

# Why Does The Number Of Uninsured Americans Continue To Grow?

*Gains in employer coverage, caused by workers' shifting into higher-paying jobs, have not offset declines in Medicaid coverage.*

BY JOHN HOLAHAN AND JOHNNY KIM

188

**D**ECLINING employer-sponsored coverage from the 1970s to the mid-1990s has been attributed to a variety of factors: the shift from manufacturing to service-sector jobs, increased temporary and part-time employment, decreasing unionization, a decline in real wages, and growth in health care costs.<sup>1</sup> During the late 1980s and early 1990s this decline was partially offset by large increases in Medicaid coverage, which served to slow increases in the uninsurance rate.<sup>2</sup>

In this paper we use data from the Current Population Survey (CPS) to compare changes in insurance coverage over a more recent period, 1994–1998, with those in the period 1989–1993. During the latter years some of the conditions that caused the earlier reduction in employer-sponsored coverage and increases in the uninsurance rate reversed. The economy emerged from the 1990–1992 recession and had a sustained period of rapid economic growth. Real incomes rose, and the growth in health care costs slowed.<sup>3</sup> In addition, the expansions of Medicaid coverage to children and pregnant women had been largely phased in and were no longer a source of significant growth, and state welfare reform efforts began to adversely affect Medicaid enrollment.<sup>4</sup> We examine the 1994–1998 period in greater depth to show changes in insurance coverage for various subgroups.

## Reasons For Two Study Periods

In addition to the strong economy and changes in welfare/Medicaid policies, the other reason for breaking study periods between 1993 and 1994 is that two major changes were made to the CPS that make comparisons of trends before and after 1993/1994 inappropriate. Both changes began with the March 1995 survey: a revision of the health insurance coverage questions, and the introduction of a new sample framework. The revised questionnaire included separate, more detailed questions about employer-sponsored and private nongroup health insurance, state-specific names for Medicaid, a new set of questions for out-of-household coverage, and a catch-all question for insurance. The order of the health insurance questions also was changed at this time. No longer did questions regarding public types of health insurance come first; the health segment of the March 1995 survey started with questions about private health coverage. The primary impact of these changes was to increase the number of persons reporting employer-sponsored coverage, reduce the number with private nongroup coverage, and increase the reported health insurance coverage of children.<sup>5</sup>

Several methodological problems with the measurement of insurance coverage in the CPS have been documented.<sup>6</sup> Perhaps the

*John Holahan is director of the Health Policy Center at the Urban Institute in Washington, DC. Johnny Kim is a research assistant there.*

most important relates to a debate over whether respondents are reporting current coverage or any coverage they had over the past year. If they are reporting current coverage, then the number of uninsured should be interpreted as those who lack health insurance at a point in time. If they are reporting any coverage in the past year, then by definition a residual count of the uninsured would be a count of those who lacked coverage for the entire year. There has been considerable debate of this issue. Although it has not been resolved, it is nonetheless clear that the CPS has generally been consistent across time, which is what is important for this study.

A second issue is that the CPS appears to consistently understate Medicaid coverage, as shown in comparison with estimates from states and federal administrative data. Because Medicaid may be understated, the number of uninsured persons is likely to be overstated. Again, although this is a problem, there is no reason to believe that the extent of it is changing significantly over time.

## Results

The proportion of the nonelderly population without insurance increased from 16.2 percent in 1989 to 18.2 percent in 1993 (Exhibit 1).<sup>7</sup> The rate of uninsurance among children increased from 16.4 to 17.0 percent, and among adults, from 16.1 to 18.8 percent. For both children and adults, employer-based coverage fell, particularly for dependents. Increases in Medicaid coverage partially offset these declines, for both groups.<sup>8</sup> The growth in Medicaid coverage along with small increases in other public and private nongroup coverage was not sufficient to offset both the decline in the rate of employer-based coverage and population growth. Thus, the number of uninsured persons rose during 1989–1993.

The population of nonelderly persons who were uninsured grew again during 1994–1998, from 17.3 percent to 18.4 percent, or by 4.2 million. The uninsurance rate for children increased from 14.5 percent to 15.6 percent, and for adults, from 18.6 percent to 19.7 percent. But the increases in the latter period occurred for different reasons. First, there was a drop in Medicaid coverage from 10.0 percent to 8.4

