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NEWS RELEASE

NUMBER OF AMERICANS WITHOUT INSURANCE REACHES HIGHEST LEVEL ON RECORD

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Data that the Census Bureau released today show the number of people who lacked health insurance coverage throughout the year rose to 45.0 million in 2003. This is the largest number of uninsured people ever reported since the Census Bureau began issuing data on the number of uninsured in 1987.

The number of uninsured people was 1.4 million higher in 2003 than in 2002, when 43.6 million were uninsured. This represents the third consecutive year in which the number of uninsured Americans has climbed, with a total increase of 5.2 million since 2000, when 39.8 million were without insurance.

In percentage terms, 15.6 percent of Americans — almost one in every six people — were uninsured in 2003, an increase from 15.2 percent in 2002. Although the economy has been slowly recovering since 2001, health insurance coverage has deteriorated, and as a result, more Americans have been unable to get needed medical care because they are uninsured.

The principal reason for the further decline in health insurance coverage is the continued erosion of employment-based insurance coverage, spurred by continued escalation in the cost of health insurance, sluggish job growth, and the relatively high unemployment levels that persisted in 2003. The percentage of people with employment-based insurance dropped from 61.3 percent in 2002 to 60.4 percent in 2003. Despite the signs of economic recovery, this is the lowest level of employment-based insurance coverage in more than a decade.

In response to the loss of private health insurance and the increase in the number of low-income people, enrollment in Medicaid and the State Children's Health Insurance Program (SCHIP) increased to cover 2.4 million more low-income children and adults in 2003. These gains were particularly vital for children, for whom the growth in Medicaid and SCHIP coverage was sufficient to offset the loss of private coverage. The percentage of children who lack health insurance was 11.4 percent in 2003, a level not significantly different from the 11.6 percent who were uninsured in 2002.

For working-age adults (18 to 64 years old), the growth in Medicaid coverage was not sufficient to outweigh the much greater loss of employer-based health insurance coverage. (The majority of states set the Medicaid eligibility limit for parents well below the poverty line, and large numbers of working-poor adults cannot get coverage through Medicaid.) The net effect is that the number of adults 18 to 64 who lacked health insurance coverage rose from 34.8 million (or 19.5 percent of such adults) in 2002 to 36.3 million (or 20.2 percent) in 2003.

Both the number and the percentage of working-age adults without insurance reached the highest level ever reported.

“The availability of health insurance coverage under Medicaid and SCHIP - particularly for children - was once again essential during a year when employer-based coverage continued to decline. As an entitlement program, Medicaid continues to respond to weak economic conditions, preventing even greater increases in the overall number of uninsured Americans” said Robert Greenstein, executive director of the Center on Budget and Policy Priorities. “The decline in employer-provided coverage and the limited nature of publicly funding health insurance for low-income working-age adults means that the number of adults without health insurance continues to climb.”

“If funding for the Medicaid program had been capped, as the Administration and some in Congress have suggested, the number of uninsured would been greater,” continued Greenstein. He also noted a threat to health insurance coverage for children that Congress needs to address in coming weeks. If Congress fails to act, more than \$1 billion in federal SCHIP funds will expire rather than remaining available to cover uninsured low-income children and some states will have to cut back SCHIP coverage in coming years. Greenstein noted that a bipartisan group of Senators and Members of Congress, including Senators Jay Rockefeller and Lincoln Chafee and Reps. John Dingell and Joe Barton, recently introduced legislation to keep these SCHIP funds from expiring.

Key Findings from the New Census Data

- The percentage of Americans who are uninsured was 15.6 percent in 2003. This was the highest percentage of people uninsured since 1998.¹
- The key reason is that employment-based insurance coverage has been slipping, which has several underlying causes. Health insurance costs continued to climb at double-digit rates in 2003. The growing cost of health coverage, and decisions by many businesses to increase employee premiums, deductibles or copayments, made it harder for workers to continue to afford insurance coverage for themselves or their dependents. In addition, some small businesses no longer offer health insurance coverage to their employees.² Finally, unemployment rates

¹ In 1999, the Census Bureau added a "verification" question that led to a reduction in the estimate of the number of uninsured people from 15.5 percent — the percent uninsured in 1999 using the old questions — to 14.3 percent, the estimate using the new questions. Using published Census estimates, the 1998 level of 16.3 percent uninsured was the highest in recent history. If we reduce the published 1998 level by about one percentage point, roughly equivalent to the 1999 adjustment, to about 15.3 percent, in order to make the 1998 estimate more comparable to the new way of counting the uninsured, it is clear that the 2003 level of 15.6 percent uninsured is the highest since 1987. Even without such an adjustment, the *number* of uninsured Americans is clearly the highest ever reported by the Census Bureau.

