



Border Business Briefs

Special Issue 2006

A Publication of the Center For Border Economic Studies

The University of Texas–Pan American

THE U.S. UNINSURED POPULATION: TRENDS AND PERSPECTIVES

Welcome to the 2006 Special Issue of Border Business Briefs. In this issue the Center for Border Economic Studies (CBEST) describes recent trends and perspectives related to the large and growing U.S. population that lacks health insurance coverage. One of every six children and adults in the United States does not have health insurance coverage, and the size of this population will continue to increase for the next several years if health insurance premiums keep rising faster than earnings. The uninsurance problem is much more pronounced in states bordering Mexico, particularly in Texas where almost a third of the population is uninsured.

Being uninsured is associated with a lack of access to health care and with poorer health outcomes. Uninsured adults are less likely to have a regular source of care than insured adults, which has a direct impact on the quality of follow-up care received. In fact, one in five uninsured adults goes to hospital emergency rooms when he/she needs regular (non-emergency) health care, compared to one in 30 insured adults. When sick, the uninsured are also less likely to get the prescription medication they need. Uninsured adults are also less likely to use preventive health care services than insured adults (e.g., screening for cancer, diabetes or cardiovascular disease).

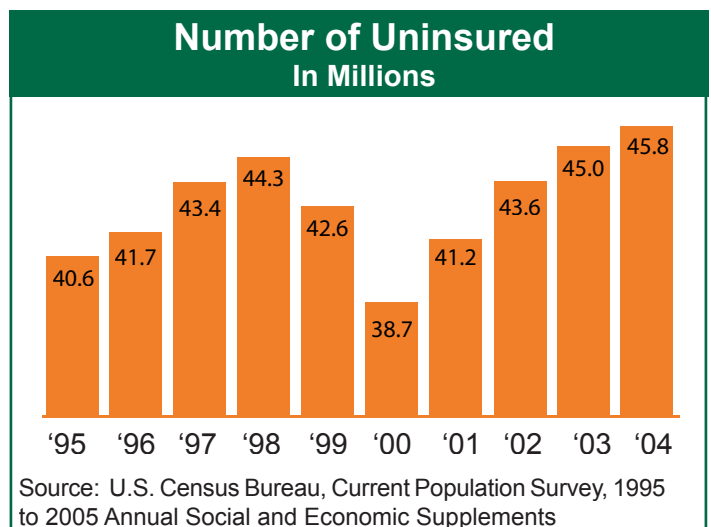
The health, social and economic costs of this lack of insurance are considerable. Individuals and families without health insurance coverage are exposed to substantial financial risk and are more likely to declare bankruptcy because they are unable to pay medical bills. Health care expenditures by the uninsured are ultimately paid by taxpayers.

Moreover, local health care systems in communities with large uninsured populations are particularly impacted by uninsurance because local hospitals and physicians are unable to cope with high uncompensated costs. Thus, the quality and availability of health care services is reduced for everyone, regardless of individual health insurance status. In all, it has been estimated that the poorer health of the U.S. uninsured population costs from \$65 to \$130 billion per year in lost health capital.

This 2006 Special Issue of Border Business Briefs presents recent trends and a general description of selected demographic and socioeconomic indicators of the U.S. uninsured population. A comparison of the uninsured population across border states and counties is also presented, as well as a discussion of the economic costs of uninsurance in the United States.

Given the importance of uninsurance to the economic future of the country and the border region, the Raúl Yzaguirre Policy Institute at The University of Texas-Pan American will host a conference with national leaders May 21-22, 2006 to discuss the impact and feasibility of a set of different proposals that seek to cover the U.S. uninsured population. The conference focuses on how these proposals impact uninsured Latinos(as) and on how to move the policy discussion from concrete initiatives to action. For registration information and the conference agenda, please visit the conference's Web site: www.yzaguirre.org/nulc.

