

medicaid
and the **uninsured**

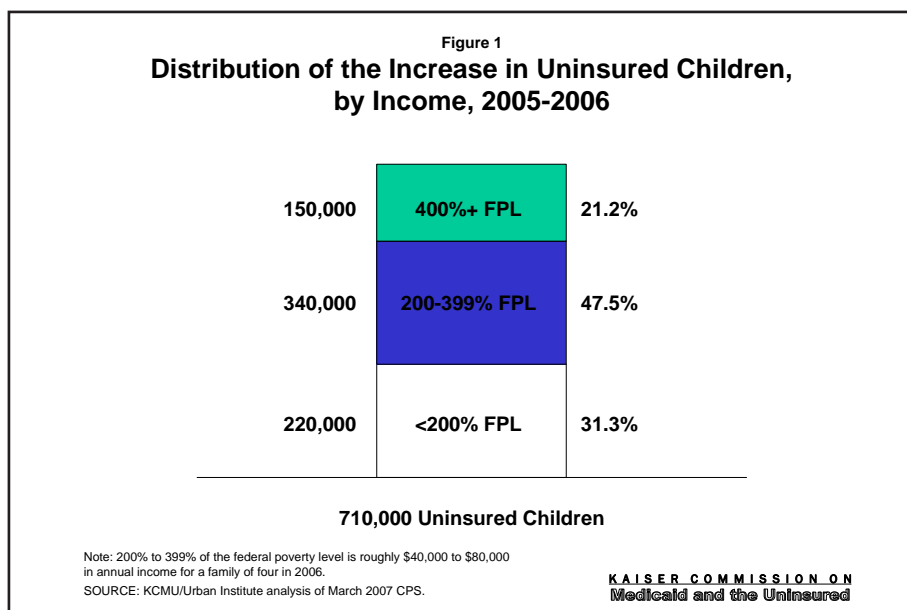
September 2007

What Happened to the Insurance Coverage of Children and Adults in 2006?

John Holahan and Allison Cook
The Urban Institute

Introduction

On August 28, 2007, the Census Bureau reported that the number of uninsured in 2006 had increased by 2.2 million Americans, largely because of a decline in employer sponsored insurance.¹ Of these, 2.1 million were non-elderly, with another 100,000 newly uninsured among those above age 65. Of the 2.1 million non-elderly, 1.4 million were adults and 710,000 were children (age 18 and under). Of the uninsured children, almost 70 percent were in families with incomes at 200 percent or more of the federal poverty level (FPL) (Figure 1).



¹ DeNavas-Walt, Carmen, Bernadette Proctor and Jessica Smith. "Income, Poverty, and Health Insurance Coverage in the United States: 2006." U.S. Census Bureau, August 2007.

The increase seen in 2006 in the number of uninsured was larger than in 2005, but reflected the second consecutive year in which employer coverage declined with no significant change in Medicaid or SCHIP coverage.^{2,3} The result was a sharp increase in the number of uninsured for both adults and children. The two successive years of fairly large increases in the number of uninsured occurred in a period in which the economy clearly seems to have rebounded. In both years, there were large increases in the number of nonelderly people above 400% FPL and an increase in real median income. In 2006, there was an actual decline in the number of people in poverty.⁴ Even in this economic environment, the number of uninsured increased substantially.

In this paper, we examine changes in health insurance coverage between 2005 and 2006 by age and income (Table 1). We use the health insurance unit (HIU) as the unit of analysis for determining family-level income. A 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). Use of HIUs in determining family-level income leads to results that differ from those obtained when household income is used because the latter includes the income of all relatives and unrelated individuals living together. The income of the HIU more accurately reflects the income available to individuals when purchasing private insurance or determining eligibility for public programs.

² DeNavas-Walt, Carmen, Bernadette Proctor and Cheryl Hill Lee. "Income, Poverty, and Health Insurance Coverage in the United States: 2005." U.S. Census Bureau, August 2006.

³ Holahan, John, and Cook, Allison. "Why Did the Number of Uninsured Continue to Increase in 2005?" Kaiser Commission on Medicaid and the Uninsured. October 2006.

⁴ DeNavas-Walt, Carmen, Bernadette Proctor and Cheryl Hill Lee. "Income, Poverty, and Health Insurance Coverage in the United States: 2005." U.S. Census Bureau, August 2006; DeNavas-Walt, Carmen, Bernadette Proctor and Jessica Smith. "Income, Poverty, and Health Insurance Coverage in the United States: 2006." U.S. Census Bureau, August 2007.

