insurance and the growth in the number of uninsured. But as the economy strengthened, the ESI rate continued to decline and the uninsured rate grew, albeit at slower rates.

The primary reason for the continued decline in employer-sponsored insurance is the faster growth in premiums than in wages and incomes, but there are other shifts in demographic factors and employment patterns that suggest that the pattern of declining employer-sponsored insurance and growing rates of uninsurance are not likely to change. These include the shift towards work in small firms and self-employment and increased work in industries such as services and construction that are less likely to offer employer-sponsored insurance.

Methods

In this paper we use data from the 2001, 2004, 2005, and 2006 March Supplements to the Current Population Survey. The Current Population Survey (CPS) has many strengths, e.g., high response rates and excellent income data, but there are also several areas of controversy.¹¹ A main issue is whether the CPS is measuring the uninsured for an entire year (as intended) or whether responses more closely reflect the uninsured at a point-in-time. In this paper, we assume that the CPS is essentially measuring point-in-time coverage primarily because the number of uninsured in the CPS has historically been closer to point-in-time estimates and well above the uninsured full-year estimates of other surveys. In its two most recent releases, the Census Bureau commented on this issue and stated that its estimates were more closely in line with point-in-time estimates of the uninsured.¹²

There is also an issue of whether the CPS understates Medicaid enrollment and possibly overstates the number of uninsured. While a Medicaid undercount may be leading to an overstatement of the number of uninsured on the CPS, recent evidence seems to suggest that it may be primarily overstating private coverage.¹³ Despite these issues, the CPS provides the best available measure of changes in coverage over time because modifications to the survey have been infrequent. It should be noted that health insurance and income data on the March CPS are current to the calendar year prior to release. Therefore, this paper presents health insurance coverage data from 2000, 2003, 2004 and 2005.

In its release of the 2006 March Supplement, the Census Bureau noted that the coverage estimates reflected a change in the methodology used to assign health insurance coverage to dependents.¹⁴ In addition, the Census Bureau released a revised March 2005 Supplement with the new methodology, as well as a correction to the 2005 weights. Comparison of baseline and revised March 2005 data shows that none of the changes in population estimates or coverage distribution associated with the revisions are statistically significant.¹⁵ The net impact of the revisions on coverage is a decline in the uninsured in 2004 of approximately 700 thousand, from 45.5 to 44.8 million. Estimates of the total nonelderly population differed by less than 4,000 between the baseline and revised data.

Because the methodological change made to the data primarily impacts the distribution of health insurance coverage and not overall population estimates, we examined changes in the population from 2003 to 2005, although 2003 data were not adjusted. However, we could not examine the changes in coverage from 2003 to 2005 because improvements in assigning dependent coverage were implemented only in 2004 and 2005 data. Instead, our analysis looks at changes in coverage from 2003 to 2004 using unadjusted 2004 data, and changes in coverage from 2004 to 2005 trend, using the revised 2004 data.

The CPS allows respondents to report multiple types of coverage. In this analysis, their responses are classified in the following hierarchy with each respondent assigned to only one type of coverage: employer coverage; Medicaid, SCHIP, or state coverage (it is not possible to distinguish SCHIP from Medicaid

coverage in the CPS); military, veterans or Medicare; directly purchased private nongroup coverage and uninsured.

In this paper, the health insurance unit (HIU) is the unit of analysis for determining income and family work status. An HIU includes members of the nuclear family who can be covered under one health insurance policy (i.e., policyholder, spouse, children who are under age 19 and full-time students under age 23).¹⁶ While household income was used to analyze health insurance data in the most recent March supplement release, counting the income of all members of the household can overstate family income because it includes the income of all relatives and unrelated people living together.^{17,18} The income of the HIU more accurately reflects the income available to individuals when purchasing private insurance or determining eligibility for public programs. In this paper we discuss differences in results using household versus HIU income data.

We present data for the following income groups using poverty thresholds: those with HIU incomes below 200% of the FPL, 200% FPL to 399% FPL, and 400% FPL and higher.¹⁹ The intent is to show the changes in coverage among low-, middle-, and higher-income Americans. An advantage of using poverty thresholds is that they adjust for family size and inflation. The household income categories used by the Census Bureau do not adjust for either and have led to some misinterpretation of data in the Census reports.²⁰

Endnotes

- ¹ U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2005" August 2006.
- ² J. Holahan and A. Cook, "Changes in Economic Conditions and Health Insurance Coverage, 2004," *Health Affairs* (2005): w5-498-w5-508 (published online 1 November 2005; 10.1377/hlthaff.w5.498).
- ³ Bureau of Labor and Statistics, 2006. Employment data is from the Current Employment Statistics Survey; Unemployment data is from the Current Population Survey; Gross Domestic Product data from the Bureau of Economic Analysis.
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- ⁶ U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2005" August 2006.
- ⁷ Bureau of Labor and Statistics, 2006. Employment data is from the Current Employment Statistics Survey; Unemployment data is from the Current Population Survey; Gross Domestic Product data from the Bureau of Economic Analysis.
- ⁸ Employment estimates in Table 3 are based on estimates from the Current Employment Statistics Survey (CES) while the change in the number of workers in Table 4 is based on CPS estimates of employment. CES estimates of employment differ from CPS estimates in that the CES excludes the self-employed, proprietors, farm workers and domestic workers while the CPS does not.
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- ¹³ K. Thiede Call, et al., "Uncovering the Missing Medicaid Cases and Assessing Their Bias for Estimates of the Uninsured," *Inquiry*, Vol. 38, No. 4 (Winter 2001/2002): 396-408; and K. Thiede Call, "Cumulative Evidence: The Impact of Response Error on Survey Estimates of Uninsurance," Paper presented at State Health Access Data Assistance Center Conference, Washington, D.C., May 5, 2005.
- ¹⁴ U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2005" August 2006.
- ¹⁵ Based on Urban Institute tabulations of the March 2005 CPS.
- ¹⁶ The CPS permits calculation of HIU level income data because it contains person level income data that can be summed to any larger unit (i.e., HIU, subfamily, family, etc.).
- ¹⁷ U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2005" August 2006
- ¹⁸ J. Holahan, C. Hoffman and M. Wang, "The New Middle Class of Uninsured Americans – Is It Real?" Washington: Kaiser Commission on Medicaid and the Uninsured, March 2003.
- ¹⁹ The poverty level was \$17,603 for a family of four in 2000, \$18,810 for a family of four in 2003, \$19,307 for a family of four in 2004, \$19,971 and for a family of four in 2005.
- ²⁰ J. Holahan, C. Hoffman and M. Wang, "The New Middle Class of Uninsured Americans – Is It Real?" Washington: Kaiser Commission on Medicaid and the Uninsured, March 2003.

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