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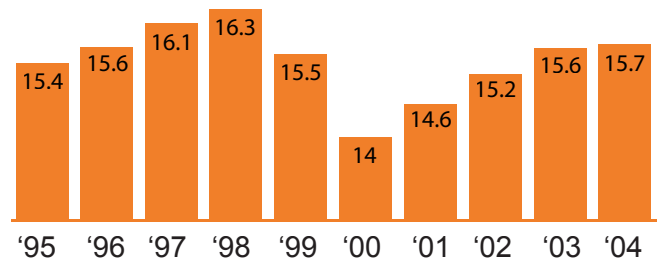
TRENDS

- In 2004, 45.8 million people (15.7 percent of the population) were without health insurance coverage.
- The percentage of people covered by private insurance was 68.1 percent in 2004, the lowest in the past 10 years.
- Hispanics reported the highest uninsured rates among minorities: 32.7 percent compared with 19.7 percent for Blacks and 16.8 percent for Asians. Hispanics also relied more on Medicaid for coverage (22 percent relative to 13 percent for the total population) and less on private insurance (45 percent relative to 68 percent for the total population).
- In 2004, the number of Hispanics without health insurance coverage was 13.7 million.
- A full-time job does not guarantee health insurance coverage: 17.8 percent of full-time workers ages 18-64 were uninsured in 2004. As expected, part-time workers were more likely to lack coverage, with a quarter of them being uninsured. Those without a job had similar uninsured rates to part-timers.
- By age distribution, the uninsured rate is lowest among the elderly (people 65 years of age and older) because the vast majority of them are covered by Medicare. The percentage and number of children (people under 18 years of age) without health insurance coverage in 2004 was 11.2 percent and 8.3 million, respectively. The highest uninsured rate was for the 18-24 year-old group (31.4 percent).
- The likelihood of being uninsured declines as income rises: a quarter of people in households with annual incomes of less than \$25,000 a year were uninsured compared with 8.4 percent of those in households with incomes of more than \$75,000.

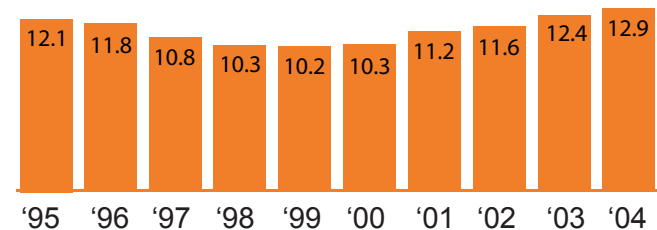
- Although their numbers are small, foreign-born individuals were more likely than the native population to lack health insurance coverage. About 34 percent of the foreign-born population were uninsured compared with 13.3 percent of the U.S.-born population in 2004.
- Among the foreign-born, the uninsured rate for non-citizens was 44.1 percent in 2004, while naturalized citizens had an uninsured rate of 17.2 percent.

Percentage of the Population

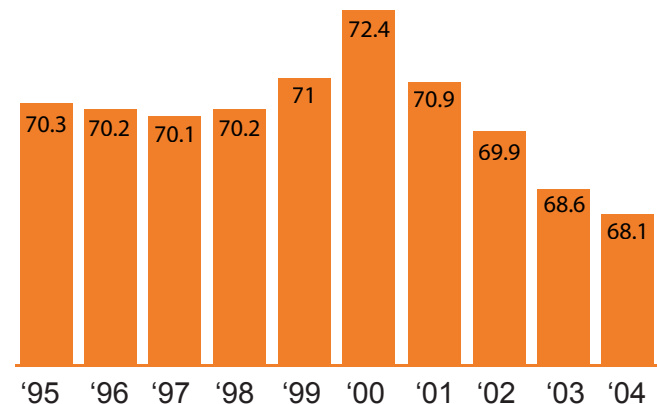
Uninsured



Covered by Medicaid



Covered by Private Insurance



Source: U.S. Census Bureau, Current Population Survey, 1995 to 2005 Annual Social and Economic Supplements



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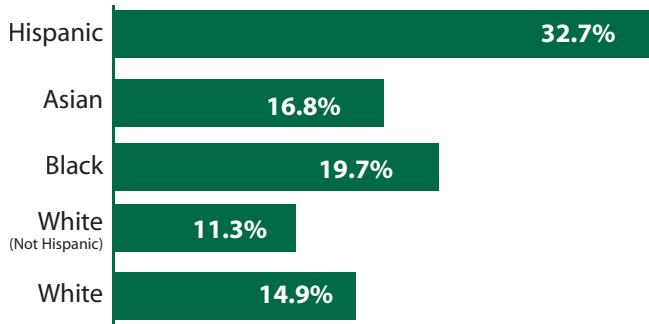
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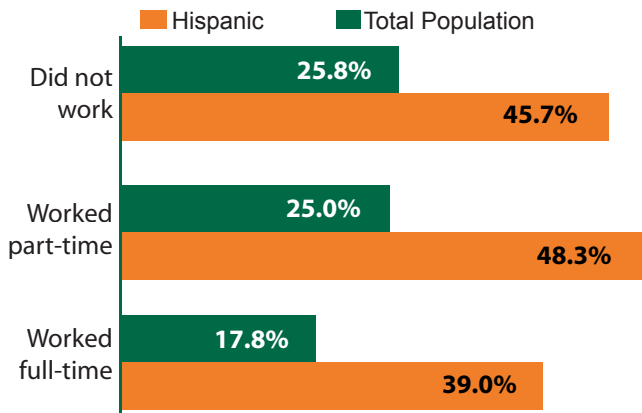
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WHO ARE THE UNINSURED