² Kaiser Family Foundation and the Health Research and Educational Trust, *Employer Health Benefits: 2003 Summary of Findings*, Sept. 2003. The percentage of small businesses (with less than 200 employees) offering health insurance has fallen from 68 percent in 2001 to 65 percent in 2003.

remained well above the pre-recession levels — averaging 6.0 percent in 2003 — which prevented many from having access to job-based insurance.

- The share of Americans with Medicaid coverage rose by 0.7 percentage points in 2003, primarily due to increases in the number of low-income people without private health insurance coverage. As an entitlement program, federal funding for Medicaid automatically rises during hard times when the need for program services mounts, which ensures that the program is responsive to downturns in the economy.
- If some states had not cut back their Medicaid eligibility criteria and made Medicaid enrollment procedures more burdensome over the past few years in response to the state fiscal crisis, the increase in the number of uninsured people would have been smaller.³ The fiscal relief that Congress provided to states in 2003 — which required, as a condition of receiving these funds, that states not cut back their Medicaid eligibility criteria in 2003 — helped states avert additional eligibility reductions, and by doing so probably prevented greater increases in the number of uninsured. (The fiscal relief measure expired this summer.)
- For working-age adults (18 to 64 years old), the growth in Medicaid coverage was not sufficient to outweigh the much greater loss of employer-based health insurance coverage. The net effect is that the number of adults 18 to 64 who lacked health insurance coverage rose from 34.8 million (or 19.5 percent of such adults) in 2002 to 36.3 million (or 20.2 percent) in 2003, a statistically significant increase.
- Among adults who are full-time workers, the percentage without insurance rose from 16.8 percent in 2002 to 17.5 percent in 2003. The percentage without health insurance coverage also increased for those who were employed part-time or did not have employment in 2003. About three-quarters (73.2 percent) of all uninsured adults are full- or part-time workers and an additional share of the uninsured are members of working families, such as spouses of workers.
- The percentage of uninsured people who are in low-income families (with annual incomes below \$25,000) rose from 23.5 percent in 2002 to 24.2 percent in 2003. Essentially all of the increase in the percentage of people who are uninsured occurred among low- and middle-income families, those with annual incomes below \$75,000.
- For children, the percentage with private health insurance coverage fell from 67.5 percent in 2002 to 65.9 percent in 2003. Partly as a result, the percentage of children covered by Medicaid or SCHIP rose from 23.9 percent in 2002 to 26.4

³ Leighton Ku and Sashi Nimalendran, “Losing Out: States Are Cutting 1.2 to 1.6 Million Low-Income People from Medicaid, SCHIP and Other State Health Insurance Programs,” Center on Budget and Policy Priorities, Dec. 22, 2003.

percent in 2003. Overall, the percentage of children who were uninsured was 11.6 percent in 2002 and 11.4 percent in 2003; these two levels were not significantly different.

- Administrative data from state SCHIP programs indicate that children's enrollment in this program ground to a halt in 2003.⁴ The halt is primarily attributable to cutbacks in a handful of states, of which Texas is the most prominent. Other states, such as Florida and Utah, limited enrollment in their SCHIP programs and contributed to the lack of progress in SCHIP coverage. Comparable administrative data about children's Medicaid enrollment in 2003 are not yet available.
- Substantial racial/ethnic disparities in health insurance persist. Latinos are the racial/ethnic group most likely to be uninsured; 32.7 percent of Latinos lacked health coverage in 2003, about one in three. African-Americans and Asian-Americans are also at greater risk of being uninsured; 19.5 percent of African-Americans and 18.7 of Asian-Americans were uninsured. The percentage of non-Hispanic white Americans who were uninsured in 2003 was 11.1 percent, a slight increase from the 10.7 percent uninsured in 2002.
- One of the groups with the greatest risk of being uninsured is non-citizen immigrants; almost half (45.3 percent) were uninsured in 2003. One factor that has limited health coverage of immigrants is that a 1996 law bars legal immigrants, including children and pregnant women as well as other groups, from Medicaid or SCHIP coverage during their first five years in the United States.
- The percentage of people who are uninsured rose significantly in twenty states and fell in two. Comparing data for the 2001-2002 period to data released today for the 2002-2003 period, the percentage who were uninsured rose significantly in: Alaska, Delaware, Idaho, Indiana, Iowa, Nevada, North Carolina, Oregon, Massachusetts, Montana, South Dakota, Nebraska, Pennsylvania, Tennessee, South Carolina, Rhode Island, Virginia, Washington, West Virginia, and Wisconsin. In California and Utah, there was a significant reduction in the percentage of people without health insurance.
- There was no substantial change in the number of uninsured elderly people, because the Medicare program provides near-universal health insurance coverage for the elderly.

⁴ Vernon Smith, David Rousseau and Molly O'Malley, *SCHIP Program Enrollment: December 2003 Update*, Kaiser Commission on Medicaid and the Uninsured, July 2004.

