

# The Health Insurance Landscape

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## The Uninsured How Big is the Problem?



Indiana: 16%  
U.S.: 18%  
Max: Texas 27%  
Min: Iowa and  
Minnesota  
10%

Uninsured Percentages  
by State  
Nonelderly (0-64) 2005

\*The Kaiser Family Foundation, statehealthfacts.org. Data Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2005 and 2006 Current Population Survey (CPS: Annual Social and Economic Supplements).

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## Major Sources of Coverage Percentage of Nonelderly 2005

	Employer	Individual	Medicaid/ SCHIP
Indiana	65%	4%	13%
U.S.	61%	5%	14%

\*The Kaiser Family Foundation, statehealthfacts.org. Data Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2005 and 2006 Current Population Survey (CPS: Annual Social and Economic Supplements).

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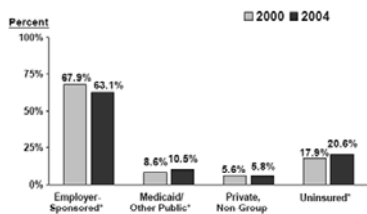
## Paying for Employer-Sponsored Health Insurance Premiums for Family Coverage

	Indiana	U.S.	Min	Max
% paid by employer	79%	76%	67% MS	84% NJ
% paid by employee	21%	24%		
Total premium	\$9,869	\$10,006	\$7,800 ND	\$11,742 DC

The Kaiser Family Foundation, statehealthfacts.org. Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2004 Medical Expenditure Panel Survey (MEPS)-Insurance Component. Tables I.I.C.1, I.I.C.2, I.I.C.3 available at: [Medical Expenditure Panel survey \(MEPS\)](#), July 2006.

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Figure 1  
**Health Insurance Coverage Changes  
 Among Working-Age Adults (age 19-64), 2000-2004**



\* Changes are significantly different (p < .05).  
 SOURCE: Kaiser Commission on Medicaid and the Uninsured/Urban Institute, Health Insurance Coverage in America, 2004 Data Update, Nov. 2005.

## Some Ideas that Seemed Good But Have Not Worked

- Subsidies
  - to Workers Already Offered Employer Insurance.
  - to Small Employers Not Offering Insurance.
- Small Group Reforms
  - State policies designed to increase access and affordability of insurance for workers at small firms.

### Subsidies to Workers

- In 2004, 20% of workers eligible for offered employer health insurance did not enroll.
  - 23% in Indiana
- Research shows that these workers are not likely to enroll voluntarily even with sizeable subsidies.
  - 75% subsidies increased participation by 3 pct points.

### Subsidies to Firms

- 45% of private establishments and 65% of establishments with < 10 workers do not offer HI to their workers.
  - 49% and 75% in Indiana
- Studies have found only a small impact on firm offer rates of moderate to large subsidies.
  - “few takers” for a 50% subsidy in New York State.

### Small Group Reforms

- Problem most severe for small firms
  - Private sector establishments offering health insurance
    - Only 43% with < 50 employees
    - 95% of those with > 50 employees
- Many reform efforts are aimed at small firms
  - Small group reforms – early 1990’s
    - Guaranteed issue
    - Guaranteed renewal
    - Rating restrictions

### Small Group Reforms

- Research on effect of these policy reforms shows very little or no increase in the number of insured workers after implementation.
  - In fact, some evidence of a decrease in coverage.
- Unintended Consequence
  - Premium increases

### Beware of Unintended Consequences

- Inadvertently making health insurance more expensive.
- Changing the risk pool.
- Subsidizing too many of those who would have bought insurance anyway.

### Voted Most Likely to Succeed

- Public Insurance Expansions
- Individual Mandate

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## Public Expansions – Recent History

- SCHIP/Medicaid expansions have increased coverage, especially for children.
- More expansive eligibility for children allowed SCHIP/Medicaid to offset recent declines in employer sponsored coverage for children.
  - Indiana: Low Income Children (< 200% pov) 2000-2004
    - 10 point decline in employer sponsored coverage
    - But 9.9% DECREASE in uninsured low-income children due to 22.7 point increase in coverage by Med/SCHIP

## Voted Most Likely to Succeed Public Insurance Expansions

- Builds on current public programs
  - Infrastructure already in place.
  - Incremental reform that could be implemented relatively quickly.
- Could expand eligibility to some targeted groups:
  - Extend SCHIP eligibility to parents in all states.
  - Extend Medicaid to more poor adults.
  - Allow 60-64 year olds to buy into Medicare or Medicaid.
- Drawbacks:
  - Full cost borne by government.
  - Does not achieve universal coverage.

## Individual Mandate

- Individual Mandate
  - Legal requirement that everyone obtain health insurance coverage.
  - Usually includes sliding scale premiums or some assistance for the low-income.
  - Often discussed in a framework that encourages development of “bare-bones” or catastrophic coverage (to keep premiums lower).
- Politically Feasible (outside Mass.) ?
  - Individual responsibility (rather than employer responsibility) may make it more politically feasible.
  - Model of mandated auto insurance.
  - Has seen some bipartisan support but, even those who support it do not necessarily agree that it is politically feasible.

## Voted Most Likely to Succeed Individual Mandate

- Has Potential to Achieve Universal Coverage
  - Doesn’t target only employed or only low-income.
- Alleviates problem of uncompensated care.
- Creates a more stable risk pool in individual and small group markets.
- Those who can afford it bear their own costs.
- Drawbacks:
  - Political objections.
  - Enforcement difficult?
  - What would be the public cost?

## Keep on the Radar Screen

- Reinsurance
  - Government pays most costs of those with highest 1% of health expenditures.
  - Alleviates insurers’ need to avoid high risks.
  - Meant to increase access in small group and individual market and keep premiums lower.
- “Buy-in” to Federal or State Employee plans
  - Others could participate or “buy in” to these plans.
  - Large risk pool.
  - Wide variety of plans; many choices.

## Conclusions

- These are promising options.
- Will probably take a multi-pronged approach.
- Some combination of those “voted most likely to succeed” and other smaller complementary reforms such as reinsurance.
- Also strong political will.

## Sources

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## Links

- <http://www.statehealthfacts.org>
- <http://www.statecoverage.net/index.htm>
- <http://www.citizenshealthcare.gov/>