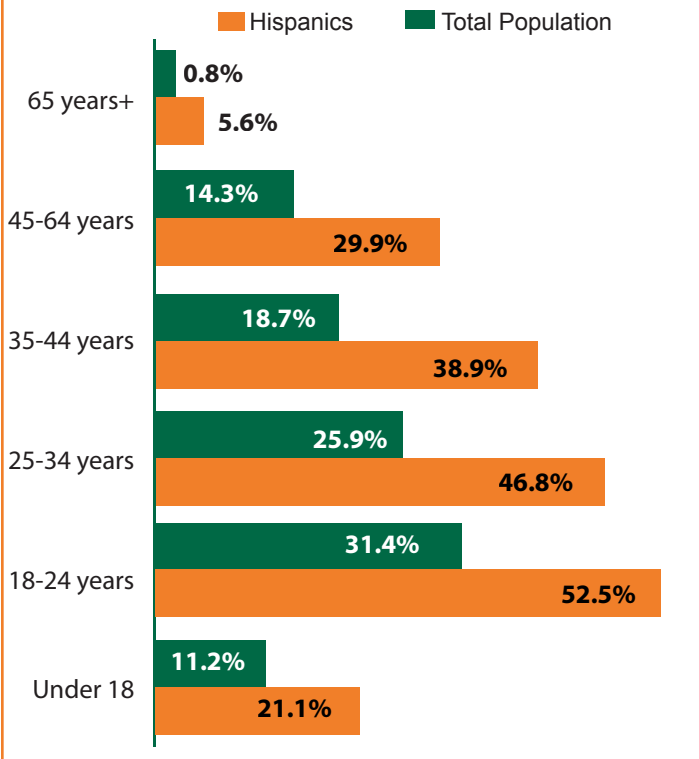
By Race & Hispanic Origin



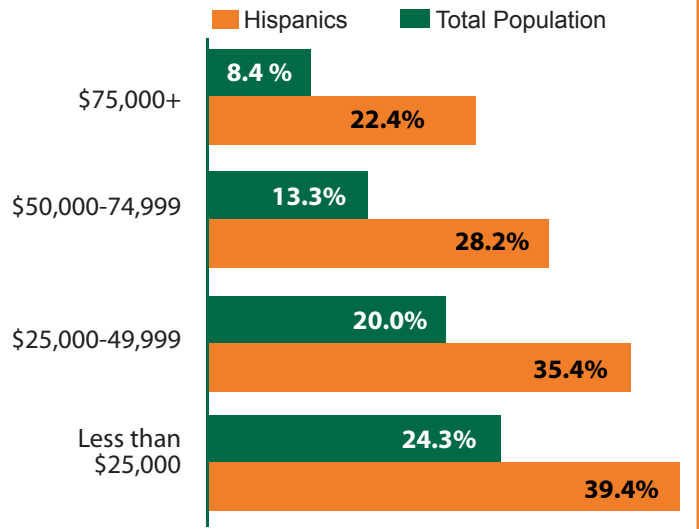
By Work Status



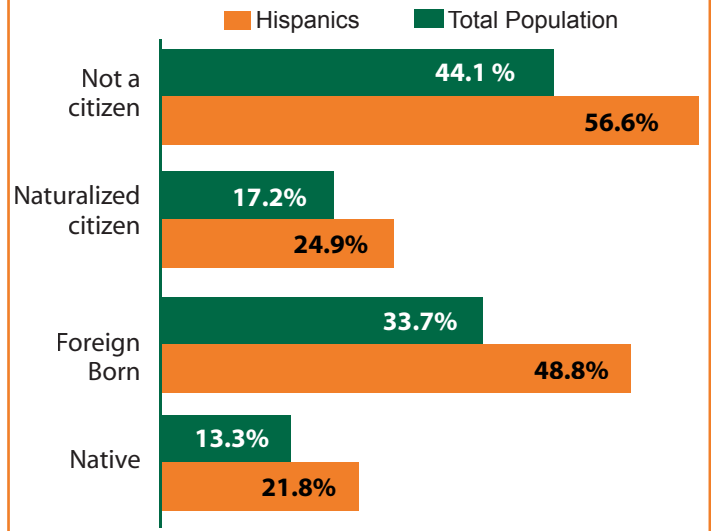
By Age



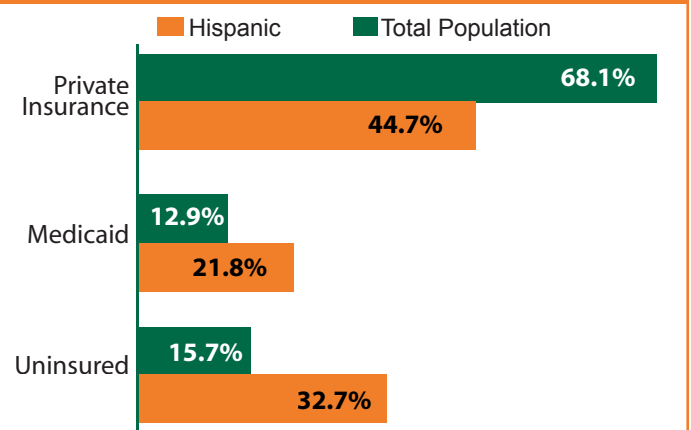
By Household Income



By Nativity



Type of Health Insurance Coverage



Source: U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement

HEALTH INSURANCE DEFINITIONS

Health insurance coverage generally falls into two categories: private and government-sponsored.

Private Health Insurance

- Employment-based plans: coverage obtained by one's own employment or a relative's.
- Direct-purchase plans: coverage purchased by an individual from a private company.

Government Health Insurance

- Medicare: federal program that pays health care costs for individuals 65 years of age and older and certain individuals under 65 with long-term disabilities.
- Medicaid: state-administered program providing medical assistance to the needy.
- SCHIP (State Children's Health Insurance Program): state-administered program providing health care coverage for low-income children whose parents do not qualify for Medicaid.
- Military health care: includes several programs that target different groups of members of the uniformed services, their families and survivors.
- State-specific plans
- Indian Health Service: program providing medical assistance to eligible American Indians

Source: U.S. Census Bureau

PROPOSALS

General Approach

Health insurance proposals usually encompass two general approaches. The first approach (tax credit proposals) involves the extension of refundable tax credits to different groups such as those who purchase non-group insurance, employees of small firms and their dependents, etc. The second approach (insurance expansion proposals) entails the expansion of eligibility limits for public programs (Medicaid and/or SCHIP).

Target Population