**EXHIBIT 1**  
**Health Insurance Coverage Among Nonelderly Americans, By Age Group, 1989–1998**

Coverage source	Coverage distribution within age group				Change in millions of persons	
	1989	1993	1994	1998	1989–93	1994–98
All nonelderly	215.7 <sup>a</sup>	227.7 <sup>a</sup>	229.7 <sup>a</sup>	238.6 <sup>a</sup>	12.1 <sup>a</sup>	8.9 <sup>a</sup>
Employer	65.9%	60.5% <sup>b</sup>	64.3%	65.8% <sup>b</sup>	-4.3 <sup>c</sup>	9.4 <sup>c</sup>
Medicaid	7.0	10.1 <sup>b</sup>	10.0	8.4 <sup>b</sup>	7.8 <sup>c</sup>	-3.1 <sup>c</sup>
Other public	3.2	3.4 <sup>b</sup>	2.7	2.4 <sup>b</sup>	0.7 <sup>c</sup>	-0.5 <sup>c</sup>
Private nongroup	7.7	7.9	5.7	5.0 <sup>b</sup>	1.4 <sup>c</sup>	-1.2 <sup>c</sup>
Uninsured	16.2	18.2 <sup>b</sup>	17.3	18.4 <sup>b</sup>	6.5 <sup>c</sup>	4.2 <sup>c</sup>
Children	67.9 <sup>a</sup>	73.1 <sup>a</sup>	73.9 <sup>a</sup>	76.0 <sup>a</sup>	5.2 <sup>a</sup>	2.1 <sup>a</sup>
Employer	62.7%	56.5% <sup>b</sup>	60.5%	63.2% <sup>b</sup>	-1.2 <sup>c</sup>	3.3 <sup>c</sup>
Medicaid	11.5	16.9 <sup>b</sup>	18.1	15.2 <sup>b</sup>	4.5 <sup>c</sup>	-1.9 <sup>c</sup>
Other public	4.1	4.8 <sup>b</sup>	2.4	2.0 <sup>b</sup>	0.7 <sup>c</sup>	-0.2 <sup>c</sup>
Private nongroup	5.3	4.7 <sup>b</sup>	4.5	4.0 <sup>b</sup>	-0.1	-0.3 <sup>c</sup>
Uninsured	16.4	17.0 <sup>b</sup>	14.5	15.6 <sup>b</sup>	1.3 <sup>c</sup>	1.2 <sup>c</sup>
Adults	147.8 <sup>a</sup>	154.7 <sup>a</sup>	155.8 <sup>a</sup>	162.6 <sup>a</sup>	6.9 <sup>a</sup>	6.8 <sup>a</sup>
Employer	67.4%	62.4% <sup>b</sup>	66.0%	67.0% <sup>b</sup>	-3.1 <sup>c</sup>	6.1 <sup>c</sup>
Medicaid	4.9	6.8 <sup>b</sup>	6.2	5.2 <sup>b</sup>	3.2 <sup>c</sup>	-1.2 <sup>c</sup>
Other public	2.8	2.7 <sup>b</sup>	2.9	2.6 <sup>b</sup>	0.0	-0.3 <sup>c</sup>
Private nongroup	8.8	9.3 <sup>b</sup>	6.3	5.5 <sup>b</sup>	1.5 <sup>c</sup>	-0.8 <sup>c</sup>
Uninsured	16.1	18.8 <sup>b</sup>	18.6	19.7 <sup>b</sup>	5.2 <sup>c</sup>	3.0 <sup>c</sup>

**SOURCE:** Urban Institute, 1999, based on data from March Current Population Surveys, 1988–1999.

**NOTE:** Excludes persons age sixty-five and older and those in the armed forces.

<sup>a</sup> Millions of persons.

<sup>b</sup> Difference in percentages between 1989 and 1993 or between 1994 and 1998 is statistically significant at the .10 level.

<sup>c</sup> Change in numbers of persons between 1989 and 1993 or between 1994 and 1998 is statistically significant at the .10 level.

percent, or about 3.1 million persons (1.9 million children and 1.2 million adults). Also, other public coverage fell from 2.7 percent to 2.4 percent (0.5 million); this was due principally to reductions in military-related coverage. Other private coverage also declined, from 5.7 percent to 5.0 percent (1.2 million), possibly reflecting the increased cost of health insurance in the private nongroup market.

These reductions in Medicaid, other public, and private nongroup coverage would have resulted in even greater increases in the uninsured had it not been for increases in employer-sponsored coverage. The number of adults covered through employers rose about 6.1 million, while the number of dependent children covered rose by 3.3 million (Exhibit 1). Thus, unlike in the previous period, the increase in employer-sponsored coverage kept the number of uninsured from growing more rapidly than it otherwise would have.

