Title

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Authors

Jacobs, Ken
Graham-Squire, Dave

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Health Coverage for Working-Age Adults in the United States and California

Ken Jacobs
Dave Graham-Squire
UC Berkeley Center for Labor Research and Education

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INTRODUCTION

President Barack Obama has made health-care reform one of his top policy priorities. As the national debate about possible health-care reform approaches, an emphasis is already being placed on the economic cost of enacting health-care reform during a time of economic crisis. This policy brief looks at another angle of the health-care reform debate—the impact on health coverage of not acting.

Rising health-insurance premium costs are driving a long-term decline in the share of Americans who receive health coverage through an employer. The number of working-age adults without coverage rose by six million in the United States and 800,000 in California between the economic peaks in 2000 and 2007.

As the economy sheds jobs during the current economic crisis, health coverage for working-age adults is declining precipitously. Since the start of the recession an estimated 3.7 million working-age adults have lost coverage in the United States, and 500,000 have lost coverage in California. In the absence of health-care reform, even if the economy fully recovers, the coverage rates for working-age adults will not return to pre-recession levels, and the number of those without coverage will continue to grow even beyond the current recession-induced increases.

In this policy brief, we use the Current Population Survey March Supplement to predict the change in coverage rates and sources of coverage by the end of President Obama's first term in office. If no policy reforms are implemented, health premium costs continue rise at current rates, and employment fully recovers to 2007 levels by the end of 2012, we predict an increase of 4.2 million uninsured working-age adults in the United States and 600,000 uninsured working-age adults in California over pre-recession 2007 levels. Though the deepest drops in job-based coverage are in low- and middle-income families, the impacts are being felt across the income spectrum.

The health coverage landscape in 2012 could turn out to be worse than what is predicted in this brief, because the longer the recession lasts, the greater the likelihood it will result in deeper economic shifts that could shape employer-based health coverage in years to come. This includes both changes in industry composition and changes in employer health offerings. If health premium rates moderate, the recovery in health coverage would be greater than projected.

Decreased job-based health coverage for working-age adults is projected to result in higher health program expenditures for financially strained states and cities, decreased productivity and worker earnings, and higher health premium rates.

HEALTH COVERAGE TRENDS 2000–2007

Table 1 (page 3) shows health coverage trends for working-age adults in the United States and California between the economic peaks in 2000 and 2007. The share of American adults between 18 and 64 covered through an employer-sponsored health plan fell from 69.0 percent in 2000 to 64.2 percent in 2007, a decline of 4.8 percentage points. In California, the share of non-elderly adults covered through an employer fell from 61.7 to 58.6 percent over the same time period, a decline of 3.1 percentage points.

During the same time period, the share of uninsured working-age adults went from 17.6 percent to 19.6 percent, an increase of 2 percentage points, for a total increase of six million adults without health coverage. In California, the share of uninsured adults rose from 22 percent to 24 percent over the same period, an increase of 800,000 adults without coverage. The total population of working age adults grew by 12.7 million nationally and 1.7 million in California between 2000 and 2007.

The share of working-age U.S. adults with public coverage rose from 10.6 percent in 2000 to 13.6 percent in 2007. California saw a smaller increase in adults moving onto public coverage, going from 11.8 percent to 12.2 percent.

Table 1

Source of coverage for working-age adults (18–64) in the U.S. and California, 2000 & 2007

		2000	2007	% Change
U.S.	**Job-based**	69.0%	64.2%	–4.8%
	Public/Military	10.6%	13.6%	3.0%
	Private/Other	8.5%	8.5%	0.0%
	Uninsured	17.6%	19.6%	2.0%
California	**Job-based**	61.7%	58.6%	–3.0%
	Public/Military	11.8%	12.2%	0.4%
	Private/Other	9.5%	10.1%	0.6%
	Uninsured	22.0%	24.0%	2.0%

Source: Authors' analysis using the March Current Population Survey for 2001, 2008.