Proposals are generally aimed at specific clusters of the population. While some aim at providing coverage to the entire population, the majority of proposals target certain groups based on family income or poverty status, usually specified as a multiple of the federal poverty level.

Potential Sources of Funding

Examples include but are not limited to: state and federal general revenues, employer payroll tax, employee tax, tax on cross-border transactions, alcohol and tobacco tax, reductions in federal spending, earmarked value added tax (VAT), etc. It is worth mentioning that currently about three-quarters of free and uncompensated care provided to the uninsured is obtained from public programs. Relieving

this burden by covering the uninsured will generate savings that can partially help finance coverage proposals.

Role of Federal vs. State Government

Scholars differ on where the locus of health policies to cover the uninsured should be, at the federal or state level. Some argue that state policymakers have a better understanding of local conditions, and thus are in a better position to custom-design more effective policies. Opponents of this approach maintain that the federal government is more capable of administering and carrying out health policies given its expertise in the area.

Role of Employers

In most proposals, employers are required to offer health coverage. However, differences between proposals stem from the level of the employers' contribution to premiums and the extent of informational and administration services related to coverage.

Effects on Existing Public Programs

The effect of different proposals on public programs such as Medicaid or SCHIP range from remaining essentially unchanged to being phased out/eliminated. Most proposals, though, suggest an expanded role for these programs.

IMPACT OF PROPOSALS ACROSS STATES

The impact of health insurance proposals differs across states. Several factors affect how large or small a certain proposal's impact is on the number and percent of the insured.

