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RSC Policy Brief: Deconstructing the Uninsured

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In order to assist Congressional staff developing proposals to address America's uninsured population, the RSC has prepared the following policy brief analyzing various segments of the uninsured.

Summary: Various proposals introduced in Congress and by the 2008 Presidential candidates have attempted to reduce the number of Americans lacking health insurance. Measures of the number of uninsured vary, but the most widely quoted estimate of 46 million Americans comes from the Census Bureau's Current Population Survey (CPS), released every summer. However, a closer look at the CPS data, along with other surveys and studies relating to health insurance coverage, demonstrates that the number of Americans unable to purchase coverage may be smaller than first believed, and that addressing the needs of several distinct segments of the uninsured will require a tailored approach from policy-makers.

Background on Census Methodology: While the Census Bureau's annual report utilizing the CPS data constitutes the most widely cited figure for the number of uninsured Americans, the report itself has been a subject of scholarly debate and discussion. For more than two decades, academics have considered whether the Census data comprise a "point-in-time" snapshot of the uninsured or represent the number of Americans lacking health insurance for an entire year. Part of the difficulty with the CPS data stems from the fact that individuals self-report their insurance status, making the data subject to flaws of both memory and survey design. For instance, when the Census Bureau in 2000 added a question to its survey verifying that an individual did in fact lack health insurance—as opposed to the past practice of presuming that an individual not enrolled in private or public coverage was automatically uninsured—the reported number of uninsured suddenly dropped 8%.[1]

[1] Cathi Callahan and James Mays, "Estimating the Number of Individuals in the United States without Health Insurance," (Working Paper, Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation, March 2005), available at http://aspe.hhs.gov/health/reports/05/est-uninsured/report.pdf (accessed February 23, 2008).

Another flaw with the CPS data stems from the known under-reporting of public health insurance coverage. For many years, the number of individuals covered through Medicaid using state and federal claims data has significantly exceeded the number of individuals who self-report Medicaid coverage in the CPS survey—and this disparity appears to be growing. An analysis of this issue by the Department of Health and Human Services found that as of 2003, approximately nine million individuals who reported themselves as uninsured in fact were covered through Medicaid—reducing the total number of uninsured by 20%, and the number of uninsured children in half.[2]

Taken together, these limitations on the CPS data indicate that a larger perspective is needed by policy-makers looking for ways to deal with the uninsured issue—for the problem, while significant, may not in fact be as large as commonly believed. Indeed, the Census Bureau report citing a figure of 46 million uninsured notes that "health insurance coverage is underreported [in the survey data] for a variety of reasons," including response errors due to changes in insurance coverage during the preceding year.[3]

Cohorts of the Uninsured: In addition to reporting the aggregate number of uninsured, the CPS data provide an interesting analysis about the various segments of the population lacking health insurance. Critical factors to examine when analyzing the uninsured include:

Age: In general, the Census data suggest an uninsured population younger than the American population as a whole. Nearly 60%, or about 26.5 million, of the uninsured are under age 35, with the highest rates of uninsurance amongst those Americans aged 18-24 (28.1% uninsured) and aged 25-34 (25.7% uninsured).[4] Conversely, the very high rates of health insurance coverage among seniors over age 65 (only 1.9% uninsured) demonstrate the near-universality of Medicare coverage for elderly populations.

To the extent that age can be utilized as a rough approximation of health status, the uninsured data suggest that many uninsured Americans could obtain coverage at relatively affordable rates—policies in the individual market for applicants under 34 may cost about $1,000-$1,500 annually, with lower rejection rates and fewer exclusions on coverage than policies issued to older applicants. In addition, the high rates of uninsurance for individuals in their 20s and 30s raises questions as to whether segments of this population cannot afford health insurance, or whether some "young invincibles" choose not to make its purchase a priority.

Income: While the Census report indicates higher rates of uninsurance among poorer populations, the data also show a significant number of high-income Americans lacking insurance coverage. Individuals making over $75,000 now constitute nearly one-fifth (over 9.1 million) of the uninsured, with nearly another 8.5 million uninsured making more than $50,000 but less than $75,000.

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[2] Ibid.

[3] "Income, Poverty, and Health Insurance Coverage in the United States: 2007" (Washington, Census Bureau, August 2008), available online at http://www.census.gov/prod/2008pubs/p60-235.pdf (accessed August 26, 2008), p. 27.

[4] All Census data cited hereinafter are from Ibid., Table 6, p. 32.

