



NIHCM

Issue Brief

Characteristics of Current Purchasers of Individual Health Insurance and the Uninsured

Summary: *The impact of recent Federal legislation on the individual health insurance market depends on the characteristics of each State and those individuals who purchase non-group insurance in those States. This second issue brief provides a snapshot of the social and economic characteristics of current purchasers of individual health insurance. The brief also depicts the characteristics of a group that could potentially benefit from a healthy individual insurance market -- the currently uninsured. The brief describes the employment, income, and demographic characteristics of non-group purchasers, the uninsured and certain segments of the uninsured including the self-employed and children.*

INTRODUCTION

Most Americans receive private health care coverage through employer-based group health plans. However, an alternative source of health care coverage for those unable to access the group health market is the "self-pay," or individual market. The individual market is less than one-tenth the size of the group market: 13.5 million compared with 150.3 million (See Figure 2).

As the 105th Congress convenes, there will be much legislative activity concerning health insurance. Federal health proposals will focus on providing health care coverage to uninsured children and unemployed adults. Furthermore, both Federal and State policymakers will undertake implementation of the 1996 Health Insurance Portability and Accountability Act. The potential impact of these regulations on the individual market depends heavily on the uniqueness of the market and the characteristics of those who participate. Little information is available describing consumers who currently purchase individual insurance and segments of the uninsured population for whom the individual market is a potential source of coverage.

Using data from the March 1996 Current Population Survey, this issue brief provides an overview of non-elderly individuals who currently purchase private non-group health insurance. In addition, the issue brief examines the characteristics of the uninsured population and three subsets of the uninsured: individuals with the financial resources seemingly to afford coverage; individuals who

This brief is the second of a series based on the May 1996 report entitled *State Individual Insurance Markets and Impacts of Federal Reform* developed for NIHCM by Barents Group, LLC.

FIGURE 1. DISTRIBUTION OF CURRENT PURCHASERS OF NON-GROUP INSURANCE BY REGION

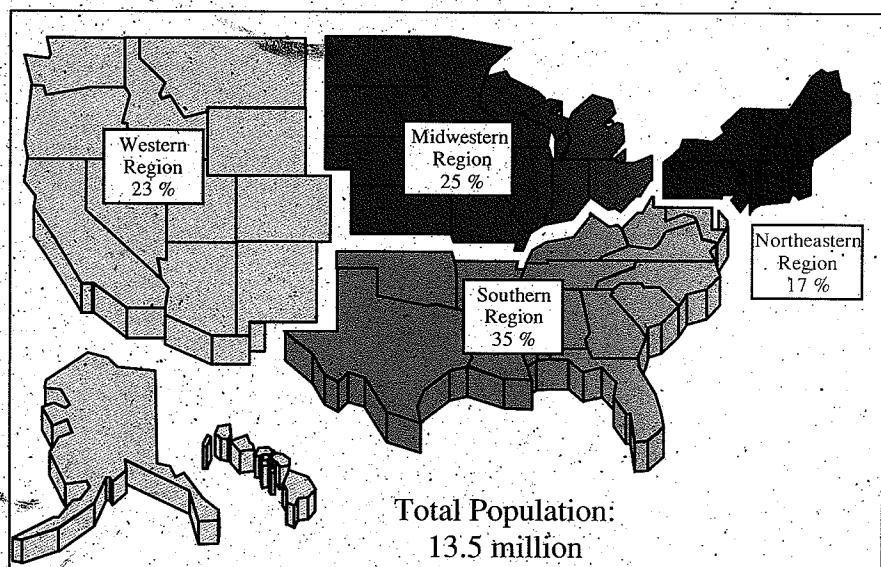


TABLE 2. DEMOGRAPHIC CHARACTERISTICS OF CURRENT PURCHASERS

Demographic Characteristic	REGION				TOTAL
	Northeast	Midwest	South	West	
Race/Ethnicity					
White	86%	92%	78%	79%	83%
African-American	6	4	13	3	7
Hispanic Origin*	3	1	7	6	5
Asian / Other	5	3	2	12	5
Immigrant Status					
U.S. Born	89%	96%	93%	85%	91%
Foreign Born Citizen	4	2	2	6	3
Foreign Born Non-Citizen	7	2	5	9	6
Family Composition					
Two adults/children	39%	38%	32%	35%	36%
Two adults/no children	21	21	25	21	22
One adult/children	13	15	15	14	14
One adult/no children	19	21	20	24	21
Other	8	5	8	6	7

* Hispanic persons can be of any race.