- Uninsured rates: Policies will have a lower impact on the number of uninsured in states where the uninsurance rate is low relative to those where the rates are high.
- Economic characteristics: Expansion proposals that target recipients by family income or poverty level will result in a smaller share of the population being eligible in high-income states relative to low-income states. Thus, people will be unable to afford insurance in states where high income levels are accompanied by high costs of living.
- Labor market characteristics: Policies that target the uninsured in small firms will differ in effect depending on the concentration of such firms in each state.
- Health insurance markets: A fixed tax credit will have a larger impact in states where premiums are low than in those where premiums are high.

Sources:

"Covering America: Real Remedies for the Uninsured," Economic and Social Research Institute, Dec. 2003.

Glied and Gould, 2005. Variations in the Impact of Health Coverage Expansion Proposals across States.

THE BORDER AND THE UNINSURED

Border states, in general, and border counties, in particular, have a higher share of the uninsured. In 2004, Texas had the highest share of the uninsured in the United States at 25 percent. Arizona, California and New Mexico were also ranked among the top ten. Several factors account for this.

- Border counties have very high concentrations of Hispanics, a group that is more likely to be uninsured relative to other minorities.
- Border counties are characterized by a larger share of families living below the poverty level, another group more likely to exhibit lower rates of coverage.
- Border counties tend to have higher unemployment rates relative to their corresponding states and the national level, a fact that decreases the likelihood of coverage through employment-based insurance.

Border County Characteristics

	Hispanic	Families below poverty level
U.S.	14.2%	10.1%
Arizona	28.1%	10.9%
Cochise County*	30.7%	13.5%
Pima County	32.1%	11.5%
Santa Cruz County*	80.8%	21.4%
Yuma County*	50.5%	15.5%
California	34.9%	10.5%
Imperial County*	72.2%	19.4%
San Diego County	29.4%	9.5%
New Mexico	43.4%	15.9%
Dona Ana County*	63.4%	20.2%
Hidalgo County*	56.0%	23.9%
Luna County*	57.7%	27.2%
Texas**	34.9%	13.5%
Cameron County	85.9%	30.1%
El Paso County	81.2%	27.5%
Hidalgo County	89.3%	36.1%
Maverick County*	95.0%	32.0%
Starr County*	97.5%	47.4%
Val Verde County*	75.5%	22.1%
Webb County*	94.3%	26.7%

* Only 2000 data is available

** Only the largest Texas border counties are included.

Source: U.S. Census Bureau: Census 2000, 2004 American Community Survey

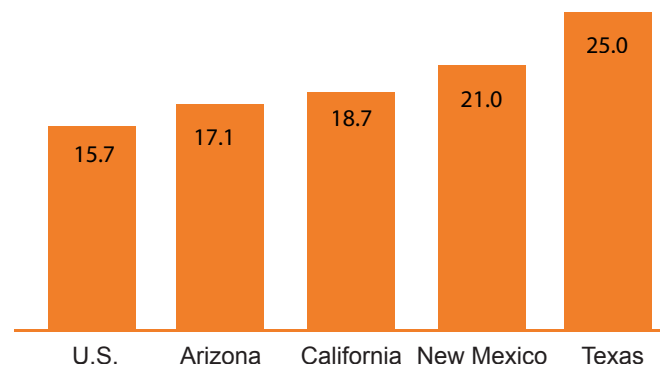
Number of the Uninsured, 2004

	Number (000s)	Share of Uninsured Population
Arizona	989	2.2%
California	6,710	14.6%
New Mexico	399	0.9%
Texas	5,583	12.2%
U.S.	45,820	100.0%

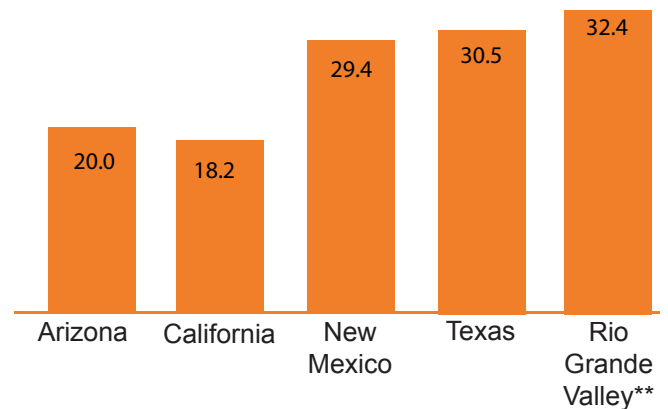
Source: U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement

Percentage of Residents Who Are Uninsured

Border States, 2004



Border Counties, 2000*



* Corresponding percentages for the states of Arizona, California, New Mexico, and Texas in 2000 were 18.2, 18.8, 23.7 and 19 percent, respectively.

