



## Private Health Insurance: Recent Data Reveal Disturbing Trends

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### Key Findings:

- More Americans are uninsured today (47 million) than at the peak of the 2001 recession. An estimated 729,000 Missourians are currently uninsured.
- Most of those who are uninsured are poor or near-poor (incomes under 200 percent of FPL, about \$41,000/yr for a family of four).
- Non-elderly adults are the most likely to be uninsured.
- The number of Americans covered by employer-sponsored insurance continues to decrease slowly. The number insured by some kind of public insurance increased from 2006 to 2007.
- Employer sponsored insurance continues to decrease in small firms, and those with higher numbers of low wage workers and younger workers.
- The cost of premiums and cost-sharing for employees continue to rise more rapidly than workers' income and inflation.
- The average annual cost of a single coverage premium in 2008 is \$4,704.
- The average annual cost of a family coverage premium in 2008 is \$12,680.
- The average percent of costs for insurance premiums paid by workers and employers is fairly constant over time.
- In addition to premiums, insured workers' deductibles increased from 2007 to 2008.

### Who Are the Uninsured?

Census data from 2007 show that the largest number of uninsured for all of 2007 are individuals between the ages of 18 and 65. Individuals with low incomes are most likely to be uninsured, or to have lacked insurance sometime during the year.

Biennial health surveys by the Commonwealth Fund show the following breakdown for 2007:<sup>1</sup>

- *Low-income adults*<sup>2</sup>: 35 percent are currently uninsured; another 15 percent were uninsured sometime during 2007.

<sup>1</sup> Collins, S., Kriss, J., Doty, Michelle M., and Rustgi, Sheila D. Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families. Findings from the Commonwealth biennial Health Insurance Surveys, 2001-2007. August 2008. See [www.commonwealthfund.org](http://www.commonwealthfund.org).

<sup>2</sup> Low income adults have incomes less than \$20,000 per year.

- *Moderate income adults*<sup>3</sup>: 24 percent are currently uninsured; another 16 percent were uninsured sometime during 2007.
- *Middle income adults*<sup>4</sup>: 7 percent are currently uninsured; another 11 percent were uninsured sometime during 2007.
- *High income adults*<sup>5</sup>: 5 percent are currently uninsured; another 3 percent were uninsured sometime during 2007.

While those with the lowest incomes are more likely to be uninsured, the percent of uninsured individuals in every income bracket has increased since 2001<sup>6</sup>.

The Commonwealth survey shows that 24 percent of adults who were uninsured any time during 2007 had incomes less than 100 percent of the federal poverty level (\$20,500 for a family of 4). Another 32 percent had incomes less than 200 percent of the federal poverty level.

### What the census data shows about insurance trends

Although the number of uninsured in the United States dropped by 1.3 million<sup>7</sup> from 2006 to 2007, this may be attributed primarily to an increase in the number of individuals insured by public insurance (Medicaid and Medicare). Employer-sponsored insurance continued to drop slowly in 2007, as shown in the table below. The number of uninsured in the United States has increased by 5.9 million since the 2001 recession.<sup>8</sup>

	<b>Types of health insurance by those who are insured</b>			
	% insured by Employer- sponsored insurance	% insured by Medicaid and SCHIP	% insured by Medicare	% insured by Military Health Care
2007	59.3 <sup>9</sup>	13.2	13.8	3.7
2006	59.6 <sup>10</sup>	12.9	13.6	3.6
2005	60.2	13.0	13.7	3.8
2004	60.5	13.0	13.6	3.7
2003	61.0	12.4	13.7	3.5
2002	61.9	11.6	13.4	3.5
2001	63.2	11.2	13.5	3.4

<sup>3</sup> Moderate income adults have incomes between \$20,000 and \$34,999 per year.

<sup>4</sup> Middle income adults have incomes between \$35,000 and \$59,000.

<sup>5</sup> High income adults have incomes over \$60,000.

<sup>6</sup> Ibid at 1.

<sup>7</sup> Sherman, A., Greenstein, R. and Parrott, S. *For Poverty Rate and Non-Elderly Median Income, Worst performance on Record for Any Six Years*. Center on Budget and Policy Priorities, 8/26/08. See <http://www.cbpp.org/8-26-08pov.htm>.

