



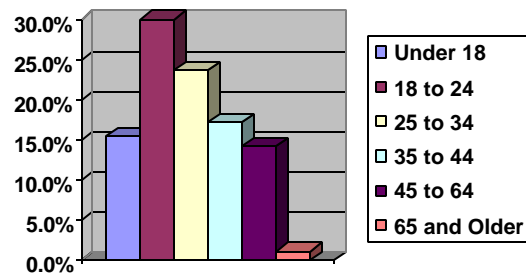
# NATIONAL ASSOCIATION OF HEALTH UNDERWRITERS

## *THE PROBLEM OF THE UNINSURED*

### WHO ARE THE UNINSURED?

Each month over 44 million Americans go without health insurance. This population is made up of individuals who cannot afford health insurance, are experiencing access barriers, or believe that the associated cost outweighs the risk of going without health insurance. Thirty percent of uninsured individuals are between the ages of 18 and 24, are healthy, and have either a low-paying job or no job at all. These individuals are normally between jobs or are just entering the workforce. For them, the cost of health insurance is too high when compared with the benefits they would receive. Those of Hispanic origin are also more likely to be uninsured than non-Hispanic individuals. Poor Hispanics are less inclined than poor non-Hispanics to take advantage of Medicaid benefits, so they remain uninsured. People with lower levels of education and income are also often uninsured. These individuals are more likely to work for an employer that either does not provide health benefits or requires a high employee cost-share for premium payments. Since these individuals frequently have incomes above the poverty line, they often do not qualify for government assistance. But they still do not have enough money to purchase health insurance or put money towards an employer-based plan. Other groups of people who often go without health insurance include self-employed individuals, part-time workers, the long-term unemployed and individuals with serious health conditions that make them uninsurable.

Percentage of Americans without Government or Private Health Insurance, By Age, 1998



Source: U.S. Census Bureau

### HOW LONG DO MOST PEOPLE REMAIN UNINSURED?

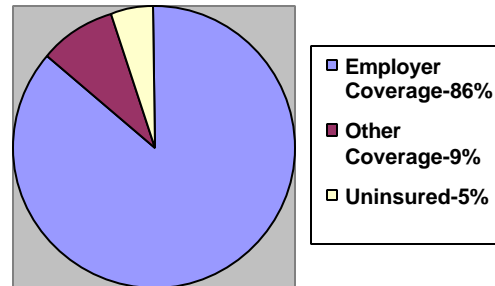
Being uninsured to most individuals is a temporary situation. Just as many people spend some time during their lives as unemployed, many people go without health insurance for a short period. Fifty percent of all individuals who are uninsured will be covered by health insurance within four months of first becoming uninsured. Seventy-five percent of all uninsured individuals will be covered under a health insurance plan within 12 months of first becoming uninsured. Only 2.5 percent of the population is considered to be chronically uninsured and remains without health insurance coverage for two or more years.

### WHO DECLINES HEALTH INSURANCE COVERAGE?

Two-thirds of all Americans are offered health insurance coverage through their employers. Of those individuals, 14 percent decline the coverage. Two-thirds of those who decline to be covered enroll in a different private health insurance plan (such as a spouse's plan) or receive coverage through a government program. However, one-third of all individuals who decline employer-sponsored coverage do not obtain health insurance anywhere else. These individuals account for 20 percent of all uninsured Americans.

Cost is given as the main reason why individuals will decline coverage in an employer-based plan. Many employers require employees to shoulder a portion of health benefit costs. The employees who decline employer-based coverage are typically low-wage earners who are unable to provide their part of the insurance premium payment. These people decline health insurance coverage as a result and join the ranks of the millions of uninsured Americans.

**Health Insurance Choices of Americans with Access to Employer-Sponsored Coverage, 1996-1997**



Source: Center for Studying Health System Change

## **HOW DO WE SOLVE THE PROBLEM OF THE UNINSURED?**

There are solutions available to the problem of the uninsured. One would be to provide individuals with a tax break to be used for the purchase of private insurance. NAHU's tax credit proposal would allow eligible lower- and middle-income Americans a refundable tax credit to be used to either purchase employer-sponsored coverage or to buy an individual health insurance plan. All Americans with incomes up to \$30,000, or families with an income up to \$50,000, would be eligible for the health credit unless they participate in the Medicare program or a military health plan. The amount of the health credit would be \$800 per adult and \$400 per child, with the maximum family benefit being \$2400 annually. The credit would be advanced monthly on behalf of eligible individuals either through their employer or insurance company, reducing the likelihood of fraud and ensuring the availability of health credit funds throughout the year. As the only tax credit proposal on the table that preserves the employer-based health benefit system, NAHU's health credit would help reduce the number of uninsured by:

- ◆ Providing a private-sector solution that will help achieve universal coverage through incentives instead of mandates.
- ◆ Allowing low-income individuals to either use the credit to help finance employer-based coverage or purchase individual health insurance.
- ◆ Targeting the short-term uninsured by giving them a way to afford health benefits.
- ◆ Helping the unemployed finance coverage between jobs.
- ◆ Giving the self-employed an additional tax incentive option for the purchase of health insurance.
- ◆ Providing early retirees with a way to pay for health benefits until they become Medicare eligible.
- ◆ Shifting low-income individuals away from the costly Medicaid program and into private market plans.

NAHU also supports other means of reducing the number of uninsured Americans. The expansion of medical savings accounts, which combine a high-deductible health plan with a tax-exempt savings account to pay for routine medical care, would help make health insurance a more affordable option for small business owners, the self-employed and low-income individuals. Also, state-level high-risk insurance pools are a means of providing uninsurable individuals with comprehensive health insurance coverage. These pools provide individuals with pre-existing medical conditions with an important safety net, since catastrophic medical bills are one of the leading causes of bankruptcy. Finally, NAHU also supports the efforts of state governments to help low-income individuals purchase private health insurance coverage, particularly through subsidies and state income tax incentives.

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