** Rio Grande Valley includes Cameron, Hidalgo, Starr and Willacy counties.

Source: U.S. Census Bureau: Census 2000; Current Population Survey, 2005 Annual Social and Economic Supplement

HEALTH CARE SPENDING

- National health expenditures reached nearly \$1.9 trillion in 2004, a 35 percent increase since 2000.
- As a percentage of Gross Domestic Product (GDP), health care spending was 16 percent in 2004.
- The amount spent per person on health care exceeded \$6,000 in 2004, an increase of 33 percent from 2000.
- By 2015, health care spending in the United States is

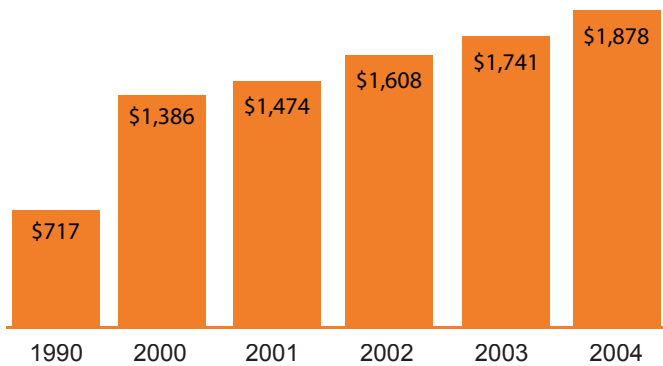
projected to reach \$4 trillion and account for 20 percent of GDP.

- The value of uncompensated health care services provided to the uninsured amounted to \$41 billion in 2004 (Kaiser Commission on Medicaid and the Uninsured, 2004).

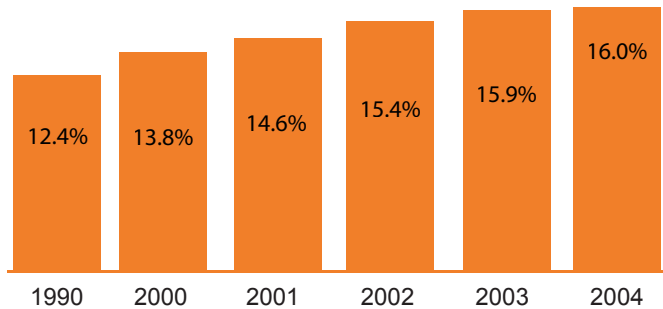
- About two-thirds of the \$41 billion is paid through Medicare and Medicaid *disproportionate share hospital adjustments* as well as other federal, state and local appropriations.