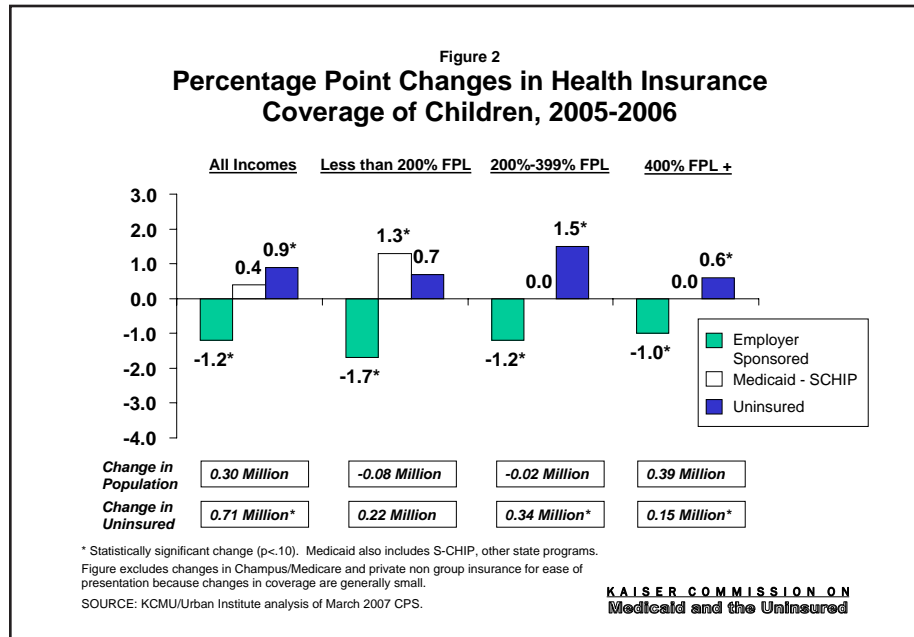
Children's Coverage

In 2006, the number of uninsured children age 18 and under grew by 710,000 to reach 9.4 million. The likelihood of a child being uninsured also increased significantly to 12.1 percent in 2006, up from 11.2 percent in 2005. Employer-sponsored coverage of children declined at all income levels. Although Medicaid and SCHIP partially offset the loss of employer-sponsored coverage for lower-income children, limited public coverage for children in families with incomes above 200% of poverty resulted in most of growth in uninsured children occurring in families at higher income levels.

Children in middle income families accounted for the largest share of the growth in uninsured children. Nearly half (48 percent) of the increase in the number of uninsured children was in families with incomes between 200% and 399% FPL (about \$40,000 to \$80,000 for a family of four in 2006). Most children in this income group are not eligible for public coverage. Among children in families in this income range, employer-sponsored insurance declined from 76.6 percent to 75.4 percent, a drop of 1.2 percentage points, but there was no change in the percent with Medicaid or SCHIP coverage. As a result, the uninsurance rate among children in this income group increased from 7.6 percent to 9.1 percent, an increase of 1.5 percentage points. This resulted in an increase of 340,000 newly uninsured middle income children.

Children in lower-income families accounted for a smaller share (31 percent) of the growth in uninsured children. While employer-sponsored coverage is much less available to lower-income families, this group saw a decline similar to other groups. For children in families with incomes

below 200% FPL, employer-sponsored coverage declined from 31.2 percent to 29.5% in 2006, a drop of 1.7 percentage points (Figure 2). This was partially offset by an increase in Medicaid