UNEMPLOYMENT AND INSURANCE COVERAGE

An estimated 4.9 million fewer individuals were employed in the United States in February 2009 than November 2007. In California, the number of employed individuals fell by more than 500,000 during the same period.[1,2] At the same time, the share of the population involuntarily working part-time has gone up sharply. In February 2009, the share of the workforce that was underemployed, that is, either out of work or working part-time involuntarily, reached 14.8 percent compared to 9 percent twelve months earlier.[3]

Job loss has been greatest among workers in low-wage, non-benefited jobs. However, the impact of job loss on a worker with family benefits has the added dimension of eliminating coverage not only for the worker but also for his/her children and spouse. The Kaiser Commission on Medicaid and the Uninsured found that nationally, a 1 percentage point rise in unemployment results in 1.1 million more uninsured adults.[4] Applying this formula to the national rise in unemployment between November 2007 and February 2009 translates to an estimated 3.7 million more uninsured adults in the United States.[5] Using the same approach in California, modified for the state's employment and health coverage rates,[6] yields an estimated 500,000 more uninsured adults.

PREDICTED CHANGES IN COVERAGE IN THE ABSENCE OF HEALTH REFORM THROUGH 2012

As the economy recovers and employment rates rise back up to previous levels, we should not expect the share of workers with health coverage to fully rebound in the absence of significant policy changes.

Using the Current Population Survey March Supplement from 2000–2007, we estimate the effect of rising health premium rates on future rates of coverage and sources of coverage. We apply the results through 2012, assuming a continued annual increase in employer premium costs of 7.5 percent a year, employment returned to 2007 levels, and no major change in public policy.

We find that under these conditions, the share of non-elderly adults with employer-provided health coverage would fall 2.4 percentage points in the United States and 2.5 percentage points in California. The share that are uninsured would increase by 1.2 percentage points in the U.S. and 1.4 percentage points in California. The balance would be made up by small increases in public coverage and coverage through the individual market (Table 2).

Table 2

Predicted change (percentage) in source of coverage for working-age adults (18–64) in the U.S. and California, 2007–2012

		2007	2012	% Change
U.S.	**Job-based**	64.2%	61.8%	–2.4%
	Public/Military	13.6%	14.4%	0.9%
	Private/Other	8.5%	8.9%	0.4%
	Uninsured	19.6%	20.8%	1.2%
California	**Job-based**	58.6%	56.1%	–2.5%
	Public/Military	12.2%	12.9%	0.7%
	Private/Other	10.1%	10.5%	0.4%
	Uninsured	24.0%	25.3%	1.4%

Source: Authors' analysis using March Current Population Survey and KFF/HRET Employer Health Benefits Survey.
Row sums exceed 100% due to multiple coverage.

When we factor in projected population growth during this same period, we find that while the number of non-elderly adults with job-based coverage in the United States would grow by one million over the five years, the number of uninsured people would grow by four million. In California, the number of working-age adults covered through an employer would stay the same, and

Table 3

Predicted change (numerical) in source of coverage for working-age adults (18–64) in the U.S. and California, 2007–2012

		2007	2012	Change
U.S.	**Job-based**	121,560,000	122,620,000	1,060,000
	Public/Military	25,720,000	28,690,000	2,970,000
	Private/Other	16,110,000	17,610,000	1,500,000
	Uninsured	37,100,000	41,340,000	4,240,000
	Total	189,000,000	198,000,000	9,000,000
California	**Job-based**	13,450,000	13,480,000	30,000
	Public/Military	2,800,000	3,090,000	290,000
	Private/Other	2,310,000	2,510,000	200,000
	Uninsured	5,500,000	6,090,000	590,000
	Total	23,000,000	24,000,000	1,000,000

Source: Authors' analysis using March Current Population Survey and KFF/HRET Employer Health Benefits Survey.
Row sums exceed totals due to multiple coverage.

the number of uninsured people would grow by 600,000 (Table 3, above). The total population of working-age adults is predicted to grow by nine million nationally, and one million in California over this period.