National Health Expenditures

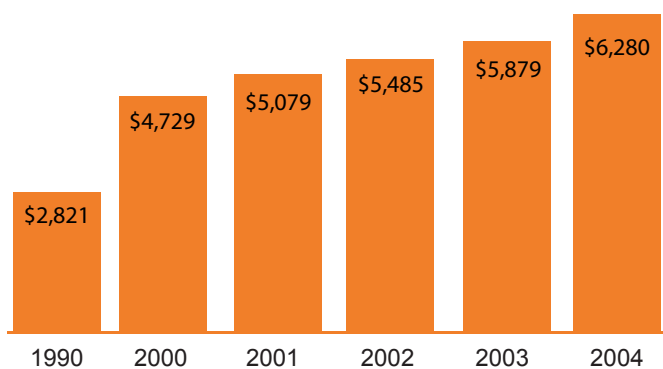
In Billions



As a Share of Gross Domestic Product



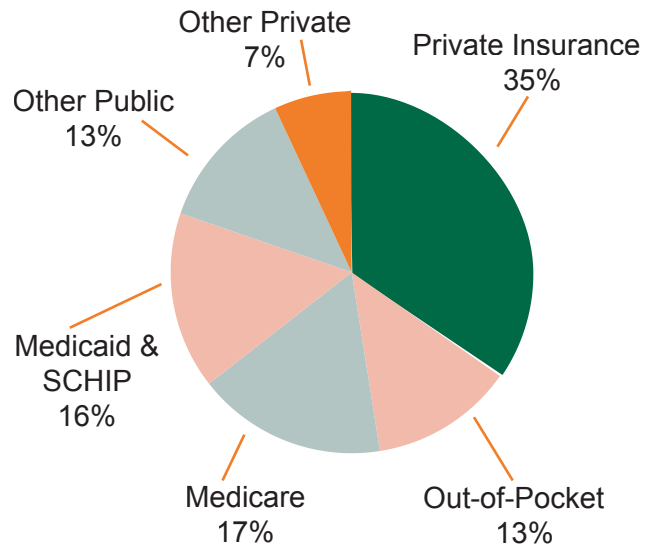
Per Person



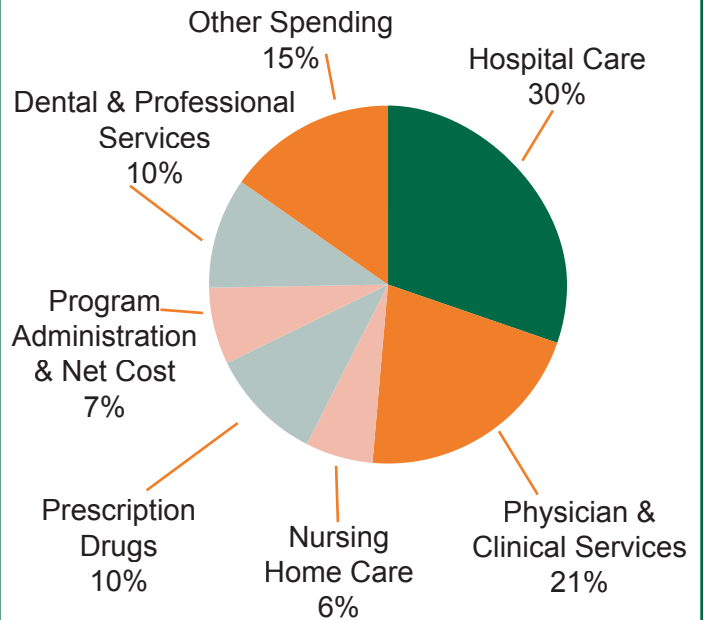
Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group

The Nation's 2004 Health Dollar

Where It Came From



Where It Went



Note: Chart sections do not add up to 100 percent due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group

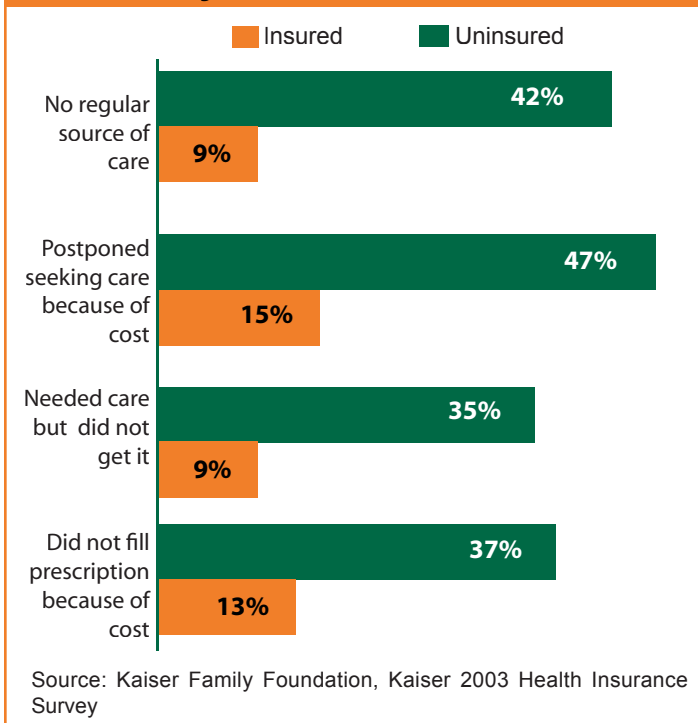
COSTS OF UNINSURANCE

- Lack of health insurance results in costs at the individual, family and community levels.
- At the individual level, lack of health insurance reduces access to health care services, ultimately compromising personal health because the uninsured are less likely to receive preventive care and more likely to be diagnosed in the latter stages of a disease. Excess deaths among uninsured adults ages 25-64 have been estimated at 18,000 per year (Institute of Medicine, 2002).
- Providing medical services to the uninsured places financial burdens on a community's health care resources. Given