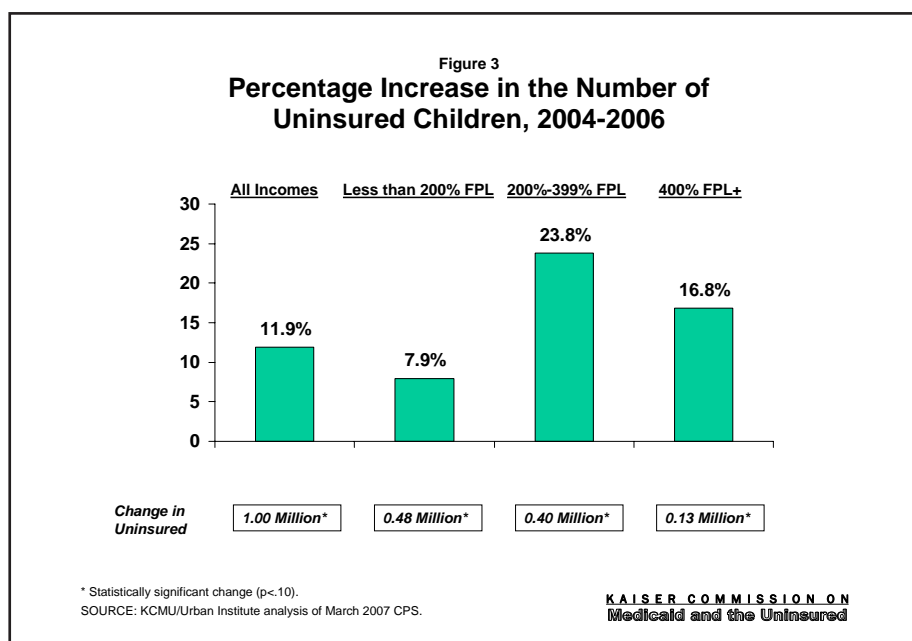


and SCHIP coverage of 1.3 percentage points from 44.5 percent to 45.7 percent. As a result, the increase in the uninsured rate was not statistically significant; nonetheless, there was an increase in the number of uninsured children of 220,000. Had there been no growth in public program enrollment, the number of uninsured low income children would have increased substantially more than it did.

For those children in families with incomes above 400% FPL, employer-sponsored insurance declined from 89.5 percent to 88.5 percent (1.0 percentage point), no change in public coverage, and an increase of 0.6 percentage points in the number of uninsured. Largely as a result of the increase in population in this income group, the number of uninsured children increased by 150,000.

Growth in Uninsured Children between 2004 and 2006

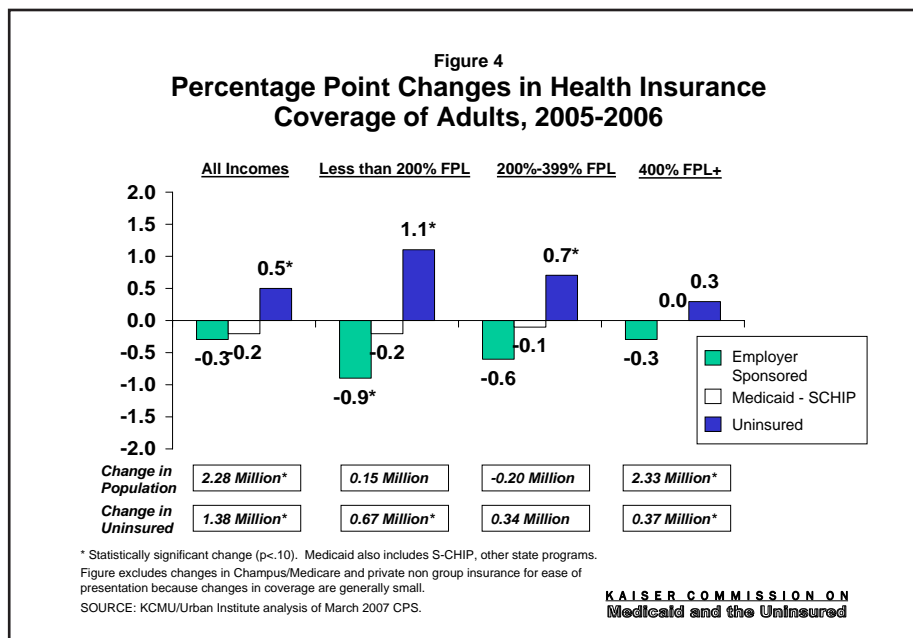
Reversing years of steady declines, the number of uninsured children has grown by a million over the last two years with an increase of 710,000 in 2006 and 290,000 in 2005. Nearly half of the increase occurred among children in low income families and 40 percent occurred among children with family incomes between 200% and 399% of the federal poverty level. Overall, the number of uninsured children increased by 11.9 percent, with a 7.9 percent increase in the number of uninsured low-income children, a 23.8 percent increase in the number of uninsured children with family income between 200% and 399% of the federal poverty level, and a 16.8 percent increase among uninsured children with family incomes above 400% of the poverty level (Figure 3).



Adult Coverage

In 2006, the number of uninsured adults increased by 1.4 million, bringing the total to 37 million. The uninsured rate among adults increased from 19.8 percent to 20.4 percent. Similar to children, adults also experienced declines in employer-sponsored coverage at all income levels,

with the steepest declines among those with low-incomes. In contrast to children, however, public coverage is not generally available to adults, even at low incomes. As a result, nearly half the growth in uninsured adults was among those with incomes below 200% of poverty. Among those below 200% FPL, there was a statistically significant decline in employer-sponsored insurance, but no significant change in public coverage; as a consequence, the uninsurance rate increased by 1.1 percentage points (Figure 4). Public coverage is much more



limited for low-income adults, in contrast to children. The number of uninsured low income adults increased by about 670,000, much larger than the increase for low income children.