<sup>8</sup> Ibid

<sup>9</sup> Sherman, A., Greenstein, R. and Parrott, S. *For Poverty Rate and Non-Elderly Median Income, Worst performance on Record for Any Six Years*. Center on Budget and Policy Priorities, 8/26/08. See <http://www.cbpp.org/8-26-08pov.htm>.

<sup>10</sup> Center on Budget and Policy Priorities, "More Americans, Including More Children, Now Lack Health Insurance, August 31, 2007 at [www.cbpp.org](http://www.cbpp.org)

### What trends do employee benefits surveys show?

The recent *Survey of Employer Health Benefits - 2008*, published in September by the Kaiser Family Foundation and the Health Research and Educational Trust, provides some insight into private insurance trends. In 2008, 63 percent of all firms offered health insurance, which is not significantly different from the results in 2007.<sup>11</sup> Differences emerge when the kinds of firms that are likely to offer benefits are examined:

- Smaller firms are much less likely to offer health benefits<sup>12</sup>.
- Firms with higher wage employees are more likely to provide health benefits<sup>13</sup>.
- Firms with fewer part time workers and/or more union workers are more likely to offer health benefits<sup>14</sup>.
- Firms with a relatively small number of young workers (less than thirty-five percent are age 26 or younger) are more likely to offer health benefits<sup>15</sup>.

Firm size	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
3-9 workers	56%	57%	58%	58%	55%	52%	47%	48%	45%	49%
All small firms (3-199 workers)	65%	68%	68%	66%	65%	63%	59%	60%	59%	62%
All large firms (200+ workers)	99%	99%	99%	98%	98%	99%	98%	98%	99%	99%
All firms	66%	69%	68%	66%	66%	63%	60%	61%	60%	63%

Despite slowed growth of health insurance costs, the Benefits survey indicates that employers in small firms that do not offer health benefits believe high premiums are the “most important reason” for not doing so. Other factors include “the firm is too small” (twenty-one percent) and “employees are covered elsewhere” (nineteen percent). The factor cited as the least important reason to not offer health benefits is high employee turnover (nineteen percent)<sup>17</sup>.

<sup>11</sup> Kaiser Family Foundation and Health Research and Educational Trust Benefits Survey, 2008. See [www.kff.org](http://www.kff.org).

<sup>12</sup> Ibid. Forty-nine percent of firms with 3-9 workers offer health benefits compared to ninety-five percent of firms with 50 or more employees.

<sup>13</sup> Ibid. Sixty-eight percent of firms where fewer than 35% of workers earn less than \$22,000 annually offer benefits compared to forty percent of firms with higher numbers of low wage workers.

<sup>14</sup> Ibid

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Ibid

### Trends in the cost of health insurance

The average annual premium for single coverage in 2008 is \$4,704. Average family coverage is \$12,680. These represent an increase of about five percent over the 2007 costs.<sup>18</sup>

The following table shows the growth in premium costs from 1999 to 2008<sup>19</sup>.

<b>Growth in cost of single and family coverage premiums</b>		
<b>Year</b>	<b>Cost of single coverage premiums</b>	<b>Cost of family coverage premiums</b>
1999	\$2,196	\$5,791
2000	2,471*	6,438*
2001	2,689*	7,061*
2002	3,083*	8,003*
2003	3,383*	9,068*
2004	3,695*	9,950*
2005	4,024*	10,880*
2006	4,242*	11,480*
2007	4,479*	12,106*
2008	4,704*	12,680*