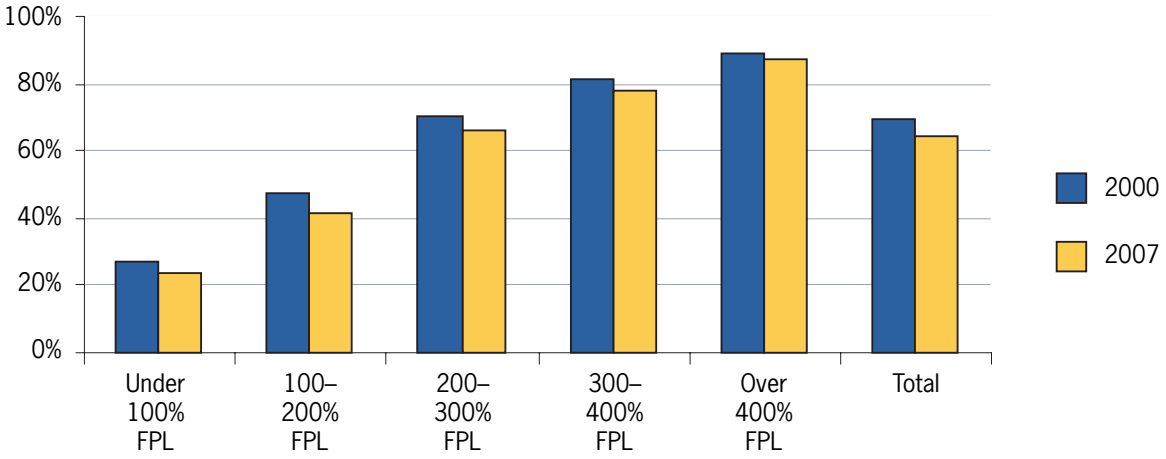
IMPACTS BY FAMILY INCOME LEVEL

While the decline in job-based coverage would be experienced across the board, the greatest impacts would be for low- and middle-income families. The disparity in access to job-based health coverage between higher- and lower-income families is steadily increasing. Charts 1 and 2 (page 6) show the share of adults in the United States and California with coverage through an employer in 2000 and 2007. The most significant declines in job-based coverage were for families with incomes between one and two times the federal poverty level.

Job-based coverage is predicted to decline 2.4 percentage points for non-elderly adults in the United States by 2012. Families with incomes between 100 and 300 percent of the federal poverty level would see the steepest declines, more than 4 percentage points, but job-based coverage would fall 3 percentage points even for families earning between 300 and 400 percent of the federal poverty level. Median family income is close to 300 percent of the federal poverty level (Charts 3 and 4, page 7).

Chart 1

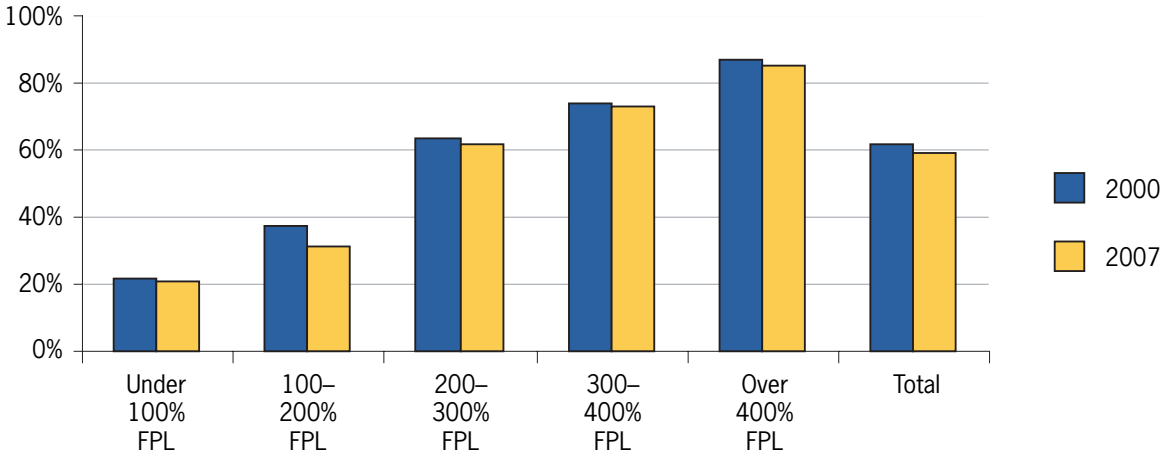
Job-based coverage for working-age adults (18–64) in the U.S., 2000 & 2007, by Federal Poverty Level (FPL)



Source: Authors' analysis using the March Current Population Survey for 2001, 2008.