■ **Changes in coverage by income group (1994–1998).** The period 1994–1998 was noteworthy because of the rapid growth in the U.S. economy, as seen in the analysis of coverage by income levels (Exhibit 2).<sup>9</sup> For the population below 200 percent of the federal poverty level, there were significant reductions in Medicaid enrollment and in private nongroup coverage. The declines in Medicaid enrollment all occurred for persons with incomes below 100 percent of poverty; reductions in private nongroup coverage occurred both below 100 percent of poverty and 100–200 percent of poverty. Because of these declines, the number of uninsured persons with incomes below 200 percent of poverty rose by 0.8 million. The increases would have been larger had it not been for the strong economy, which reduced the total number of people below 200 percent of poverty.

The reduction in Medicaid enrollment of

**EXHIBIT 2**  
**Health Insurance Coverage Among Nonelderly Americans, By Income Category, 1994–1998**

Coverage source	Coverage distribution within income category		1994–1998	
	1994	1998	Average annual growth in numbers of persons	Change in millions of persons
All incomes	229.7 <sup>a</sup>	238.6 <sup>a</sup>	1.0%	8.9
Employer	64.3%	65.8% <sup>b</sup>	1.6	9.4 <sup>c</sup>
Medicaid	10.0	8.4 <sup>b</sup>	-3.5	-3.1 <sup>c</sup>
Other public	2.7	2.4 <sup>b</sup>	-2.2	-0.5 <sup>c</sup>
Private nongroup	5.7	5.0 <sup>b</sup>	-2.3	-1.2 <sup>c</sup>
Uninsured	17.3	18.4 <sup>b</sup>	2.5	4.2 <sup>c</sup>
Less than 200% of poverty	87.6 <sup>a</sup>	82.5 <sup>a</sup>	-1.5	-5.1
Employer	32.4%	33.1%	-1.0	-1.1 <sup>c</sup>
Medicaid	24.9	22.5 <sup>b</sup>	-4.0	-3.3 <sup>c</sup>
Other public	4.1	3.8	-3.0	-0.4 <sup>c</sup>
Private nongroup	6.8	5.9 <sup>b</sup>	-4.9	-1.1 <sup>c</sup>
Uninsured	31.7	34.7 <sup>b</sup>	0.7	0.8 <sup>c</sup>
200–399% of poverty	71.5 <sup>a</sup>	72.2 <sup>a</sup>	0.2	0.7
Employer	78.4%	76.9% <sup>b</sup>	-0.3	-0.6
Medicaid	1.3	1.6 <sup>b</sup>	5.1	0.2 <sup>c</sup>
Other public	2.5	2.1 <sup>b</sup>	-3.4	-0.2 <sup>c</sup>
Private nongroup	5.6	5.2	-1.6	-0.2
Uninsured	12.1	14.1 <sup>b</sup>	4.2	1.5 <sup>c</sup>
400% or more of poverty	70.6 <sup>a</sup>	83.9 <sup>a</sup>	4.4	13.3
Employer	89.4%	88.5% <sup>b</sup>	4.2	11.2 <sup>c</sup>
Medicaid	0.3	0.3	0.3	0.0
Other public	1.2	1.1	3.2	0.1
Private nongroup	4.4	4.0 <sup>b</sup>	1.4	0.2
Uninsured	4.6	6.1 <sup>b</sup>	11.7	1.8 <sup>c</sup>

**SOURCE:** Urban Institute, 1999, based on data from March Current Population Surveys, 1995–1999.

**NOTE:** Excludes persons age sixty-five and older and those in the armed forces.

<sup>a</sup> Millions of persons.

<sup>b</sup> Difference in percentages between 1994 and 1998 is statistically significant at the .10 level.

<sup>c</sup> Change in numbers of persons between 1994 and 1998 is statistically significant at the .10 level.

3.1 million seems to be more attributable to the drop in the likelihood of coverage than to the decline in the number of persons with incomes below 200 percent of the federal poverty level. Using data from Exhibit 2, we estimate that if the Medicaid enrollment rate had stayed at its 1994 level, Medicaid enrollment would have fallen by about 1.3 million because of the decline in the low-income population. Alternatively, if the low-income population had grown at the national population growth rate but the Medicaid enrollment rate had declined as it did, Medicaid enrollment would have fallen by 2.1 million. On this basis, we estimate that more than 60 percent of the decline in Medicaid coverage is associated with reduced probability of coverage.

Those in the middle income group (200–399 percent of poverty) had a 1.5-percentage-point drop in the likelihood of employer-sponsored coverage. This was almost completely responsible for the increase in the uninsurance rate from 12.1 percent to 14.1 percent. The increase in the uninsurance rate together with a small increase in the number of people in this income group resulted in an increase of 1.5 million uninsured persons.