FIGURE 2. HEALTH CARE COVERAGE BY SOURCE OF COVERAGE (IN MILLIONS)

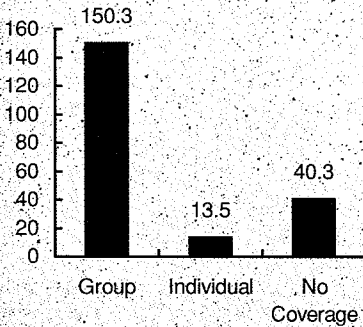


FIGURE 3. EMPLOYMENT CHARACTERISTICS OF CURRENT PURCHASERS OF NON-GROUP INSURANCE

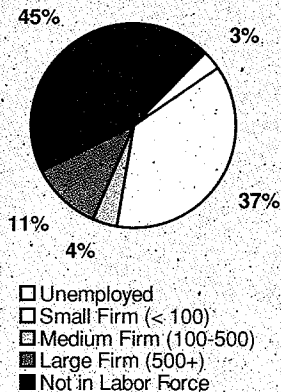


TABLE 1. % OF CURRENT PURCHASERS BY INCOME CATEGORY

FAMILY INCOME	%
<\$10,000	13%
\$10-\$24,999	26
\$25-\$49,999	30
\$50,000+	31
MEDIAN INCOME	\$32,000

are self-employed, and children. For each group, a descriptive analysis of their employment, income and demographic characteristics is provided.

OVERVIEW OF CURRENT PURCHASERS

Current purchasers are defined as those non-elderly individuals with private non-group health insurance coverage. Approximately 13.5 million persons were covered by individual health insurance plans in 1995. Of these purchasers, more than one-third reside in the South, one quarter each in the Midwest and West, and fewer than one-in-five in the Northeast (See Figure 1).

SUMMARY OF CHARACTERISTICS: CURRENT PURCHASERS

Current purchasers of individual health insurance plans tend to:

- Be employed in small businesses (< 100 employees) or self-employed;
- Have moderate family incomes;
- Belong to two-adult families, most with children;
- Under-represent African-Americans and those of Hispanic origin.

Employment. Of those employed, about 70 percent work in small businesses with fewer than 100 employees, or are self-employed. This finding is consistent with the structure of the health insurance market: most large employers provide group coverage due to economies of scale and the ability to pool risk.

About 45 percent of current purchasers are not in the labor force; these are primarily children or non-working spouses. Three percent are unemployed, below the national unemployment rate of 5.6 percent in March 1996 (See Figure 3). There is little regional variation in employment status.

Income. Although current purchasers are employed, their median family income is about 75 percent of the national median family income of \$40,611 (See Table 1). Regional differences reflect national income distributions. The West and Northeast have higher incomes, the Midwest and South have lower incomes, compared to the national median family income of current purchasers.

The predominant source of income is wages and salaries since purchasers tend to be employed. Another one-third of the population reported income resulting from self-employment, from both farm and non-farm sources (See Table 3).

Demographics. The average age of non-elderly adults (between 18 and 64) covered by individual health insurance is 38 years old.

About one-fifth of all current purchasers are between 50 and 64, indicating that at least some portion of this age group has purchased individual insurance prior to becoming eligible for Medicare (See Table 4).

The racial composition of current purchasers tends to under-represent African-Americans and individuals of Hispanic origin when compared to the broad ethnic composition of the U.S. There is a higher proportion of African-Americans with individual coverage in the South, Hispanics in the South and West, and Asians in the West. Over 90 percent of current purchasers are U.S. citizens. However, in the West, again reflecting broader demographic trends, there is a higher proportion of current purchasers who are non-citizens (See Table 2).

