Healthcare
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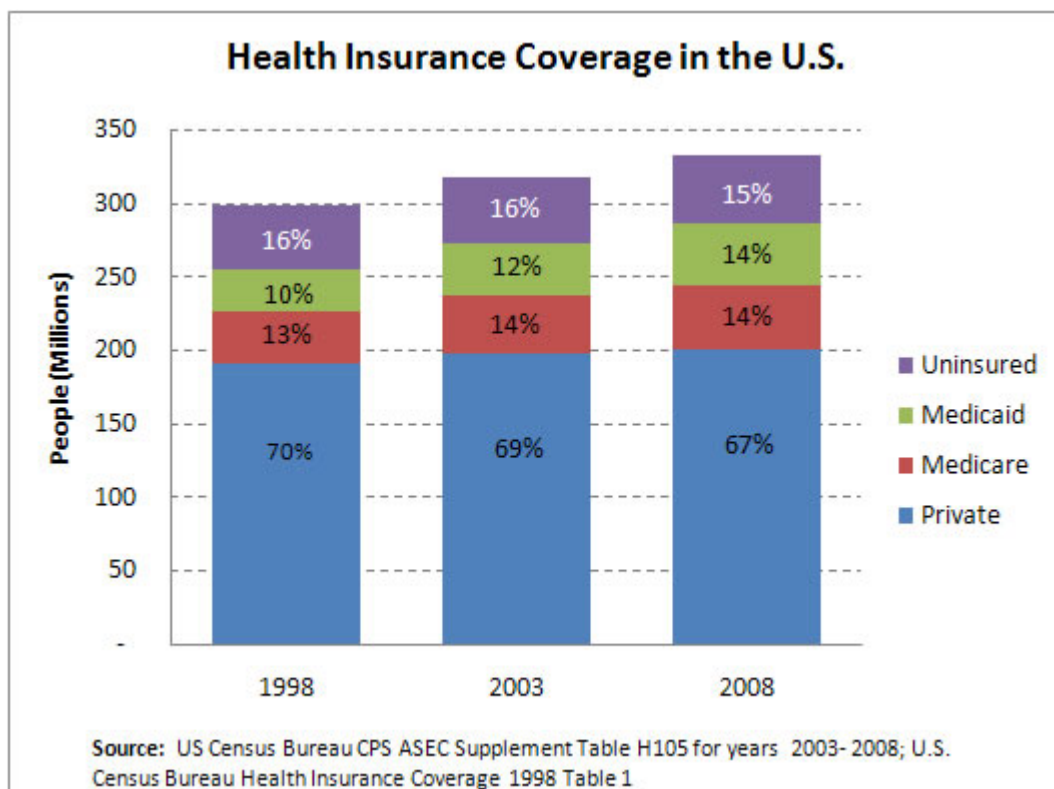
Private Health Insurance Declines

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by Debra A. Donahue

Much attention has been given to the plight of the 46.3 million uninsured but a look at newly released U.S. Census Bureau data shows a decline in private health insurance coverage that may be more problematic for the healthcare industry. Private insurance, as a percentage of total population, dropped to 67% in 2008, from 70% in 1998 and has been steadily declining for the last five years. Employment-based coverage fell from 62% to 58% during the same period. Moreover, data from the Centers for Disease Control and Prevention, National Health Interview Survey shows private coverage may have reached the lowest level in 50 years. Legislators, who are preparing to tax health insurers and place additional constraints on private employer-sponsored health coverage, and health providers, who receive the largest reimbursement rates from private insurers, should heed these long-term trends.
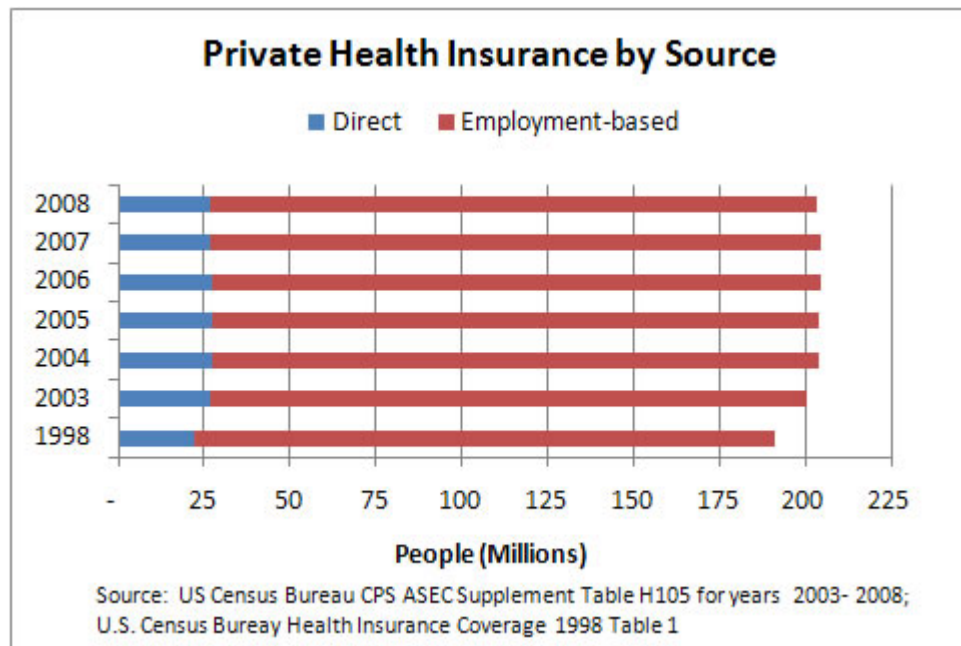
Shifting Sponsorship