The Consequences of Declining Health Insurance Coverage

Having insurance coverage matters. Earlier this year, the Institute of Medicine — an arm of the National Academy of Sciences — estimated that the lack of health insurance coverage causes about 18,000 unnecessary deaths each year and costs the nation \$65 billion to \$130 billion per year in lost resources because of diminished health and premature deaths.⁵ A substantial body of research demonstrates that the lack of health insurance makes it harder for people to obtain health care, more likely that people will become sick or receive inadequate medical care and more likely that people experience major financial problems.⁶

There are signs that the rising number of people without health coverage is causing more people to experience problems obtaining medical care when they need it. In June, the Centers for Disease Control and Prevention reported that the percentage of people who were unable to get necessary medical care because of financial barriers rose by more than 10 percent between 2002 and 2003; 5.3 percent said they were unable to get necessary care in the past 12 months in 2003, up from 4.7 percent in 2002.⁷ People may experience problems paying for health care because they are uninsured, and some people who have limited insurance may experience problems if the deductibles or copayments for their health insurance policies make it too expensive to obtain care. As noted earlier, such changes have been increasing in private health insurance policies.

Finally, the growing size of the uninsured population also creates pressures for safety-net health care providers. For example, the National Association of Community Health Centers just reported that community health centers provided care for 11 percent more uninsured patients in 2003 than in 2002.⁸

The Continuing Importance of Publicly-Funded Insurance Coverage

The new Census data demonstrate that Medicaid and SCHIP have played a critical role in bolstering health insurance coverage during a period when employer-based coverage has been declining. Unfortunately, even if the economy continues to strengthen and unemployment and poverty gradually decline, there are reasons to believe that employer-based insurance coverage will continue to flag. Even if the economic recovery picks up steam and the number of jobs grows more substantially, health care costs are likely to continue to rise more rapidly than general economic growth and employers are likely to continue to seek ways to limit their health

⁵ Institute of Medicine, *Insuring America's Health: Principles and Recommendations*, Washington, DC: National Academy Press, 2004.

⁶ *Ibid.*

⁷ Centers for Disease Control and Prevention-National Center for Health Statistics, *Early Release of Selected Estimates Based on Data From the 2003 National Health Interview Survey*, June 2004.
<http://www.cdc.gov/nchs/about/major/nhis/released200406.htm>

⁸ Michelle Prosser, *A Nation's Health at Risk II: A Front Row Seat in a Changing Health Care System*, National Association of Community Health Centers, August 2004.

care costs, whether by no longer offering coverage, by offering less complete coverage, or by increasing the amounts that employees must pay. As a result, Medicaid and SCHIP programs will continue to play a critical role in filling in gaps, particularly for those with low incomes.

It will therefore be important for the federal government to continue its financial commitment to assist states in providing coverage under the Medicaid and SCHIP programs to low-income children, families, pregnant women, seniors and people with disabilities. Earlier this year, the House considered — but ultimately rejected — legislation that would have imposed severe overall budget caps on entitlement programs including Medicaid. Last year, the Administration proposed to effectively end Medicaid's entitlement status by letting states accept block grants that limit future Medicaid funding from the federal government.

Congress may consider caps or substantial cuts to Medicaid next year. Such caps or cuts could leave states little choice but to institute major cutbacks in their Medicaid coverage over time, making it unlikely that Medicaid could continue playing its essential countercyclical role and preventing substantial growth in the number of uninsured Americans during tough economic times.

It also will be important that states maintain their commitment to provide sufficient funding for Medicaid. As state economies improve, the growth in Medicaid costs should slow somewhat and state budgets will begin to strengthen, making it easier for states to avoid harmful program cutbacks and making it possible for some states to reconsider and restore cuts in health insurance programs that were instituted earlier.

The federal government could also do more to strengthen children's health insurance coverage. On an immediate front, more than \$1 billion in federal SCHIP funds are scheduled to expire and revert to the Treasury after September 30, 2004, at the same time that a number of states will begin facing federal SCHIP funding shortfalls. To shore up children's coverage, a bipartisan group of Senators and House members recently proposed legislation (S. 2759 and H.R. 4936, respectively) to extend the availability of these funds and help ensure that states have sufficient federal funding to sustain their children's health insurance programs over the next several years. In addition, bipartisan legislation introduced in the House and Senate that could still be considered this year would provide states the option of extending Medicaid and SCHIP coverage to legal immigrant children during their first five years in the United States and prenatal care to legal immigrant pregnant women during their first five years here.

In the face of a sluggish economic recovery and rising health care costs, health insurance coverage in the United States continued to deteriorate in 2003. It remains critical for the nation to maintain and bolster its commitment to public health insurance programs such as Medicaid and SCHIP without which the number of uninsured would have been far greater. It also will be important for the nation to consider policies to bolster employment-based insurance coverage in order to prevent further erosion in job-based health insurance, which has been the cornerstone of coverage in the United States.