*\*Estimate is statistically different from previous year (p<.05)*

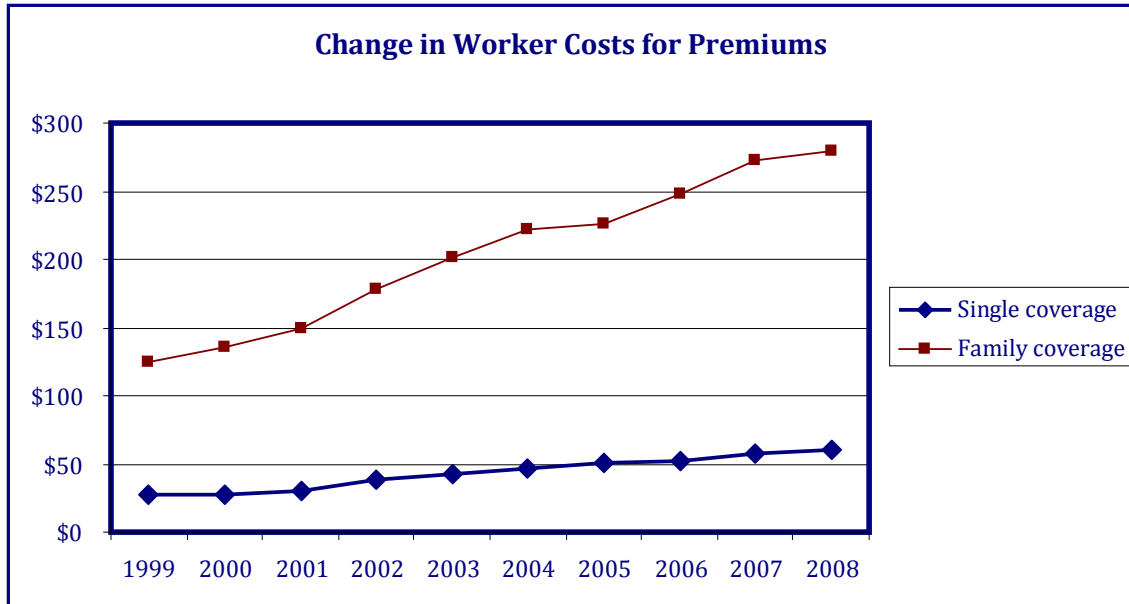
The graph below shows the change in average monthly worker contributions from 1999 to 2008.<sup>20</sup>

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<sup>18</sup> Ibid. Note that the method of calculating average cost was changed slightly in 2008.

<sup>19</sup> ibid

<sup>20</sup> Ibid. Exhibit 6.2



A recent report by Families USA, *Premiums vs. Paychecks*, supports the findings in the Kaiser Family Foundation/HRET Benefits survey. It confirms that Missouri premium costs greatly outpace the growth in earnings. The report compares 2000 and 2007 data, and shows that premium costs grew 4.4 times as quickly as earnings.<sup>21</sup> It shows worker contributions increasing from \$30 per month in 2000 to \$62 per month in 2007 for single coverage premiums. Worker costs for family coverage premiums increased from \$119 per month to \$225 per month.<sup>22</sup>

Data from the Towers Perrin Annual Health Care Cost Survey, which includes detailed information from 300 of the nation’s largest companies, are consistent with the other data presented in this brief. This survey states that health insurance costs increased by 6 percent in 2008. While this has slowed somewhat over the growth in previous years, it continues to outpace the growth of the consumer price index and wages. The Towers-Perrin survey states that health care costs have risen by 43 percent over the past 5 years, while the consumer price index has risen by just 17 percent.<sup>23</sup>

The high costs of premiums appear to have consequences for both adult workers and their children. It is often assumed that uninsured children are in families that lack employer-sponsored insurance. A study by the Oregon Health and Science University released in the *Journal of the American Medical Association* on October 23, 2008 indicates that one in four uninsured child has an insured parent.<sup>24</sup> Parents interviewed in the study indicated that although their employer offered family coverage, they could not afford the premium. These families typically fall in a gap in which they earn too much to be eligible for public health insurance for

<sup>21</sup> [www.familiesusa.org/assets/pdf/premiums-vs-paychecks-2008/missouri.pdf](http://www.familiesusa.org/assets/pdf/premiums-vs-paychecks-2008/missouri.pdf).

<sup>22</sup> Ibid. Monthly computations for monthly costs completed by Missouri Budget Project using Tables 1 and 2.

<sup>23</sup> September 25, 2008 news release at

[www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200801/hccs\\_2008.pdf](http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200801/hccs_2008.pdf).