Chart 2

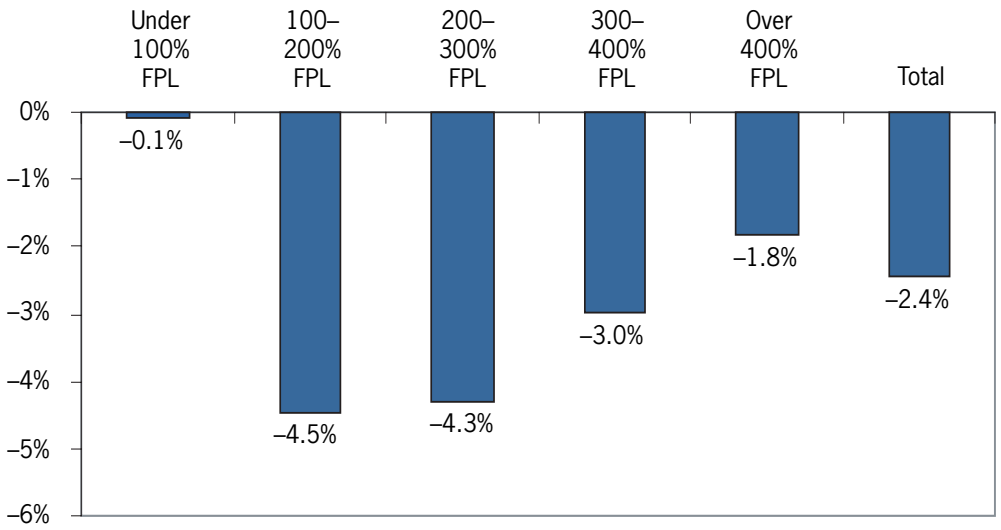
Job-based coverage for working-age adults (18–64) in California, 2000 & 2007, by Federal Poverty Level (FPL)



Source: Authors' analysis using the March Current Population Survey for 2001, 2008.

Chart 3

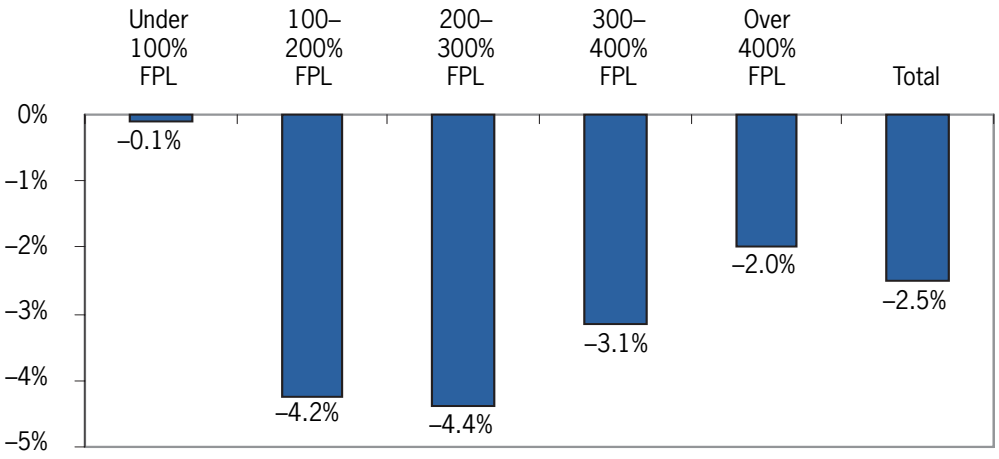
Predicted reduction in job-based coverage for working-age adults (18–64) in the U.S., 2007–1212, by Federal Poverty Level (FPL)



Source: Authors' analysis using the March Current Population Survey and KFF/HRET Employers Health Benefits Survey.