Among adults between 200-399% FPL, the decline in employer-sponsored insurance was not statistically significant, the uninsurance rate increased by 0.7 percentage points and the number of uninsured middle income adults increased by 340,000. Among adults above 400% FPL, there were only very small changes in coverage. However, because of large population increases in this group, there was an increase of 370,000 adults without coverage.

Discussion

In summary, employer-sponsored coverage declined for children and adults at all income levels in 2006. This decline led to a growth in the uninsurance rate for both children and adults, with children experiencing the steepest increase. Increases in Medicaid and SCHIP coverage for the lowest income children offset much of the loss of employer-sponsored coverage. But this did not occur for middle and higher income children. As a result, the largest growth in uninsured children occurred for those in middle-income families (between 200 and 399% of poverty). Employer-sponsored coverage also continued to erode for adults, particularly for those at lower income levels. Because public coverage is not typically available for adults, the loss of employer-sponsored coverage translated to a corresponding increase in their uninsured rate.

The percentage point drop in employer-sponsored insurance was greater for children than adults at each income level suggesting that dependent coverage might be declining, possibly because of premium increases.⁵ The average total premium cost for employer-sponsored coverage continues to increase reaching \$12,106 for family coverage with average worker contributions of \$3,281 in 2007.⁶ These premium amounts have nearly doubled since 2000, with difficulty affording private coverage falling most heavily on lower income families. At the lowest income level, the rate of employer-sponsored insurance among children fell by 1.7 percentage points. For adults with comparable incomes, the ESI rate dropped by 0.9 percentage points. At higher

⁵ “The Effects of Public Premiums on Children’s Health Insurance Coverage: Evidence from 1999 to 2003.” 2007. Genevieve Kenney, Jack Hadley, and Fredric Blavin. *Inquiry* 43, no. 4: 345-361; “Insurance Premiums and Insurance Coverage of Near-Poor Children.” 2007. Jack Hadley, J.D. Reschovsky, P. Cunningham, L. Dubay, and G. Kenney. *Inquiry* 43, no. 4: 362-377.

⁶ Kaiser/HRET Survey of Employer-Sponsored Health Benefits 2007. Kaiser Family Foundation, September 2007.

income levels, the drop in employer-sponsored insurance for children was also roughly twice that for adults.

Although the decline in employer-sponsored coverage was steeper for children than adults, the drop does not appear to be driven by Medicaid and SCHIP coverage. Employer-sponsored coverage fell at all income levels, not just among lower-income children who are likely to be eligible for Medicaid and SCHIP. Employer-sponsored coverage also fell among adults, who are not likely to be eligible for public coverage, as well as children. These findings suggest that the increase in public coverage helped to offset the decline in employer-sponsored insurance for low income children, but did not cause it. Thus, it seems that the real driving force was the decline in employer-sponsored insurance, not the increase in public coverage. We do not suggest that crowd-out was not a factor; there is sufficient evidence that some amount of displacement of private coverage does occur.⁷ Rather, it does not seem to explain much of the increase in the number of uninsured children seen in 2006.

The most striking finding in this brief is that almost half of the increase in uninsurance among children was in families with incomes between 200 and 399% FPL. This is the income group that the Bush administration has argued should not be eligible for SCHIP expansions. While public coverage is generally available for lower-income children, it is less available above 200 percent of the federal poverty level. The decline in employer coverage in this range with no offsetting increase in public coverage contributed to a substantial drop in children's coverage in this income range. Permitting states to have the flexibility to expand Medicaid and SCHIP coverage

⁷ Congressional Budget Office. "The State Children's Health Insurance Program." CBO, May, 2007.

to higher income levels would help to ameliorate the decline in employer-sponsored coverage for children in middle income families.

Medicaid and SCHIP have been effective over much of the last decade in reducing the number of uninsured low-income children. Preventing a reversal of previous coverage gains for children will require increasing financing for public programs. These findings underscore the importance of reauthorizing the SCHIP program to provide needed financing to reach uninsured children.

