



# **Health Insurance Coverage in the U.S. The New Census Bureau Numbers for 2000 and The Trend into 2001**

**A brief analysis from  
The National Institute for Health Care Management Foundation**

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## ***Background***

The Census Bureau is scheduled on September 28 to release its annual report on health insurance coverage in the United States. The report will pertain to coverage in the year 2000. It is based on data from a survey of some 50,000 households (representing about 130,000 individuals) done in March 2001. This annual survey is called the “March Supplement to the Current Population Survey” (March CPS). It asks about a range of things, including health insurance coverage.

The report is more complicated this year because of a change in the survey’s methodology.

Last month, the Bureau released a revised estimate of the number of Americans with and without health insurance in 1999. This revision was based on the change in methodology. Essentially, the Bureau has added a question to the survey to get a better, more accurate assessment of health insurance coverage nationally. The question was added because studies and analyses over the last few years have indicated that the March CPS might be overestimating the number of uninsured.

The change did in fact result in a decreased estimate of the number of Americans lacking health insurance in 1999. The Bureau now estimates that 39.3 million Americans were uninsured in 1999, not 42.6 million as it reported in September 2000.<sup>1</sup> It documents this new estimate, and the rationale behind the change in methodology, in a report released just last month.<sup>2</sup>

Even before the revision, the 1999 estimates represented a 1.7 million reduction in the number of uninsured over 1998 levels. This was the first actual decline in the estimated number of uninsured since 1987. The decline, analysts agreed, was largely attributable to the cumulative effects of several years of a very robust economy – which produced low unemployment, more companies offering health insurance, and higher wages that permitted more workers to pay their share of the health insurance costs.<sup>3</sup> Expansions of government health insurance programs (especially the State Children’s Health Insurance program or SCHIP) may have also played a role in the coverage increase.

## *Surveys Compared and Previous Years' Data*

Population surveys are imperfect instruments. The Bureau acknowledges its numbers are “estimates” and reports them as such. The central problem with surveys like the CPS is that they rely on respondent recall, which is never 100% accurate. The verification question was thus a very welcome addition to the March CPS.

But experts have long debated the accuracy of the annual March survey with respect to its estimates of health insurance coverage. Those debates are likely to continue. The reason: even the revised 1999 Census Bureau results yielded a higher estimate of the number of persons without health insurance than some other recent large-scale surveys. Some of that has to do with measuring so called “point in time” lack of health insurance versus measuring the lack of insurance over an entire year (which CPS purports to do).

For example, a survey of some 60,000 people conducted by the Center for Studying Health System Change found that 35.8 million Americans were uninsured at the time of the survey in 1999.<sup>4</sup> Likewise, a survey by the Urban Institute of approximately 100,000 people found that 36.1 million people lacked coverage at the time the survey was done in 1999.<sup>5</sup>

Both of these surveys assess coverage at a point in time. The CPS in contrast asks about coverage during the previous calendar year. But measures of the number of uninsured at a point in time would logically be expected to *exceed* measures of the uninsured for the entire year. That is because most people who do not have health insurance tend to lack it for shorter periods than a year. (The number of people who have had any gap in coverage over a year is yet another measure. See below.)

These results from other surveys are somewhat confounding then since they find point in time estimates for the uninsured that are *less than* the number of uninsured the March CPS finds for the entire 1999 year. Some analysts argue this is further indication that the March CPS still overestimates the number of uninsured for the entire year.<sup>6</sup>

Indeed, a survey by the Agency Healthcare Research and Quality (AHRQ) sheds some light on this issue while also adding fuel to the fire. In a survey done over several months involving around 25,000 people, the agency found that 42.3 million people did not have health insurance for at least several months during *the first half* of 1998. But when the data was compiled for the *full year* 1998, 32.6 million lacked coverage. The same survey (called the Medical Expenditure Panel Survey or MEPS) found that 61.7 million Americans during the entire period 1998 experienced some gap in coverage.<sup>7</sup>

Here are those MEPS statistics again – for 1998

- Uninsured ever during the year.....61.7 million (22.5% of the population)

- Uninsured for several months during first half of the year.....42.3 million (15.8% of the population)
- Uninsured for the full year.....32.6 million (11.9% of the population)

The MEPS data for the first half of 1999 show 42.8 million uninsured (again for a period of a few months to six months). The agency has not yet completed its analysis of the full year data for 1999. But in August 2001, AHRQ released data from the MEPS for the *first half of 2000*. It showed that 44.0 million people were uninsured for at least several months during the period January to June 2000, an increase of 1.2 million in the number of uninsured from 1999 to 2000. <sup>8</sup>

The upshot of all this is:

- There is no 100% accurate estimate for the number of uninsured persons.
- Differing methods of measuring insurance coverage will produce different estimates of the number of uninsured.
- A substantial number of Americans have a gap in coverage every year and some of those gaps may be lengthy (several months or longer). But fewer people lack coverage for any given year.

