



Why the Uninsured?



By David J. Gibson, MD

A growing number of affluent as well as low income people have no health insurance — they will not buy insurance products that do not meet their needs.

WHAT IS GOING ON HERE? Why do more than 38 million Americans lack health insurance?

Just who are the uninsured? We know that 87 percent of Americans under age 65 at or above the poverty line are offered coverage through their employer. But what do we know about those who do not receive this benefit?

A common assumption is that most uninsured Americans simply cannot afford the cost of coverage. However, the evidence points to other factors in many cases.

For example, during the last decade, the ranks of the uninsured increased among affluent households and decreased in low-income households. Specifically, from 1993 to 2000, the number of uninsured in households with annual incomes above \$75,000 increased by 63 percent, and the number in households with annual incomes from \$50,000 to \$75,000 increased by 48.2 percent. By contrast, the number of uninsured in households with incomes under \$25,000 fell by 25 percent. Almost one-third of the uninsured now live in households with annual incomes above \$50,000.

Most low-income households now have access to public programs but many fail to take advantage of them. Virtually all children from low-income families are now eligible for Medicaid or the various State Children's Health Insurance Programs (SCHIP). Yet the parents of about 7.7 million eligible children failed to enroll them. The Urban Institute found that 88 percent of these parents knew about the health insurance programs for poor children, but less than one-fourth had ever attempted to enroll their children or even inquire about the programs. The Urban Institute found that 40 percent of those who had not inquired and 16 percent who inquired and didn't apply said they "did not need or want" the programs.

According to the Census Bureau, 40 percent of the uninsured (15.2 million) are between the ages of 18 and 34. Good health prevails in the younger age group. Often, these individuals decide that their money is better spent on other things. For example, the uninsured young spend about the same portion of their income on recreation, alcohol and tobacco as do the fully insured, but spend less than half as much on health care. This may help explain why so many of them have rationally concluded not to buy health insurance.

One-fourth of the uninsured are foreign-born, and 80 percent of those are not citizens. Many come from cultures without a long history of health insurance. For example, nearly a third of all Hispanics lack health insurance.

- A study from Texas found that 54 percent of Hispanics earning less than \$15,000 per year are uninsured, compared with 40 percent of African-Americans and 30

percent of non-Hispanic whites with similar incomes.

- Even at the \$50,000+ household income level, almost a quarter of Hispanics are uninsured, compared with 14 percent of African-Americans and 10 percent of non-Hispanic whites.

While it comes as quite a shock to those of us in health care, the uninsured appear to be making completely rational decisions. If you listen carefully, they are saying that they will not buy health insurance products that do not meet their needs.

Thus, they have concluded that the current options are just not a good value for them.

- Our current system subsidizes the affluent employed with tax deductions and the poor with government programs like Medicaid. It provides little help for Americans working at moderate wages who have no employer-provided coverage.
- Many of the uninsured do not choose to divert scarce cash from their budget to pay in advance for physician office visits — especially if they are healthy and may not need them.
- Often uninsured individuals who are young and healthy do not want to pay high insurance rates that have been shown to subsidize older, wealthier (and less healthy) people.
- Most of the uninsured have reasonably concluded they can obtain care if needed without paying for health insurance. Simple physician visits can be paid out-of-pocket, while safety net providers are required to provide catastrophic access to care. Federal law prohibits hospitals from turning away patients in need of emergency care.
- They also know that others will subsidize their care. Public and private organizations spend an average of about \$1,000 annually on free medical care, including un-reimbursed physician services, for each uninsured person.

It is apparent that the only way to reduce the number of uninsured individuals in our society is to make their decision to obtain coverage more rational. Uninsured working Americans need health insurance options that better suit their needs.

This might be in the form of a refundable tax credit that allows low-income people the same tax subsidy that the wealthy currently enjoy. Another option: expand Medical Savings Accounts (or Flexible Spending Accounts) to let people accumulate money tax-free for medical needs.

Perhaps our society will choose to move to a single payer, government-underwritten health care financing system in the future. Should the number of uninsured individuals rise that option may become the inevitable choice.

However, if we choose to stay with our current private underwriting approach, we must better understand the needs — both physical and cultural — of the uninsured individual. We must then develop products that these individuals will want to purchase for themselves and for their families.

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