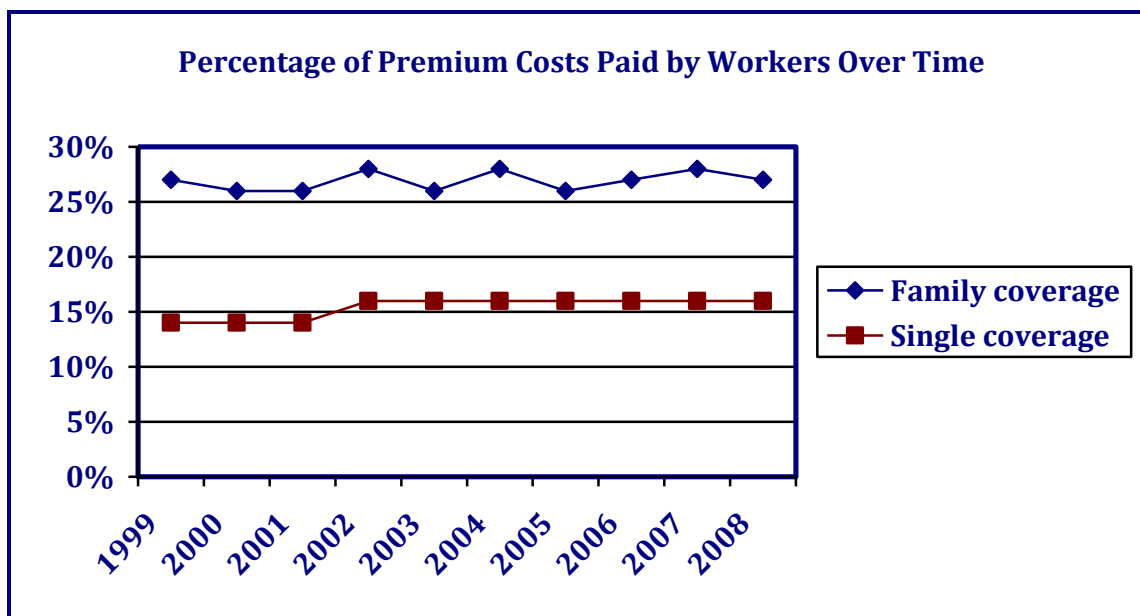
<sup>24</sup> [www.oregonlive.com/health/index.ssf/2008/10/OHSU\\_many\\_insured\\_parents\\_cant.html](http://www.oregonlive.com/health/index.ssf/2008/10/OHSU_many_insured_parents_cant.html). And [www.ohsu.edu](http://www.ohsu.edu).

their children, but cannot afford the family coverage premiums in private insurance. Policy options for these families are being explored in a number of states.<sup>25</sup>

### How do workers and employers share the cost of health insurance premiums?

On average, workers contribute \$60 per month for single coverage premiums, and \$280 per month for family coverage premiums. These are not statistically different from the amounts reported in 2007 (\$58 and \$273 respectively).

The fact that costs for workers more than doubled since 1999 reflects the growing costs of the premiums rather than a shifting of responsibility for paying costs. The average percentage of premium costs paid by workers over time has remained fairly constant, as shown in the graph below.<sup>26</sup>



In addition to paying a portion of the premium, most employees have additional cost sharing through general annual deductibles, cost-sharing for hospital stays and visits to the emergency room, and co-payments or co-insurance for doctor visits and prescription drugs.<sup>27</sup> Cost sharing varies by the type of insurance plan, as well as the type of service received. The complexity of cost sharing makes it difficult to make comparisons. Detailed information is available in the full Kaiser/HRET survey.