### ***Interpreting the Year 2000 March CPS Numbers***

The Census Bureau will present data this week showing an estimate of the number of uninsured calculated both with and without the new survey question. Officials of the agency will explain the difference and the context for the methodological change. They are doing this so that researchers and the media can maintain historical trend data without the “methodological break.” The March CPS data, with only minor methodological modifications, goes back to 1987. (See below for this trend data)

But this change is still going to be confusing. What will the “right” number be? And how does one now assess the health insurance trend over time? And what does this mean for past years’ numbers? Were they incorrect?

As the above analysis suggests, there is no completely accurate number of uninsured. On balance, however, the revision to the March CPS survey should produce an estimate of the uninsured that is closer to the actual number of Americans who lack health insurance over an entire year.

But, importantly, the methodological revision in the March CPS does *not* make the previous March CPS data on health insurance coverage irrelevant or useless. Were this data somehow able to be retrospectively adjusted, the historical trend would more than likely remain the same. That is, in a majority of the years since 1987 the number of uninsured Americans would have increased. And the percentage of the non-elderly population that lacked coverage would have increased. (See data below.)

This trend through the 1990s has appropriately focused political attention on ways to expand health insurance coverage in the U.S. Moreover, what resonates most about this trend is that the erosion of coverage occurred during one of the most prolonged periods of economic expansion in U.S. history.

Media coverage and the policy debate surrounding health insurance coverage have understandably relied on the annual March CPS numbers – and particularly one number of the uninsured. Reportage and the debate both would be well served by a deeper appreciation of the number of Americans – more than one in five – who have some gap in coverage over a year’s time. (Over three years, the number is closer to one in three Americans.) This could help focus attention on the reasons for short gaps in coverage as distinguished from long gaps. Solutions to both are important in an era when comprehensive reforms to create a system of universal coverage are politically unpalatable.

## **2001**

The economic forces that cause erosions in health insurance coverage are arrayed in 2001 in ways they were not in 1999 and 2000. Indeed, those forces could be particularly strong this year, especially as they interact. They are:

- Growing unemployment
- Economic stagnation, downturn or a possible recession
- Higher costs for health insurance and health care

In addition, economic uncertainty exists in the wake of the tragic events of September 11.

However, some positive forces could come into play that might sustain current levels of health insurance coverage. These include expansion of coverage among children and teens under SCHIP, increased coverage under Medicaid linked to state outreach programs, and the recent trend towards greater numbers of small employers offering health insurance to their workers.

### *Growing unemployment*

People who lose their jobs usually lose their health insurance. A 1993-1995 study found that 44% of people who lose their jobs can expect to experience a gap in health insurance coverage lasting a month or longer.<sup>9</sup>

Laid off or terminated workers who have employer-sponsored health insurance and worked in companies with 20 or more workers can continue to buy coverage through their employer for up to 18 months under a federal law passed in 1985. This coverage is commonly referred to as COBRA coverage after the law that spawned the provision – the Consolidated Omnibus Budget Reconciliation Act of 1985. But laid off or terminated workers must pay the full cost of the coverage plus a 2% administration fee. The high cost limits participation. In recent years, about 20% of people eligible for COBRA participate for an average of 10 months.<sup>10</sup>

A 1999 study calculated that for each 0.5 percentage point increase in the unemployment rate, an *estimated* 1 million people (workers and their dependents) lose health insurance coverage – some for short periods before they find a new job and others for longer periods.<sup>11</sup>

The unemployment rate has climbed steadily in 2001, from 4.2% in January to 4.9% in August. That translates into an additional 941,000 people out of work (out of a civilian work force of 134.4 million in August 2001.) Conjecture from economists, as reported in the media recently, suggests that unemployment *could* rise to between 6% and 7% over the next three to six months due to both the economic downturn and impact of the September 11<sup>th</sup> terrorist attack on certain industries.

