

## ***HEALTH AFFAIRS***

Several articles in the March/April 1999 issue of *Health Affairs* examine the working uninsured in the United States. Robert Seifert, Policy Analyst for The Access Project, Summarizes the main points of the articles.

*Richard Kronick and Todd Gilmer*

### **“Explaining the Decline in Health Insurance Coverage, 1979-1995”**

This article shows through statistical estimates that the decline in employer-based coverage is largely the result of health care prices rising faster than incomes, rendering insurance unaffordable for more and more low-income workers. From 1979 to 1995, uninsured workers (age 19-64) as a percentage of the total work force increased from 15.1 percent to 23.3 percent. The authors compare this trend with the increasing burden of health care spending, which increased from an average of 4.5 percent of income to 7.3 percent, primarily because of increasing health care costs (real income stayed virtually unchanged). Kronick and Gilmer examine other possible reasons for the decline in insurance coverage, including the shift to types of employment less likely to have coverage and shifts in the demographics of the population. They conclude that over 90 percent of the increase in the working uninsured is due to the increasing share of income claimed by the cost of insurance.

Kronick and Gilmer take the analysis a step further by projecting the trend to 2005, using various assumptions about the growth in health care costs. With the most optimistic assumption – no growth in costs – the percentage of uninsured workers would fall to 20 percent. Using the most realistic assumption – 5.5 percent growth, with a 2.7 percent growth in income – the number of uninsured workers would continue to grow, reaching 27 percent of the work force by 2005.

The authors conclude by pointing out two policy implications of their findings. First, they say that the moderation in the growth in health care costs resulting from increased competition and the growth of managed care has been of some benefit to low income workers; perhaps even more would be uninsured now absent that moderation. Finally, they argue that if the employer-based health insurance system is to avoid further decline, financial subsidies to support coverage for low-income workers might be necessary.

*Ken Thorpe and Curtis Florence*

### **“Why Are Workers Uninsured? Employer-Sponsored Health Insurance, 1997”**

This study analyzes employer and employee characteristics and also supports the need to reduce the cost of insurance to arrest the growth in numbers of working uninsured. Using a different data source and slightly different population from Kronick and Gilmer, the authors count 20.3 million uninsured workers in 1997, out of a total work force of 123 million. Of those uninsured, about two-thirds worked for firms that did not offer insurance and had no other possible source of insurance, such as a family member, Medicare or Medicaid, or individual purchase. The remaining one-third of the working uninsured worked for employers who offered insurance. Slightly more than half of those were not eligible for the coverage; the rest were eligible but declined it. The primary reasons people are not eligible for coverage are that they do not work enough hours per

week or weeks per year (about half of ineligible workers, of whom one-quarter are uninsured); that they have not worked long enough for the employer (one-quarter of ineligibles, of whom two-thirds are uninsured); or that they are contract or temporary employees (less than 10 percent of ineligibles, one-third of whom are uninsured).

In contrast to the multiple reasons for being ineligible for coverage, there was one major reason that eligible employees declined offered coverage: the cost. Fully two-thirds of the 2.5 million uninsured workers in this category gave this reason.

Traditional wage and salary workers who work more than 35 hours per week are less likely to be uninsured than wage and salary workers who work fewer hours and “nontraditional” workers – temporary or contract workers, independent contractors and the self-employed. These nontraditional workers represent nearly one-quarter of the working uninsured but only 15 percent of the overall work force.

In light of these findings, the authors suggest that policy changes might be in order which are designed to increase the number of workers (mainly those who work less than full-time) who are eligible for benefits when they are offered. In addition, they call for measures that would reduce the cost of insurance for workers employed at nontraditional work sites.

John Sheils and Paul Hogan

#### **“Cost of Tax-Exempt Health Benefits in 1998”**

This study examines the impact of a subsidy that already exists. Sheils and Hogan estimate that the value of the tax deductibility of health insurance and medical costs amounted to almost \$125 billion in 1998 -- \$111 billion in foregone tax revenue at the federal level and over \$13 billion in states. This represents a major subsidy, mainly through the income tax and Social Security payroll tax, for employer-based coverage. It amounts to an average subsidy of \$1,031 per family. However, the subsidy is higher for the group of families with higher incomes, because these families are in a higher tax bracket (making a tax deduction more valuable) and they are also more likely to have employer-based coverage. Sheils and Hogan estimate that the average subsidy for a family with an income greater than \$100,000 is \$2,357, while that for a family with income less than \$15,000 is only \$71. Overall, about a quarter of the total \$125 billion tax expenditure benefits these high-income families, which comprise only 10 percent of the population. Conversely, 31 percent of the benefit goes to families with incomes less than \$50,000, nearly two-thirds of the population.