During the ten years between 1998 and 2008, the percentage of uninsured Americans improved slightly, declining from 16% to 15%. This is the result of more people being covered by state Medicaid programs. In 1998, 27.9 million people (10%) received health insurance coverage through state Medicaid programs. In 2008, 42.6 million (14%) depended on state programs for coverage.

Health Insurance Coverage in the U.S.

Source: US Census Bureau CPS ASEC Supplement Table H105 for years 2003- 2008; U.S. Census Bureau Health Insurance Coverage 1998 Table 1

Programs aimed at reducing the numbers of uninsured children have been moderately successful. The U.S. Census Bureau estimates the number of children without health insurance dropped from 11.073 million or 15% of all children under 18 in 1998 to 7.348 million children, 10% of all children in 2008. In fact, Medicaid programs now cover 30.2% of all children in the U.S., up from 19.8% in 1998. At the same time employment-based coverage for children under 18 declined from 63.3% in 1998 to 58.9% in 2008. Reform alarmists worried about a government controlled health insurance environment may be unaware that almost a third of the children in America are already growing up insured by state governments.

Declining Private Insurance

Private health insurance coverage can either be employment-based or direct purchase, the latter is usually referred to as non-group or individual coverage. Private insurance as a whole has declined 2.5% between 1998 and 2008. For the last ten years the split between direct and employment-based coverage has remained fairly stable with 88% of private coverage sponsored by an employer. For the last five years, despite mainly good economic times, an average of 176.82 million people received coverage through an employer. During the same period, roughly 27.02 million individuals purchased non-group health insurance.

Source: US Census Bureau CPS ASEC Supplement Table H105 for years 2003- 2008;
U.S. Census Bureay Health Insurance Coverage 1998 Table 1

Recent economic factors are impacting health insurance coverage with 2008 showing the first actual declines in private insurance coverage year-over-year. Private coverage dropped by 999,000 people nationwide, with employment-based coverage falling 1.114 million and direct purchase or individual coverage increasing by 104,000. Medicaid coverage jumped 7.8% to 42.641 million while Medicare coverage was up 4% to 43.029 million. "The percentage of people without health insurance in 2008 was not statistically different from 2007 at 15.4%," according to the Health Insurance Coverage: 2008 Highlights from the U.S. Census Bureau.

The Centers for Disease Control and Prevention (CDC) along with the National Centers for Health Statistics (NCHS) also identify insurance coverage in their National Health Interview Survey (NHIS). The CDC's preliminary 2008 statistics, released in July 2009, showed 65.4% of all people under the age of 65 had private insurance. The CDC reported that the percentage of people covered by private insurance is lower than it has been in the last 50 years, according to data released July 1, 2009 in the National Health Statistics Report.

While the current recession is impacting enrollment numbers, the fact that privately insured figures did not increase substantially in better economic times is worrisome. As the debate over health care and health insurance reform continues and Congress hashes out new legislation, pundits should support private health insurers to minimize the drain of government-sponsored programs. Many health plans are developing products that appeal to the 46.3 million uninsured as a potential source of new enrollment and/or increasing participation in state Medicaid programs. These are among the very few avenues left for future enrollment growth.

About the Data

Health insurance coverage data available from the U.S. Census Bureau's Current Population Survey, Annual Social and Economic Supplement for the years 1998 to 2008 were used. For the years 2003 to 2008, Tables H105 Health Insurance Coverage Status and Type of Coverage by State and Age of all People were the primary source. For 1998, Tables 1 — 6 in the 1998 Health Insurance Tables package were used. Tables used were

accessed September 24th & 25th, 2009 and can be retrieved through http://www.census.gov/hhes/www/hlthins/cps.html (http://www.census.gov/hhes/www/hlthins/cps.html). Data from the Centers for Disease Control and Prevention, NHIS Health Insurance Coverage Estimates - Table 1 report were used and Table 1.2b Percentage of persons under age 65 years with private health insurance coverage by age group: United States 1997 — 2008 and the National Health Statistics Report Number 17 dated July 1, 2009 were also used. Employer-sponsored coverage includes health insurance obtained through a present or former employer, union, self-employment or a professional association.

Mark Farrah Associates includes state and national census data in its Health Coverage Portal tool to facilitate an understanding of the total insurance picture within specific markets.

Health Coverage Portal™

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