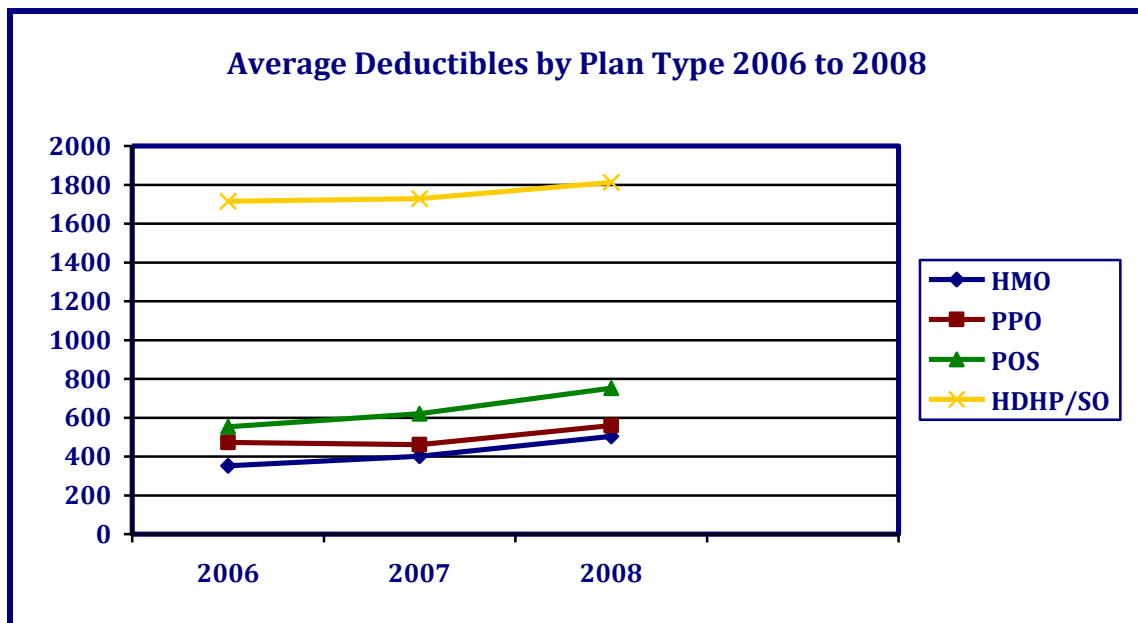
<sup>25</sup> The Center for Children and Families at Georgetown University report that nineteen states have implemented changes to expand and simplify their Medicaid and SCHIP programs in 2007-2008. See <http://ccf.georgetown.edu>. Jay Nixon, candidate for Missouri Governor, proposes allowing families to buy into the State Children's Health Insurance Program, and would require them to bear the entire cost.

<sup>26</sup> Ibid. Exhibit 6.1

<sup>27</sup> *Employer Health Benefits; 2007 Summary of Findings*. The Kaiser Family Foundation and the Health Research and Educational Trust, 2007. [www.kff.org](http://www.kff.org).

The graph below shows that deductibles for single coverage are increasing across all plan types.<sup>28</sup> The Kaiser/HRET survey reports on the following types of plans:

- **HMOs** are health maintenance organizations that assume financial risk for providing health services usually in return for a fixed pre-paid fee.
- A **PPO** is a Preferred Provider Organization in which an enrollee can see any doctor, but coverage outside the PPO network is more costly.
- A **POS** is a Point of Service plan that is an HMO/PPO hybrid. In-network services resemble those in an HMO. Out of network providers are usually reimbursed on a fee for service schedule or based on usual and customary charges.<sup>29</sup>
- A **HDHP/SO** is a High Deductible Health Plan with a Savings Option. The Kaiser/HRET survey defines these as plans with a deductible of at least \$1000 for an individual, and \$2000 for family coverage offered with a Health Reimbursement Account or those plans that meet federal requirements to permit an enrollee to establish and contribute to a Health Savings Account.<sup>30</sup>