For those at the high end of the income distribution (400 percent of the federal poverty level and higher), Medicaid and other public programs are relatively unimportant. Between 1994 and 1998 the number of uninsured persons rose from 4.6 percent to 6.1 percent, or by 1.8 million. This was mostly explained by reductions in employer-sponsored coverage (from 89.4 percent to 88.5 percent) and by the large increase in higher-income adults and children. It is noteworthy that the number covered by employers increased by 11.2 million, but this was not sufficient to match the substantial population growth (13.3 million) in this income range.

In sum, these results mean that during 1994–1998 low-income populations were adversely affected by significant reductions in Medicaid and not helped much by the rise in employer-based coverage. They also experienced substantial drops in private nongroup coverage. The number of uninsured among

families with incomes below 200 percent of poverty increased by 0.8 million. Had it not been for a decline of 5.1 million in the total number of persons below 200 percent of poverty, the increase in the number of low-income persons who were uninsured would have been much higher. A drop in the share of higher-income adults and children with employer-sponsored coverage, coupled with the growth in their numbers, resulted in nearly two million more uninsured persons in this category.

■ **Coverage of children and adults.** Exhibit 3 provides further detail on changes in coverage for children and adults by income level. Insurance coverage of children is of particular interest because of the recent expansion to cover low-income children through the State Children's Health Insurance Program (SCHIP). Between 1994 and 1998 the share of children below 200 percent of poverty with employer-sponsored coverage increased; this was more than offset by a decline in Medicaid coverage. Low-income children also experienced a drop in other public coverage (almost wholly military-related coverage) and private nongroup coverage. The result was an increase in the uninsurance rate from 23.4 percent to 26.5 percent. However, because 1.7 million fewer children were in families with incomes below 200 percent of poverty, the number of uninsured children rose by a relatively small 600,000. The rate of uninsurance rose for both income groups above 200 percent of the federal poverty level. As a result of these increases, together with changes in income distribution, half of the increase in the number of uninsured children occurred among those above 200 percent of poverty.

Insurance coverage of adults is of interest because so many more adults are uninsured than children. In 1998, 19.7 percent of adults (32.0 million) were uninsured, compared with 15.6 percent of children (11.9 million). Interestingly, the rate of employer-sponsored coverage fell for both of the two highest income groups, and there was no change for the lowest. However, because there is much more rapid growth in the number of adults above 400 percent of poverty where rates of em-

**EXHIBIT 3**  
**Health Insurance Coverage Among Children And Adults, By Income Category, 1994–1998**

Coverage source	Children			Adults		
	Coverage distribution within income category		Change in millions of persons	Coverage distribution within income category		Change in millions of persons
	1994	1998		1994	1998	
All incomes	73.9 <sup>a</sup>	76.0 <sup>a</sup>	2.1	165.8 <sup>a</sup>	162.6 <sup>a</sup>	6.8
Employer	60.5%	63.2% <sup>b</sup>	3.3 <sup>c</sup>	66.0%	67.0% <sup>b</sup>	6.1 <sup>c</sup>
Medicaid	18.1	15.2 <sup>b</sup>	-1.9 <sup>c</sup>	6.2	5.2 <sup>b</sup>	-1.2 <sup>c</sup>
Other public	2.4	2.0 <sup>b</sup>	-0.2 <sup>c</sup>	2.9	2.6 <sup>b</sup>	-0.3 <sup>c</sup>
Private nongroup	4.5	4.0 <sup>b</sup>	-0.3 <sup>c</sup>	6.3	5.5 <sup>b</sup>	-0.8 <sup>c</sup>
Uninsured	14.5	15.6 <sup>b</sup>	1.2 <sup>c</sup>	18.6	19.7 <sup>b</sup>	3.0 <sup>c</sup>
Less than 200% of poverty	34.6 <sup>a</sup>	33.0 <sup>a</sup>	-1.7	53.0 <sup>a</sup>	49.5 <sup>a</sup>	-3.5
Employer	32.4%	34.6% <sup>b</sup>	0.2	32.4%	32.1%	-1.3 <sup>c</sup>
Medicaid	37.1	33.0	-2.0 <sup>c</sup>	17.0	15.5 <sup>b</sup>	-1.3 <sup>c</sup>
Other public	2.7	2.3	-0.2 <sup>c</sup>	5.0	4.9	-0.2
Private nongroup	4.3	3.6	-0.3 <sup>c</sup>	8.5	7.5 <sup>b</sup>	-0.8 <sup>c</sup>
Uninsured	23.4	26.5 <sup>b</sup>	0.6 <sup>c</sup>	37.2	40.1 <sup>b</sup>	0.2
200–399% of poverty	22.9 <sup>a</sup>	23.2 <sup>a</sup>	0.2	48.6 <sup>a</sup>	49.1 <sup>a</sup>	0.5
Employer	81.8%	81.2%	0.0	76.8%	74.8% <sup>b</sup>	-0.6
Medicaid	1.9	2.4	0.1	1.1	1.3	0.1
Other public	2.7	2.3	-0.1	2.4	2.1	-0.1
Private nongroup	4.9	4.6	-0.1	6.0	5.6	-0.2
Uninsured	8.6	9.7 <sup>b</sup>	0.3 <sup>c</sup>	13.8	16.2 <sup>b</sup>	1.3 <sup>c</sup>
400% or more of poverty	16.4 <sup>a</sup>	19.9 <sup>a</sup>	3.5	54.2 <sup>a</sup>	64.0 <sup>a</sup>	9.8
Employer	90.3%	89.9%	3.1 <sup>c</sup>	89.1%	88.1% <sup>b</sup>	8.1 <sup>c</sup>
Medicaid	0.8	0.6	0.0	0.3	0.2	0.0
Other public	1.0	1.2	0.1	1.3	1.1	0.0
Private nongroup	4.4	3.9	0.1	4.4	4.0 <sup>b</sup>	0.1
Uninsured	3.7	4.5 <sup>b</sup>	0.3 <sup>c</sup>	4.9	6.6 <sup>b</sup>	1.5 <sup>c</sup>