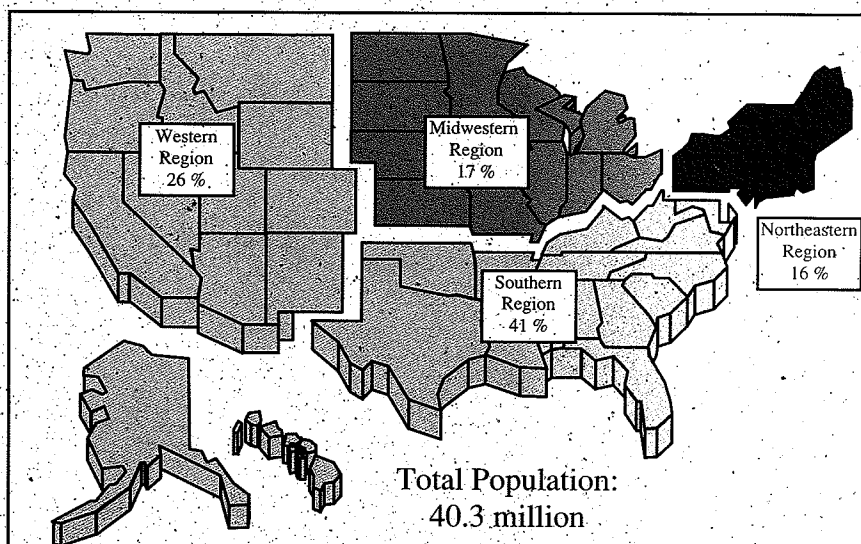
More than one-third of current purchasers are in families with two adults and at least one child. Furthermore, over 50 percent of current purchasers are in families with at least one child (some portion of the *other* category includes children). Only 14 percent of current purchasers are in single-parent families with children (See Table 2).

OVERVIEW OF THE UNINSURED

The U.S. Census Bureau reports that 15.4 percent of the total population was uninsured in 1995. Over 17 percent of the non-elderly population were uninsured (almost all the elderly are covered by Medicare). The number of uninsured increased from 39.7 million (or 15.2 percent of the population) in 1994 to 40.3 million in 1995.

As shown in Figure 4, over 41 percent of the uninsured population reside in the South, followed by 26 percent in the West. The remaining individuals without health insurance are almost equally divided between the Northeast and Midwest (16 percent and 17 percent, respectively).

FIGURE 4. DISTRIBUTION OF THE UNINSURED BY REGION



SUMMARY CHARACTERISTICS: THE UNINSURED

Uninsured individuals:

- Are disproportionately employed by small businesses;
- Have higher than average unemployment;
- Have low family incomes;
- Are younger and belong to minority groups.

Employment. Many of the uninsured are employed by small businesses: over 60 percent of those employed work for small firms. These businesses are less likely to offer health care coverage because of smaller risk pools and higher administrative costs associated with covering small groups. However, about 17 percent of the uninsured are employed by medium and large firms. Almost half of the uninsured are not in the labor force, including a large number of uninsured children (See Figure 5).

The unemployment rate of 7 percent for uninsured individuals is higher than the national unemployment rate. Generally, employment status does not demonstrate much regional variation.

TABLE 3. INCOME SOURCES OF CURRENT PURCHASERS

FAMILY INCOME SOURCES	% SOURCE
WAGE & SALARY	79%
PUBLIC SOURCES	23%
PENSION	7%
SELF-EMPLOYED (FARM)	6%
SELF-EMPLOYED (NON-FARM)	28%
OTHER	77%

TABLE 4. AGE CATEGORY OF CURRENT PURCHASERS

AGE (IN YEARS)	%
< 20	29%
20-29	20
30-39	16
40-49	16
50-59	12
60-64	7

TABLE 7. DEMOGRAPHIC CHARACTERISTICS OF THE UNINSURED

Demographic Characteristic	REGION				TOTAL
	Northeast	Midwest	South	West	
Race/Ethnicity					
White	59%	74%	52%	43%	54%
African-American	17	16	25	5	17
Hispanic Origin*	18	6	20	43	24
Asian / Other	6	4	3	9	5
Immigrant Status					
U.S. Born	76%	92%	87%	66%	81%
Foreign Born Citizen	5	2	2	4	3
Foreign Born Non-Citizen	19	6	11	30	16
Family Composition					
Two adults/children	32%	32%	39%	42%	37%
Two adults/no children	19	17	16	13	16
One adult/children	18	20	19	16	18
One adult/no children	19	23	17	21	20
Other	12	8	9	8	9

* Hispanic persons can be of any race.