Chart 4

Predicted reduction in job-based coverage for working-age adults (18–64) in California, 2007–2012, by Federal Poverty Level (FPL)



Source: Authors' analysis using the March Current Population Survey and KFF/HRET Employers Health Benefits Survey.

OTHER FACTORS

The predictions in this brief are based on the assumption that the economy will return to its previous employment rate following a recovery. We find that the gains in health coverage that we would anticipate from rising employment will be almost fully offset by a long-term ongoing decline in job-based coverage in the absence of significant policy changes.

The longer the recession lasts, however, the greater the likelihood will be that it will result in deeper economic shifts that could shape employer-based health coverage in years to come. If economic sectors with higher than average levels of job-based coverage, such as manufacturing, do not come back in the recovery, overall coverage rates could decline more than predicted.

Employer-sponsored health care is generally considered to be "sticky," meaning that it is difficult to take benefits away once they are offered. However, as workers' bargaining power declines in the recession, we may see some greater changes in health offerings. A recent Hewitt survey of large firms found that 4 percent were taking steps towards discontinuing health coverage altogether.[7] New entrants into the market as the economy recovers will have greater latitude in decision making about whether to offer employer-sponsored health care.

Another factor that could influence health coverage trends is that economic pressures could lead to a slow down in the rate of health-premium growth. If health-premium costs rise more slowly than anticipated, health-coverage declines would be smaller than predicted.

IMPLICATIONS

Most of the accounting of the cost of health-care reform focuses on the cost of acting on the various health-reform proposals. There is also a significant cost to not acting. The health-care situation in the United States and California is not stable. In the absence of policy change, the share of individuals with coverage through a job will continue to deteriorate, and the share of those without coverage will continue to rise. The resulting increased demand for public health programs will place an additional burden on financially strained state and local governments.

The decline in job-based coverage also raises costs for employers and individuals who do have coverage, because health providers transfer the costs of uncompensated care to insurers, which in turn raise premium rates. Estimates of the impact of uncompensated care on health premiums range from 5 to 10 percent of premium rates.[8,9]

When workers do not have health insurance or are under-insured, it has a negative impact on productivity. Workers without health insurance are more likely to skip and delay needed care, less likely to receive treatment for chronic conditions like asthma and diabetes, and more likely to experience a debilitating health condition. As a result, there is increased absenteeism and exits from the labor force due to disability, with resulting decreases in productivity and earnings.[10]

Additionally, many American workers are unwilling to leave their jobs for fear of losing their health insurance. The empirical evidence on job-lock suggests that insurance coverage plays an important role in job mobility decisions. This translates into fewer people becoming entrepreneurs and fewer people pursuing productivity-improving job changes.[11]

Finally, there is evidence that rising under- and un-insurance is directly contributing to the current financial crisis. A study recently published in a Case Western Reserve University journal of health law documented that medical crises contributed to a surprising half of all home foreclosures. It surveyed homeowners in California, Florida, Illinois and New Jersey who were on the brink of foreclosure, had defaulted on their home loans or whose lenders had initiated legal foreclosure proceedings. The researchers found that "if these patterns hold nationwide, medical causes may put as many as 1.5 million Americans in jeopardy of losing their homes each year."[12]

METHODOLOGY

This study uses data from the March Supplement of the household-based Current Population Survey (CPS), which identifies four primary coverage categories: job-based, public, private, and uninsured. The CPS also contains information on individual and family characteristics such as income, poverty level, and employment status. Additional information on premium costs of job-based plans was obtained from the Kaiser Family Foundation / Health Research and Educational Trust Employer Health Benefits Survey. We estimate the average single and family premium by region (i.e., four national regions, the most disaggregated geographic identifiers available in the data) for each year, and match this to the CPS survey.

To quantify the coverage responses to increased premium levels, we use a multinomial logit model, which jointly estimates the probabilities of having job-based, public, and private coverage as well as the probability of being uninsured. This model has been described in detail previously and we refer interested readers to Appendix A of Dube et al., (2006).[13] The primary independent variable is the premium price.