**SOURCE:** Urban Institute, 1999, based on data from March Current Population Surveys, 1995–1999.

**NOTE:** Excludes persons age sixty-five and older and those in the armed forces.

<sup>a</sup> Millions of persons.

<sup>b</sup> Difference in percentages between 1994 and 1998 is statistically significant at the .10 level.

<sup>c</sup> Change in numbers of persons between 1994 and 1998 is statistically significant at the .10 level.

192

ployer-sponsored coverage are also higher, the result is an increase overall in the proportion of the population with employer-sponsored coverage. In absolute numbers, 6.1 million adults gained employer-sponsored coverage.

Between 1994 and 1998, the uninsurance rate among adults rose from 18.6 percent to 19.7 percent, or about 3.0 million adults. For adults below 200 percent of the federal poverty level, the increase in the uninsurance rate was principally attributable to the drop in Medicaid and to a reduction in private nongroup coverage. For adults above 200 percent of poverty, the increases were attributable to declines in the rate of employer-sponsored coverage. Because of rising incomes, almost all of the growth in the number of uninsured adults occurred above 200 percent of poverty.

■ **Coverage by race and ethnicity.** Ex-

hibit 4 provides data for white non-Hispanics, black non-Hispanics, and Hispanics. (Not shown is a residual “other” group that is quite small, only 11.9 million in 1998.) Over the period 1994–1998 all groups experienced a significant increase in the number of uninsured. The number of white non-Hispanics without health insurance increased by 700,000 (3.4 percent); the number of black non-Hispanics, by 1.1 million (17.4 percent). The Hispanic group, which had the highest uninsurance rate to begin with, had a 2.0 million increase in the number of uninsured (21.5 percent).

Employer-sponsored coverage among white non-Hispanics rose by 4.2 million, all explained by the large number who moved up the income distribution. The rate of employer-sponsored coverage actually fell for those above 200 percent of the federal poverty level. White non-