#### *Economic downturn*

Health insurance coverage declines in a downturn or recession because small firms may drop coverage (or fail to renew it) to maintain wages or simply stay in business. Other firms may not drop coverage but instead will increase the share of the insurance premium workers must pay. When this happens, some workers are forced to drop coverage because they can not pay the additional amount. Still other firms may choose to weather a recession by hiring more part time, contract or temporary workers, instead of full time workers. Health insurance is typically not offered to such workers.

It is not possible to predict this impact. Too many forces are at work, not the least of which is how long a downturn or recession may last. One counterbalancing trend in recent years, however, could lessen the impact, especially if any economic downturn or recession is brief. More of the smallest businesses (3-9 workers) have been offering health insurance – 58% in 2001 up from 50% in 1998. And coverage among all small businesses (under 200 workers) has risen steadily to almost 65% from around 55% in 1998.<sup>12</sup>

#### *Higher insurance premiums and health costs*

Health insurance premiums took a sharp turn upwards in 2000 and 2001 – rising an average 8% in 2000 and an average 11% in 2001. (Small businesses saw premiums rise an average 12.5% in 2001.) Overall inflation averaged 3% to 3.5% in 2000-2001.<sup>13</sup>

Premiums are rising primarily because underlying health costs are rising but also because health insurance companies, for competitive reasons, underpriced their products from 1994 to 1998.

Rising premiums make health insurance more expensive for both businesses and individuals. Among firms, the smallest are most vulnerable. Among individuals, the low-income are most vulnerable. Some small firms may question whether to offer coverage or retain it. Others could be forced to shift costs to workers. As stated above, some of those workers will not be able to afford to pay the added cost and may then choose to drop coverage.

Economic theory predicts that for every one percentage point increase in the cost of health insurance, 0.1% of workers and their dependents lose coverage.<sup>14</sup> Thus, a cost increase of 11% could reduce the number of people with private health insurance by 1.1% percent. Approximately 180 million people in 2001 have any private health insurance. That means 2 million could, *in theory*, lose coverage.

But the theory is based on economic modeling. What happens in the real world can be quite different and varied, depending on many economic forces. For example, premiums rose nationally an average 4.8% in 1999 but coverage increased overall that year – by 1.7 million. And from 1999 to 2000, premium costs went up an average 11% but more small employers offered coverage (as discussed above). In fact, from 1998 to 2000, premiums for small employers rose in excess of 20% yet more offered coverage.

The robust economy in the late 1990s likely countered any loss of coverage due to premium increases.

Most health insurance experts and economists expect that higher premiums in 2001, combined with the affects of an economic slowdown (or recession), could result in some overall loss of coverage – the magnitude of which is really not predictable.

***Trend Data from March CPS – 1987-1999***

***Number (and Percentage) of Non-Elderly Americans With No Health Insurance*** <sup>15</sup>

1987 – 31.8 million (14.8%)  
1988 – 33.6 million (15.5%)  
1989 – 34.3 million (15.7%)  
1990 – 35.6 million (16.1%)  
1991 – 36.3 million (16.3%)  
1992 – 38.3 million (17.0%)  
1993 – 39.3 million (17.3%)  
1994 – 39.4 million (17.1%)  
1995 – 40.3 million (17.4%)  
1996 – 41.4 million (17.7%)  
1997 – 43.1 million (18.3%)  
1998 – 43.9 million (18.4%)  
1999 – 42.1 million (17.5%)

## Notes

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3. Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2000 Current Population Survey*. Report issued by the Employee Benefit Research Institute (December 2000). [www.ebri.org](http://www.ebri.org); Robert Pear, “Number of Insured Americans is Up for First Time Since ’87” *The New York Times*, (September 29, 2000): page A15.
4. Data obtained from Center for Studying Health System Change, September 24, 2001.
5. Stephen Zuckerman et al, “Shifting Health Insurance Coverage, 1997-1999,” *Health Affairs* (January/February 2001): pages 169-175.
6. For an excellent general discussion of this issue see Paul Fronstin, *Counting the Uninsured: A Comparison of National Surveys*, Employee Benefits Research Institute (September 2000). [www.ebri.org](http://www.ebri.org).
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12. Jon Gabel et al, “Job Based Health Insurance in 2001: Inflation Hits Double Digits, Managed Care Retreats,” *Health Affairs* (September/October 2001): pages 180-186
13. Ibid.
14. The Lewin Group, *Exploring the Determinants of Employer Health Insurance Coverage*, Report conducted for and issued by the AFL-CIO (February 1998)
15. Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2000 Current Population Survey*, a report issued by the Employee Benefit Research Institute (December 2000). [www.ebri.org](http://www.ebri.org).