The CPS data cover the years 2000 through 2007. To project forward, we assume premiums rise at their historical average of 7.5 percent and use model predictions to estimate the coverage type as a percent of the U.S. and California populations. To adjust for population growth, we use projections from the U.S. Census Bureau.[14]

ENDNOTES

[1] Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, extracted March 30, 2009 from http://www.bls.gov/cps/data.htm.

[2] California Employment Development Department, Labor Market Information Division, "California Seasonal Adjusted: Industry Employment and Labor Force, By Month, March 2008 Benchmark," March 20, 2009, http://www.calmis.ca.gov/file/indhist/cal$shws.xls.

[3] Bureau of Labor Statistics, Alternative Measures of Labor Utilization, March 6, 2009, http://www.bls.gov/news.release/empsit.t12.htm.

[4] Stan Dorn, Bowen Garrett, John Holahan, and Aimee Williams, "Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses," prepared by the Urban Institute for the Kaiser Commission on Medicaid and the Uninsured, April 2008.

[5] The Kaiser Commission found that a one percentage point rise in unemployment of the labor force results in a 0.59 percentage point increase in uninsurance among the entire adult population between 18 to 64 years old. Between November 2007 and February 2009 the unemployment rate rose 3.4 percentage points.

[6] In California, with 24 million individuals between ages 18–64, a one percentage point increase in unemployment results in an estimated 143,000 more uninsured. The Kaiser Commission's methodology is meant to be applied to a stable labor force where the only change is in the unemployment rate. However, in California a substantial portion of the rise in unemployment between November 2007 and February 2009 is due to a 400,000-person increase in the labor force. To control for this we use "adjusted unemployment rates," which use the same number of employed individuals but treats the growth in the labor force between November 2007 and Februray 2009 as equal to the overall

population growth rate. This results in the California unemployment rate changing from 5.7 percent in November 2007 to an "adjusted" 9.6 percent in February 2009. This 3.9 percentage point change leads to an estimated 550,000 more uninsured. Since the rate of California adults with job-based coverage is 8.7 percent lower than the national average, we reduce the 550,000 by 8.7 percent to arrive at an estimated rise in uninsured of 500,000.

[7] "Hewitt Survey: Keeping Employees Healthy Remains a Priority for U.S. Companies, Despite Short-Term Need to Cut Costs," March 4, 2009, http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=6389.

[8] Peter Harbage and Len Nichols, "A Premium Price: The Hidden Costs All Californians Pay in Our Fragmented Health Care System," *New America Foundation Issue Brief*, No. 3, 2006.

[9] Institute for Health Policy Solutions, "Covering California's Uninsured: Three Practical Options," California HealthCare Foundation, 2006.

[10] Jack Hadley, "Sicker and Poorer—The Consequences of Being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work, and Income," *Medical Care Research and Review* 60:3s-75s (Supplement to June 2003).

[11] Janet Currie and Brigitte C. Madrian, "Health, Health Insurance and the Labor Market," in Orley C. Ashenfelter and David Card, Editor(s), *Handbook of Labor Economics*, Elsevier, 1999, Volume 3, Part 3, pages 3309-3416.

[12] Christopher Tarver Robertson, Richard Egelhof, and Michael Hoke, "Get Sick, Get Out: The Medical Causes of Home Mortgage Foreclosures," *Health Matrix,* Vol. 18:65, 2008..

[13] Arindrajit Dube, Ken Jacobs, Sarah Muller, Bob Brownstein, and Phaedra Ellis-Lamkins, "Declining Job-Based Health Coverage in the United States and California: A Crisis for Working Families," January 2006, http://laborcenter.berkeley.edu/healthcare/declining_coverage06.pdf.

[14] United States Census Bureau, National and State Population Projections, http://www.census.gov/population/www/projections/.

Institute for Research on Labor and Employment
University of California–Berkeley
2521 Channing Way
Berkeley, CA 94720-5555
(510) 642-6432
http://laborcenter.berkeley.edu

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