**EXHIBIT 4**  
**Health Insurance Coverage Among Nonelderly Americans, By Race And Income, 1994–1998**

	White non-Hispanic			Black non-Hispanic			Hispanic		
	Coverage in distribution within income category		Change in millions of persons	Coverage in distribution within income category		Change in millions of persons	Coverage in distribution within income category		Change in millions of persons
	1994	1998	1994–98	1994	1998	1994–98	1994	1998	1994–98
All incomes	163.4 <sup>a</sup>	165.4 <sup>a</sup>	2.0	30.1 <sup>a</sup>	31.4 <sup>a</sup>	1.3	26.0 <sup>a</sup>	29.9 <sup>a</sup>	3.9
Employer	71.4%	73.0% <sup>b</sup>	4.2 <sup>c</sup>	48.7%	51.2% <sup>b</sup>	1.4 <sup>c</sup>	40.1%	43.4% <sup>b</sup>	2.6 <sup>c</sup>
Medicaid	5.8	5.0 <sup>b</sup>	-1.3 <sup>c</sup>	23.8	19.3 <sup>b</sup>	-1.1 <sup>c</sup>	20.0	15.1 <sup>b</sup>	-0.7 <sup>c</sup>
Other public	2.6	2.4 <sup>b</sup>	-0.4 <sup>c</sup>	3.4	2.8 <sup>b</sup>	-0.1 <sup>c</sup>	1.9	1.8	0.1
Private nongroup	6.7	5.9 <sup>b</sup>	-1.2 <sup>c</sup>	3.0	2.9	0.0	2.8	2.6	0.0
Uninsured	13.4	13.7	0.7 <sup>c</sup>	21.2	23.8 <sup>b</sup>	1.1 <sup>c</sup>	35.1	37.1 <sup>b</sup>	2.0 <sup>c</sup>
Less than 200% of poverty	48.1 <sup>a</sup>	41.9 <sup>a</sup>	-6.2	18.4 <sup>a</sup>	17.7 <sup>a</sup>	-0.8	17.0 <sup>a</sup>	18.5 <sup>a</sup>	1.5
Employer	38.4%	38.6%	-2.3 <sup>c</sup>	28.0%	28.8%	-0.1	22.0%	25.6% <sup>b</sup>	1.0 <sup>c</sup>
Medicaid	18.4	17.8	-1.4 <sup>c</sup>	37.7	32.8 <sup>b</sup>	-1.2 <sup>c</sup>	29.5	23.3 <sup>b</sup>	-0.7 <sup>c</sup>
Other public	5.0	4.9	-0.3 <sup>c</sup>	3.5	3.4	-0.1	1.8	2.0	0.1
Private nongroup	9.7	8.5 <sup>b</sup>	-1.1 <sup>c</sup>	3.3	3.2	0.0	2.4	2.5	0.1
Uninsured	28.6	30.2 <sup>b</sup>	-1.1 <sup>c</sup>	27.5	32.0 <sup>b</sup>	0.6 <sup>c</sup>	44.3	46.6 <sup>b</sup>	1.1 <sup>c</sup>
200% to 399% of poverty	55.2 <sup>a</sup>	53.3 <sup>a</sup>	-1.9	7.2 <sup>a</sup>	7.9 <sup>a</sup>	0.8	5.9 <sup>a</sup>	7.6 <sup>a</sup>	1.6
Employer	79.8%	78.9% <sup>b</sup>	-2.0 <sup>c</sup>	77.2%	75.9%	0.5 <sup>c</sup>	69.9%	65.8% <sup>b</sup>	0.8 <sup>c</sup>
Medicaid	1.0	1.3 <sup>b</sup>	0.1	2.4	2.9	0.1	2.5	2.5	0.0
Other public	2.3	2.2	-0.1	3.9	2.2 <sup>b</sup>	-0.1 <sup>c</sup>	2.5	1.8	0.0
Private nongroup	6.3	6.0	-0.3	3.0	2.7	0.0	3.6	2.6	0.0
Uninsured	10.7	11.7 <sup>b</sup>	0.4	13.4	16.4 <sup>b</sup>	0.3 <sup>c</sup>	21.5	27.3 <sup>b</sup>	0.8 <sup>c</sup>
400% or more of poverty	60.0 <sup>a</sup>	70.2 <sup>a</sup>	10.2	4.5 <sup>a</sup>	5.8 <sup>a</sup>	1.3	3.0 <sup>a</sup>	3.9 <sup>a</sup>	0.8
Employer	90.1%	89.1% <sup>b</sup>	8.5 <sup>c</sup>	88.4%	86.5%	1.0 <sup>c</sup>	83.4%	84.6%	0.7 <sup>c</sup>
Medicaid	0.2	0.2	0.0	0.8	0.7	0.0	1.3	0.7	0.0
Other public	1.2	1.1	0.1	1.9	1.7	0.0	1.0	0.9	0.0
Private nongroup	4.7	4.2 <sup>b</sup>	0.2	1.5	2.1	0.1 <sup>c</sup>	3.9	3.0	0.0
Uninsured	3.9	5.4 <sup>b</sup>	1.5 <sup>c</sup>	7.4	9.0	0.2 <sup>c</sup>	10.4	10.7	0.1

193

**SOURCE:** Urban Institute, 1999, based on data from March Current Population Surveys, 1995–1999.

**NOTE:** Excludes persons age sixty-five and older and those in the armed forces.

<sup>a</sup> Millions of persons.

<sup>b</sup> Difference in percentages between 1994 and 1998 is statistically significant at the .10 level.

<sup>c</sup> Change in numbers of persons between 1994 and 1998 is statistically significant at the .10 level.

Hispanics were less reliant on Medicaid than the other groups were but saw a major decline in Medicaid enrollment, again largely the result of movement up the income distribution. The number of uninsured persons in this group rose because of both population growth and declines in the probability of having Medicaid or other public or private nongroup coverage. The drop in private nongroup coverage was particularly sharp below 200 percent of poverty.