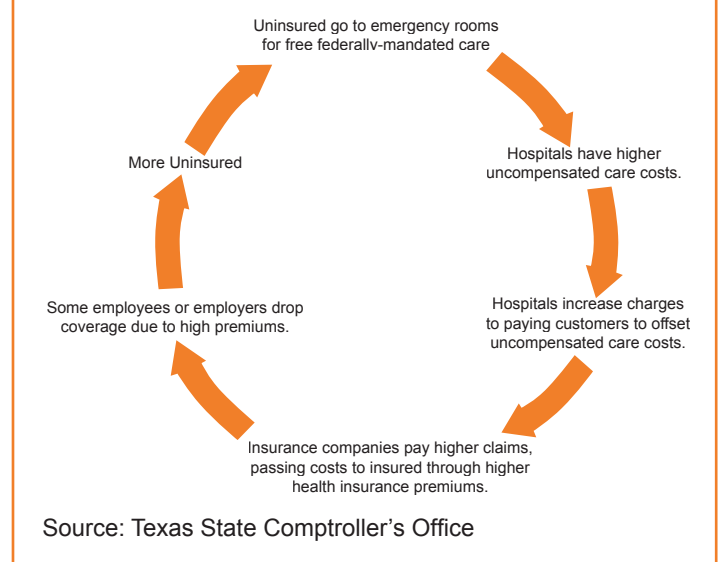
that federal laws require hospitals to provide emergency care to whoever needs it, a disproportionate number of the uninsured utilize emergency rooms as their primary health care provider, thus contributing to high levels of uncompensated care costs. This, in turn, has serious ramifications on the financial viability of hospitals and providers, on health care costs in general and consequently, on the ability of employers to provide coverage and individuals to purchase it.

- The costs of providing health care services to the uninsured amounted to \$65 billion, a third of which is paid out-of-pocket by the uninsured themselves. The remainder of the bill is funded by (1) federal programs and (2) individuals with health insurance through higher premiums. In 2005, the average increase in family insurance premiums to pay for the health care costs of the uninsured was estimated at \$922 (Families USA, 2005).

Barriers to Health Care by Insurance Status



The Link Between Businesses and the Uninsured



Texas Uncompensated Care, 2003

	In Millions	
	Total Uncompensated Care	Uncompensated Care as % of Net Patient Revenue
Texas	\$8,000	23.7%
Cameron County	\$176	29.3%
El Paso County	\$289	24.7%
Hidalgo County	\$177	24.1%
Webb County	\$56	23.7%
TX Border Counties	\$698	25.5%

Source: 2003 Cooperative TDH/AHA/THA Annual Survey of Hospitals and Hospital Tracking Database

CODE RED

The Critical Condition of Health In Texas

Code Red is a comprehensive report released April 2006 by the Task Force on Access to Health Care in Texas. Ten academic health institutions collaborated in this important document that highlights the challenges that Texas faces if it is not able to provide access to health care for its large and growing population. Texas has the highest rate of uninsurance in the country, and the fiscal burden of providing health care services to this population is substantial. The Task Force provided 10 specific recommendations to improve access to health care and health insurance in Texas. The full report can be accessed at www.utsystem.edu/hea/codered.

National
UNINSURED
 Latinos Conference
May 21-22, 2006

The **National Uninsured Latinos Conference** will address one of the most critical issues in America – the lack of health insurance among our nation’s Latino community. Serving as the inaugural event of the Raúl Yzaguirre Policy Institute at The University of Texas-Pan American, the conference will bring legislative leaders, health policy researchers, foundation representatives, and corporate executives to the same table for the purpose of providing solutions and national

exposure to this critical challenge. We invite you to join us as we address this critical health insurance issue and help us in developing realistic concrete policies that will impact not only the Latino community, but our nation as a whole.

Topics of Discussion

*Proposals to Cover the Uninsured • Moving from Policy Initiatives to Action
 Partnering with Diverse Stakeholders to Cover the Uninsured • Leadership and Health Policy Research Needs*

For more information, visit the conference Web site

<http://www.yzaguirre.org/nulc>

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Hosted by The University of Texas-Pan American in conjunction with the Office of Congressman Rubén Hinojosa

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