While increased outreach to low-income populations about the availability of public programs like Medicaid has marginally reduced the number of uninsured making under $25,000 annually, the rising numbers of higher-income uninsured individuals suggest that another approach may be in order for these populations. Specifically, efforts should focus on ensuring these populations do not become "priced out" of the market for coverage due to costly state benefit mandates and related regulations.

Immigration Status: The Census data indicate that more than one-fifth—over 9.7 million—of the uninsured are foreign-born residents of the United States lacking American citizenship. This category—which includes both legal residents not yet citizens as well as undocumented aliens—contains the highest percentage of uninsured Americans (43.8%) of any age, race, income, or other cohort included in the Census survey.

While the Census Bureau reports do not contain specific data on the uninsurance rate among illegal immigrants, a 2005 study using data from the Los Angeles area provides greater insights regarding this population.[5] The study found statistically significant disparities in the uninsured rate of illegal immigrants when compared to similar rates for legal immigrants and native-born citizens—and this disparity persisted even after controlling for socioeconomic factors such as income and industry of employment. In total, 68% of illegal immigrants in Los Angeles were uninsured, four times the uninsured rate of native-born citizens; 65% of aliens lacked health insurance for all of the preceding two years. These high uninsurance rates occurred despite the fact that illegal immigrants in California have several avenues to health insurance not available in other states: California permits illegal aliens to enroll in a limited-benefit version of Medicaid (financed entirely by state funds), and Blue Cross of California will accept applications for private insurance using cards issued by the Mexican consulate as the only form of identification. Thus the study's 68% uninsured rate among illegal aliens in Los Angeles can be considered in many respects a conservative estimate when discussing the national uninsured rate for the undocumented.

The data on citizenship and national origin, while not widely reported, illustrate another reason why the concept of universal health insurance coverage may prove ineffective. Extrapolating the 68% uninsured rate for aliens found in the Los Angeles study to a nationwide undocumented population of 12 million would yield approximately eight million uninsured who are illegally present. Democrat proposals for an individual mandate to purchase coverage would prove ineffective for this population, who by their very presence have already violated United States law. Although the uninsured population is not limited to undocumented aliens, a truly comprehensive solution to this health care issue must address the significant demands on the health care system placed by illegal immigrants.

Length of Uninsurance: As noted above, the question of whether the CPS data represent a yearlong or "point-in-time" snapshot of the uninsured remains a subject for debate among statisticians. However, a 2003 Congressional Budget Office (CBO) report on the uninsured utilized additional government-provided data, including from the Survey of Income and Program

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[5] Dana Goldman, James Smith, and Neeraj Sood, "Legal Status and Health Insurance among Immigrants," *Health Affairs* 24:6 (November/December 2005), 1640-1653.

Participation (SIPP) and the Medical Expenditure Panel Survey (MEPS), to determine how long individuals lack health insurance.

The CBO study found that between 21 and 31 million individuals lacked health insurance for an entire year, a figure over 25% lower than the Census number of uninsured Americans. The study also went on to note that just under half (44.5%) of uninsured spells lasted under four months, with an additional 26.2% lasting more than four months, but less than one year.

While any period of uninsurance creates concerns from a policy perspective, the fact that a significant segment of the uninsured regain coverage relatively quickly inserts a note of caution to policy-makers eager to advance various proposals. In some cases, brief periods of uninsurance may represent a conscious decision by an individual not to purchase temporary coverage between jobs or in similar short-term situations. Creating new government-run health programs to subsidize coverage in these cases is likely to be both fiscally costly and economically inefficient.

Conclusion: There are limitations inherent in any analysis of data on the uninsured, particularly those surveys that involve self-reporting of insurance status by individuals. Nevertheless, the data examined above yield several important trends:

- Many of the young uninsured could obtain affordable health insurance at a reasonable cost, but some do not view insurance coverage as a priority;
- A large segment of the population with higher incomes is choosing not to purchase health insurance, perhaps because of premium increases due in part to costly state regulations;
- Illegal and undocumented aliens constitute a significant segment of the uninsured;
- The number of long-term uninsured is measurably lower than the reported Census Bureau estimate of 46 million uninsured—and, particularly given the limitations of the Census survey methodology, may be a better metric for policy-makers to use when considering solutions to increase health insurance coverage.

For further information on this issue see:

- *Census Report: Income, Poverty, and Health Insurance Coverage*
- *CBO Report: How Many People Lack Health Insurance and For How Long?*

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