Among black non-Hispanics employer-sponsored coverage rose by 1.4 million persons. This is, again, almost completely explained by the movement of individuals and families up the income distribution, where

the likelihood of employer-based coverage was higher. Black non-Hispanics were more reliant on Medicaid than whites were, and they were affected by the decline in Medicaid enrollment. Among low-income black non-Hispanics, the percentage on Medicaid fell from 37.7 percent in 1994 to 32.8 percent in 1998, a drop of 1.2 million persons. The increase in employer-based coverage in this group was not sufficient to offset the declines in Medicaid and population growth—hence the increase of 1.1 million uninsured.

Hispanics experienced a large increase in an already high number of uninsured. This group also had a significant increase in em-

ployer-sponsored coverage (2.6 million). This is explained both by an increase in coverage among those with low incomes and by rising incomes. This group, however, was heavily reliant on Medicaid and was affected by the drop in Medicaid enrollment, which fell by 700,000. For Hispanics with incomes below 200 percent of poverty, the percentage on Medicaid declined from 29.5 percent to 23.3 percent. Because of the increase in the number of Hispanics (15 percent overall growth during 1994–1998, including an increase of 1.5 million below 200 percent of poverty) and the decline in Medicaid enrollment, the number of uninsured Hispanics rose by 2.0 million. This accounted for almost half of the increase in the overall number of uninsured.

■ **Coverage by work status.** Data on insurance coverage by household members' work status are of interest because the rapidly improving economy resulted in a decline in nonworkers and increases in the number of working families (Exhibit 5). Between 1994 and 1998 the number of nonworkers fell by 2.6 million, and part-time workers, by 0.8 million; in contrast, the number of adults in families with one full-time worker increased by 6.4 million, and in families with two full-time workers, by 5.7 million.

Between 1994 and 1998 the uninsurance rate increased or stayed constant for each of these groups. For those with two full-time workers, there was a slight decline in employer, other public, and private nongroup coverage, resulting in an increase in the uninsurance rate from 9.7 percent to 11.2 percent. For families with one full-time worker, the rate of employer-sponsored coverage stayed relatively constant; however, primarily because of reductions in other public and private nongroup coverage, the proportion of uninsured increased from 18.5 percent to 19.0 percent. Among families of nonworkers, the uninsurance rate rose from 23.7 percent to 30.4 percent. Most of this is explained by decreases in Medicaid coverage, which dropped from 46.1 percent to 34.2 percent. An increase in the uninsurance rate among nonworkers had less of an impact on the overall uninsur-

ance rate, because the size of this group declined. Moreover, the increase in the overall uninsurance rate was dampened because more people moved from part-time work or nonworking status to full-time work, where fewer people were uninsured.

## Discussion And Policy Implications

Our analysis has shown that the uninsurance rate in the United States has continued to rise despite a strong economy. However, the reasons for the increase since 1994 have been fundamentally different from those in the years immediately before 1994. The rate of employer-based coverage has actually risen across the nonelderly population. However, this has been more than offset by declines in Medicaid and in private nongroup coverage.

The increase in employer-sponsored coverage would seem to be a reversal of previous patterns. However, we also find that within each of two higher-income groups, the decline was statistically significant. It was the movement of people into higher income brackets, where rates of employer-sponsored coverage are higher, that was responsible for the overall increase in both the rate and the number of persons with employer-sponsored coverage. The slowing rate of growth in health care costs, coupled with increasing real incomes, also probably kept the decline in employer-sponsored coverage, even within income groups, relatively small.

We also found that private nongroup coverage declined overall. However, the proportion of persons with private nongroup coverage fell most sharply for those below 200 percent of poverty. One possibility is that high premiums in this market may have made private nongroup coverage unaffordable for many lower-income families.

The decline of 3.3 million in Medicaid during 1994–1998 is perhaps most troubling. Some of this may be the result of the improved economy, but much is probably related to state and federal welfare reform. While the number of persons below 200 percent of poverty fell sharply, the likelihood of a low-income person's being on Medicaid fell sig-