FIGURE 5. EMPLOYMENT CHARACTERISTICS OF THE UNINSURED

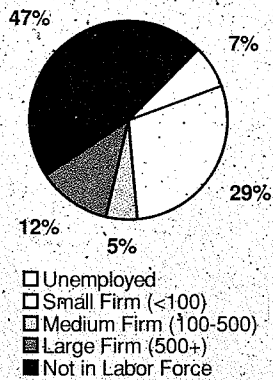


TABLE 5. % OF THE UNINSURED BY INCOME CATEGORY

FAMILY INCOME	%
<\$10,000	20%
\$10-\$24,999	34
\$25-\$49,999	29
\$50,000	17
MEDIAN INCOME	\$22,900

TABLE 6. INCOME SOURCES OF THE UNINSURED

FAMILY INCOME SOURCES	% SOURCE
WAGE & SALARY	85%
PUBLIC SOURCES	28%
PENSION	6%
SELF-EMPLOYED (FARM)	2%
SELF-EMPLOYED (NON-FARM)	15%
OTHER	46%

Income. Those without health insurance coverage tend to have low family incomes. The median family income of the uninsured is \$22,900 compared to over \$40,000 nationally. About 54 percent of uninsured individuals have annual incomes of less than \$25,000, while only 17 percent have incomes greater than \$50,000 (See Table 5). By region, the income distribution reflects national trends, with the Northeast displaying higher median family incomes. About 85 percent of uninsured individuals are in families receiving incomes from wages and salaries. Since the uninsured tend to have lower incomes, these individuals also report significant reliance on public assistance (See Table 6). Compared with current purchasers, the uninsured are less likely to be self-employed.

Demographics. Compared with current purchasers, uninsured individuals are generally younger. The average age of uninsured adults between 18 and 64 is 35 years old.

About 54 percent of all non-elderly uninsured are less than 30 years. Only 11 percent of the uninsured are over 50 years of age (See Table 8).

About 46 percent of uninsured individuals belong to minority groups: 17 percent

African-American, 24 percent Hispanic, and 5 percent Asian/Other (See Table 7). Of these minority groups, individuals of Hispanic origin tend to report the absence of health insurance coverage more often than other groups. According to the Census Bureau, about 33 percent of individuals of Hispanic origin were uninsured in 1995, compared with about 21 percent of African-Americans who lacked coverage.

The uninsured are more likely to be non-citizens than current purchasers, 6 percent of current purchasers compared with 16 percent of the uninsured (See Table 7). This may be in part due to the lower economic resources of non-citizens as compared with citizens.

The uninsured tend to be in families with children. About 37 percent of the uninsured are in families with two adults and at least one child, and another 18 percent are in single-parent families (See Table 7).

SUBGROUPS OF THE UNINSURED

This section focuses on the characteristics of three distinct groups of the uninsured population of potential interest to policymakers: those who have the financial resources seemingly to afford coverage, individuals who are self-employed, and children.

Uninsured with Significant Financial Resources. Some uninsured individuals have the financial resources to purchase individual coverage but remain uninsured. The CPS does not indicate whether individuals are eligible for group coverage or are insurable; however, the CPS does provide a measure of the economic resources of these individuals. While there is no single best method to gauge financial resources, this analysis uses 275 percent of poverty as the threshold. This figure represents the maximum allowable Medicaid eligibility limit for low-income pregnant women and children.

The federal poverty level threshold varies by family composition and age of the head of the household. For example, 275 percent of the Federal poverty level for a family of four was \$42,000 in 1995. Under this definition, about 10.6 million uninsured persons may have the financial resources to obtain individual health coverage.

The uninsured with significant financial resources are:

- Employed, with a majority working in small businesses;
- Ethnically diverse;
- Single or couples without children.

Uninsured individuals with financial resources tend to work in small firms (with fewer than 100 employees). About 20 percent of these uninsured individuals work in large companies with more than 500 employees (See Figure 6).

This analysis assumes that these uninsured individuals with financial resources have incomes greater than 275 percent of poverty. The family median income for this defined population is over \$50,000 (See Table 9). A large majority of potential purchasers report receiving wage and salary income. Almost one-quarter of this population are self-employed.

The average adult age of uninsured individuals with financial resources is 36 years old (See Table 9).

About 48 percent of all non-elderly uninsured individuals are less than 30 years old. About 14 percent are between 50 and 64 years old.

These uninsured individuals are more racially diverse, when compared to the nation. About one-third are minorities (See Table 9). While 86 percent of potential purchasers are U.S.-born citizens, the West has a disproportionate percentage of non-citizens.

