HEALTH INSURANCE COVERAGE DOWN SHARPLY, STUDY FINDS

The number of people in the United States without health insurance grew faster during 2005 and 2006 when the economy expanded than it did during the preceding four years of declining incomes, primarily because of a sharp drop in employer-sponsored coverage, according to a study by Urban Institute researchers John Holahan and Allison Cook. Between 2000 and 2004, the number of uninsured residents increased by 6.0 million, or 1.5 million per year on average, while the share of the nonelderly population covered by employer-sponsored health insurance fell to 63.3 percent from 67.8 percent.

During 2005 and 2006, the number without health insurance rose by another 3.4 million, or 1.7 million per year, “despite a resurgent economy,” based on an analysis of annual Census Bureau data from the Current Population Survey. The rate of employer-sponsored coverage declined only slightly to 63.0 percent in 2006, primarily because of a change in the way the Bureau calculates the rate. “It is striking that the rate of employer coverage declined and the number of uninsured people increased even after the economy rebounded from the recent recession,” Holahan and Cook say.

The study finds “employer coverage is clearly declining at all income levels, but primarily among those with the lowest incomes.” Employer coverage also declined most sharply among the self-employed and workers at small firms, residents of the South, and Hispanics.

The decline in employer-provided coverage is tied to greater increases in costs for health insurance than for wages. If firms are unable to shift higher benefit costs to workers in the form of lower wages, they are less likely to offer health care coverage. “At the low end of the income scale, premiums add much more to compensation and often cannot be shifted back to workers.” The erosion in employer-sponsored coverage is expected to continue, particularly for low-income workers, “because the basic factors underlying the trend seem unlikely to change,” the authors conclude.

During the first four years of this decade, the increase in the uninsured population occurred entirely among adults, as Medicaid and the State Children’s Health Insurance Program (SCHIP) expanded to cover more children. During 2005 and 2006, the decline in employer coverage eased as the economy improved, but growth in SCHIP slowed, resulting in increased numbers of both adults and children who were uninsured. In addition, more people were working in the latter two years, making fewer low-income adults eligible for Medicaid coverage, while states cut back on SCHIP enrollment. “It’s a balancing act between the decline in employer-sponsored coverage and public coverage,” Holahan says.

Hispanics accounted for 40 percent of the increase in the number of uninsured over the six-year period, although they made up only 16 percent of the population in 2006. For low-income adults, the rate of employer coverage fell by 4.2 percentage points between 2000 and 2004 and another 1.6 points during 2005 and 2006, while employer coverage fell by only 2.0 points and 0.5 point during the same period for those with incomes above 400 percent of the poverty level.