Table 1
Health Insurance Coverage, 2005-2006
Nonelderly by Age and
Health Insurance Unit Income

	Nonelderly				Adults, 19-64				Children, 0-18			
	Coverage		Change		Coverage		Change		Coverage		Change	
	Distribution within Income Category	2006	in Percent of People	2005-06	Distribution within Income Category	2006	in Percent of People	2005-06	Distribution within Income Category	2006	in Percent of People	2005-06
All Incomes (millions of people)	257.4	260.0		2.58^a	179.5	181.8		2.28^a	77.9	78.2		0.30
Employer	63.6%	63.0%	-0.6%*	0.15	64.7%	64.4%	-0.3%	0.90	60.9%	59.7%	-1.2%*	-0.75
Medicaid and State	11.3%	11.3%	0.0%	0.21	6.7%	6.6%	-0.2%	-0.17	22.0%	22.4%	0.4%	0.38
CHAMPUS/Medicare	2.4%	2.3%	0.0%	-0.06	2.8%	2.8%	0.0%	0.01	1.4%	1.4%	-0.1%	-0.07
Private Nongroup	5.5%	5.5%	0.0%	0.20	5.9%	5.9%	0.0%	0.17	4.5%	4.5%	0.0%	0.03
Uninsured	17.2%	17.9%	0.6%*	2.09 ^a	19.8%	20.4%	0.5%*	1.38 ^a	11.2%	12.1%	0.9%*	0.71 ^a
Less than 200% of FPL	90.7	90.8		0.07	57.5	57.7		0.15	33.2	33.1		-0.08
Employer	30.1%	29.0%	-1.2%*	-1.04 ^a	29.5%	28.7%	-0.9%*	-0.46	31.2%	29.5%	-1.7%*	-0.58 ^a
Medicaid and State	27.8%	28.1%	0.3%	0.27	18.2%	18.0%	-0.2%	-0.11	44.5%	45.7%	1.3%*	0.38
CHAMPUS/Medicare	3.5%	3.5%	0.1%	0.07	4.5%	4.7%	0.2%	0.12	1.6%	1.4%	-0.1%	-0.05
Private Nongroup	6.2%	6.1%	-0.1%	-0.12	7.5%	7.4%	-0.2%	-0.08	3.9%	3.7%	-0.1%	-0.05
Uninsured	32.4%	33.3%	1.0%*	0.89 ^a	40.1%	41.2%	1.1%*	0.67 ^a	18.9%	19.6%	0.7%	0.22
200 to 399% of FPL	74.4	74.2		-0.22	51.8	51.6		-0.20	22.6	22.6		-0.02
Employer	73.7%	72.9%	-0.8%*	-0.74	72.5%	71.9%	-0.6%	-0.45	76.6%	75.4%	-1.2%#	-0.30
Medicaid and State	4.3%	4.2%	-0.1%	-0.07	2.3%	2.2%	-0.1%	-0.06	8.7%	8.7%	0.0%	0.00
CHAMPUS/Medicare	2.4%	2.3%	0.0%	-0.03	2.6%	2.6%	0.0%	-0.01	1.8%	1.7%	-0.1%	-0.02
Private Nongroup	5.7%	5.6%	-0.1%	-0.06	5.9%	5.9%	0.0%	-0.02	5.2%	5.1%	-0.2%	-0.04
Uninsured	13.9%	14.9%	1.0%*	0.68 ^a	16.7%	17.4%	0.7%#	0.34	7.6%	9.1%	1.5%*	0.34 ^a
400% of FPL and above	92.3	95.1		2.73^a	70.2	72.6		2.33^a	22.1	22.5		0.39
Employer	88.2%	87.7%	-0.5%*	1.92 ^a	87.8%	87.5%	-0.3%	1.80 ^a	89.5%	88.5%	-1.0%*	0.13
Medicaid and State	0.8%	0.8%	0.0%	0.00	0.6%	0.6%	0.0%	0.00	1.7%	1.7%	0.0%	0.00
CHAMPUS/Medicare	1.3%	1.2%	-0.1%#	-0.10	1.5%	1.3%	-0.2%#	-0.10	0.9%	0.9%	0.0%	0.00
Private Nongroup	4.6%	4.8%	0.3%#	0.38 ^a	4.6%	4.8%	0.2%	0.26 ^b	4.6%	5.1%	0.5%	0.12
Uninsured	5.0%	5.4%	0.4%*	0.52 ^a	5.6%	5.9%	0.3%	0.37 ^a	3.3%	3.9%	0.6%*	0.15 ^a

Source: Urban Institute, 2007. Based on data from the 2006 and 2007 ASEC Supplement to the Current Population Survey.
 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).

1330 G STREET NW, WASHINGTON, DC 20005
PHONE: (202) 347-5270, FAX: (202) 347-5274
WEBSITE: WWW.KFF.ORG/KCMU

Additional copies of this report (#7694) are available
on the Kaiser Family Foundation's website at www.kff.org.



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 bi-partisan group of national leaders and experts in health care and public policy.