Forty-seven percent of these uninsured individuals are in families without children. More than two-thirds of potential purchasers have two adults in the family, with almost an equal division of families with and without children. Furthermore, less than 10 percent of these uninsured individuals are in single-parent families with children (See Table 9).

Self-Employed. While the individual insurance market tends to serve transitory individuals such as the recent college graduate or the early retiree, the individual market also is an important source of health care coverage to the self-employed. In some cases, the individual market becomes the long-term source for health insurance coverage for self-employed individuals who have no access to the group market. Like the uninsured with significant financial resources, uninsured self-employed individuals are potential purchasers of individual insurance.

Approximately 3 million uninsured individuals are self-employed, and they tend to:

- Have low to moderate incomes;
- Be older;
- Be single or couples without children.

The median family income of the uninsured self-employed is about \$26,500, which is substantially below the national median family income. About 44 percent have incomes less than \$25,000, while 23 percent have family incomes of over \$50,000.

The average age of the uninsured self-employed adult is 41 years old (See Table 9).

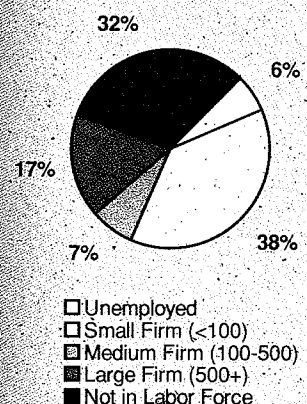
Only 16 percent of all non-elderly self-employed are less than 30 years old. Almost one-quarter are between 50 and 64 years of age.

The racial composition of the self-employed reflects the larger number of uninsured

TABLE 8. AGE CATEGORY OF THE UNINSURED

AGE (IN YEARS)	%
< 20	28%
20-29	26
30-39	21
40-49	14
50-59	8
60-64	3

FIGURE 6. EMPLOYMENT CHARACTERISTICS OF THE UNINSURED W/SIGNIFICANT FINANCIAL RESOURCES



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TABLE 9. SELECTED CHARACTERISTICS OF THE UNINSURED SEGMENTS

Characteristic	UNINSURED		
	Significant Resources	Self-Employed	Children
Median Family Income	\$53,712	\$26,477	\$23,520
< \$10,000	n/a	15%	18%
\$10,000-\$24,999	n/a	29	35
\$25,000-\$49,999	n/a	33	32
\$50,000+	n/a	23	15
Race/Ethnicity			
White	68%	73%	49%
Black	14	9	18
Hispanic Origin	11	12	28
Asian / Other	7	6	5
Family Composition			
Two adults/children	31%	36%	63%
Two adults/no children	33	23	n/a
One adult/children	8	7	33
One adult/no children	14	27	n/a
Other	14	7	4
Average Age	36 Yrs	41 Yrs	9 Yrs

* Hispanic persons can be of any race.

individuals of Hispanic origin. In addition, about 11 percent are non-citizens.

Half of the uninsured self-employed are in households without children. Of those with children, a large minority belong to households with two parents. Only 7 percent of self-employed individuals are in single-parent families (See Table 9).

Children. While there have been efforts by states, the Federal Government, and private organizations to provide health care coverage to children, 9.8 million children remained uninsured in 1995. This figure represents about 14 percent of all children under the age of 18. The following provides a brief depiction of uninsured children.

Generally, uninsured children have median family incomes quite similar to the general uninsured population but significantly below the nation as a whole; the median family income is \$23,520 compared to a national median of \$40,611. A majority of families have incomes of less than \$25,000. Only 15 percent of uninsured children live in families with incomes of more than \$50,000 (See Table 9). Lower-income parents are less likely to be employed by firms who offer

health insurance; furthermore, even if employers offer health insurance, it is often too costly for these workers to purchase such coverage.

The average age of uninsured children is 9 years old. One-third of the children are under 5 years of age. Half of the uninsured children are minorities, including 28 percent of Hispanic origin. A majority of the children are in households with two adults, though one-third of uninsured children live in single-parent families (See Table 9).

CONCLUSIONS

This issue brief has provided an overview of the characteristics of current purchasers of individual health insurance as well as a portrait of the uninsured. Additionally, brief portraits were given for segments of the uninsured: those who can seemingly afford coverage, self-employed individuals, and children. The social and economic characteristics of current purchasers and those uninsured who may purchase individual coverage affects the size of individual insurance markets, and the relative propensity of individuals to buy health insurance.