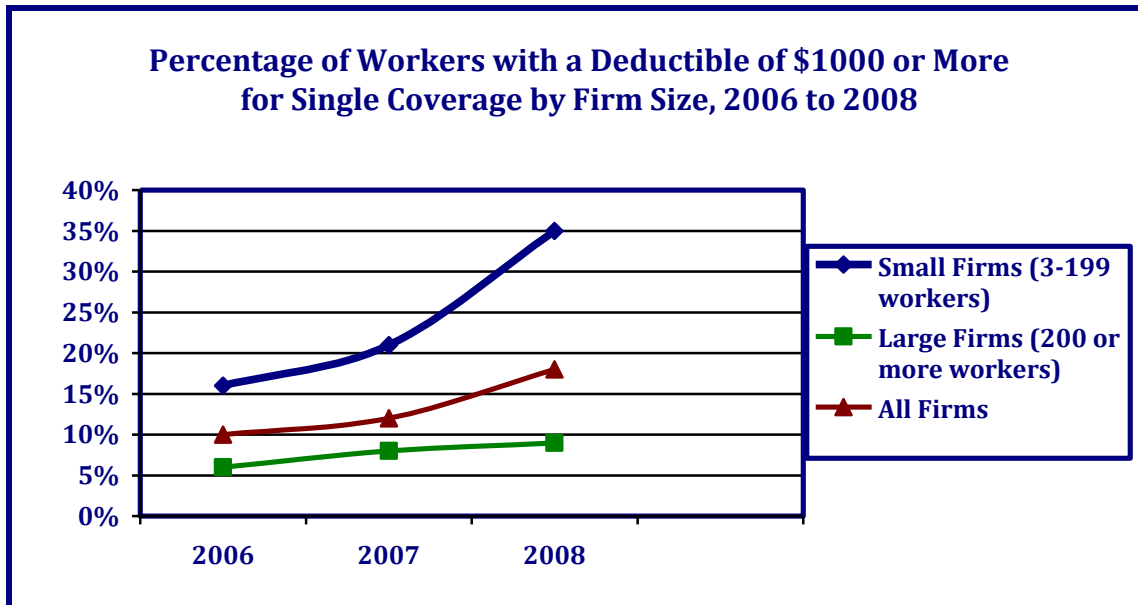
Growth in average deductibles of \$1000 or more is more likely for workers employed in small firms.<sup>31</sup>

<sup>28</sup> Ibid. Exhibit 7.5

<sup>29</sup> Information taken from *Definition of Healthcare Terms*, the Federal Government Interdepartmental Committee on Electronically Based Health Insurance Surveys at <http://stats.bls.gov/ncs/ebs/sp/healthterms.pdf>.

<sup>30</sup> Ibid at 27

<sup>31</sup> Ibid. Exhibit 7.6



In addition to any general deductibles, most covered workers are enrolled in health plans that require cost sharing for in-network physician office visits. Average co-payments are \$19 for primary care and \$26 for specialty physicians. Average co-insurance (the covered worker pays a percentage of the cost) is 17 percent.<sup>32</sup>

For hospitalizations, most covered workers have co-payments (average of \$216), or co-insurance (17 percent). A small number are required to pay a per diem for hospital stays (average is \$193 per day).<sup>33</sup>

### **What changes in health insurance coverage can we expect in the future?**

The Kaiser Health Benefits Survey reports that few employers say they plan to drop health insurance as a benefit. Large firms that offer health benefits report that in the next year they are very or somewhat likely to<sup>34</sup>:

- increase the amount workers contribute to premiums (40 percent);
- increase deductible amounts (41 percent);
- increase shared costs for office visits (45 percent); and
- increase costs for prescription drugs (41 percent).

Only 6 percent report that they are very or somewhat likely to drop coverage. Thirteen percent report they are very or somewhat likely to restrict eligibility for coverage next year.<sup>35</sup>

Increasing workers' cost could lead to fewer workers choosing employer sponsored insurance because it is cost prohibitive, especially for lower income workers.

<sup>32</sup> Ibid at 27

<sup>33</sup> Ibid

<sup>34</sup> Ibid

<sup>35</sup> Ibid

### **Where do we go from here?**

With changes in leadership eminent at both the State and Federal level, it is difficult to predict exactly what to expect in health care policy. We know that health care continues to be a priority among citizens. Growing costs concern both employers and employees.

As unemployment continues to grow across most of the country, mortgage foreclosures, and high food and utility costs continue to take their toll, it is likely that the number of uninsured will grow.

States are feeling the pinch as well as individuals, as the lagging economy translates into lower revenue collections. In the competition for scarce resources at both the State and federal level, it will be a challenge to craft policies that will help those most in need and to find the resources to adequately fund those policies.

Information from the census data and the surveys reviewed in this brief give some direction in identifying groups of individuals who are most likely to be uninsured. Specific strategies to insure low income working families, individuals who work in small firms and non-unionized businesses, and young workers could be developed to target these populations. Even with a change in leadership on the federal level, it is likely to take a considerable amount of time to enact substantial policy change. In the meantime, states should be developing ways to insure all of their citizens.

*The Mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, particularly low and middle income families, by providing reliable and objective research, analysis and advocacy. Contact the MBP through our website at [www.mobudget.org](http://www.mobudget.org)*