**EXHIBIT 5**  
**Health Insurance Coverage Among Nonelderly Americans, By Family Work Status, 1994–1998**

	Coverage distribution within family type		Average annual growth in numbers of persons	Change in millions of persons
	1994	1998	1994–98	1994–98
All families	229.7 <sup>a</sup>	238.6 <sup>a</sup>	1.0%	8.9
Employer	64.3%	65.8% <sup>b</sup>	1.6	9.4 <sup>c</sup>
Medicaid	10.0	8.4 <sup>b</sup>	-3.5	-3.1 <sup>c</sup>
Other public	2.7	2.4 <sup>b</sup>	-2.2	-0.5 <sup>c</sup>
Private nongroup	5.7	5.0 <sup>b</sup>	-2.3	-1.2 <sup>c</sup>
Uninsured	17.3	18.4 <sup>b</sup>	2.5	4.2 <sup>c</sup>
Two full-time workers	68.8 <sup>a</sup>	74.6 <sup>a</sup>	2.0	5.7
Employer	84.0%	83.2% <sup>b</sup>	1.8	4.2 <sup>c</sup>
Medicaid	1.5	1.5	2.4	0.1
Other public	1.4	1.1 <sup>b</sup>	-4.3	-0.2 <sup>c</sup>
Private nongroup	3.3	3.0	-0.7	-0.1
Uninsured	9.7	11.2 <sup>b</sup>	5.6	1.6 <sup>c</sup>
One full-time worker	119.9 <sup>a</sup>	126.3 <sup>a</sup>	1.3	6.4
Employer	67.1%	67.7%	1.5	5.1 <sup>c</sup>
Medicaid	5.9	6.2 <sup>b</sup>	2.9	0.8 <sup>c</sup>
Other public	2.4	1.9 <sup>b</sup>	-4.5	-0.5 <sup>c</sup>
Private nongroup	6.1	5.2 <sup>b</sup>	-2.8	-0.8 <sup>c</sup>
Uninsured	18.5	19.0	2.0	1.8 <sup>c</sup>
Only part-time workers	15.3 <sup>a</sup>	14.6 <sup>a</sup>	-1.3	-0.8
Employer	31.8%	31.7%	-1.3	-0.3
Medicaid	20.5	21.0	-0.7	-0.1
Other public	4.2	3.8	-4.0	-0.1
Private nongroup	12.2	12.2	-1.4	-0.1
Uninsured	31.3	31.4	-1.2	-0.2
No workers	25.7 <sup>a</sup>	23.1 <sup>a</sup>	-2.6	-2.6
Employer	17.3%	21.0% <sup>b</sup>	2.2	0.4 <sup>c</sup>
Medicaid	46.1	34.2 <sup>b</sup>	-9.6	-3.9 <sup>c</sup>
Other public	6.7	8.3 <sup>b</sup>	3.0	0.2
Private nongroup	6.3	6.1	-3.2	-0.2
Uninsured	23.7	30.4 <sup>b</sup>	3.7	1.0 <sup>c</sup>

**SOURCE:** Urban Institute, 1999, based on data from March Current Population Surveys, 1995–1999.

**NOTE:** Excludes persons age sixty-five and older and those in the armed forces.

<sup>a</sup> Millions of persons.

<sup>b</sup> Difference in percentages between 1994 and 1998 is statistically significant at the .10 level.

<sup>c</sup> Change in numbers of persons between 1994 and 1998 is statistically significant at the .10 level.

nificantly as well. Reductions in Medicaid enrollment among low-income persons were particularly striking for blacks and Hispanics.

Uninsurance rates have risen within all income groups. For those below 200 percent of poverty, the reductions in Medicaid and in private nongroup coverage have more than offset any increases in employer-sponsored coverage. For higher-income groups, the decline in employer-sponsored and private non-

group coverage has caused the uninsurance rate to rise. Because the number of low-income persons fell, the number of uninsured increased by only 0.8 million. Because the number of high-income persons grew sharply, the number of uninsured increased by 1.8 million. More than 80 percent of the growth in the uninsured in the past five years was among those with incomes above 200 percent of the poverty line.

All of this suggests that the lack of insurance would have increased much faster had it not been for the strong economy and the associated increase in incomes, as well as lower rates of premium increase. If these conditions were to change, employer-sponsored coverage could again decline overall and private nongroup coverage could fall even faster than it has recently. Finally, if Medicaid coverage rates continue to fall, Medicaid will no longer be able to offset the decline in private coverage, as it did prior to 1993.

*This paper is a part of the Urban Institute's Assessing the New Federalism project, a multiyear effort to monitor and assess the devolution of social programs from the federal to the state and local levels. The project has received funding from the Annie E. Casey, W.K. Kellogg, Robert Wood Johnson, Henry J. Kaiser Family, Ford, John D. and Catherine T. MacArthur, Charles Stewart Mott, and David and Lucile Packard Foundations and several other foundations. The authors thank Linda Blumberg, Genevieve Kenney, Len Nichols, and Stephen Zuckerman for their comments. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.*

196

**NOTES**

1. G. Acs, "Trends in Health Insurance Coverage between 1988 and 1991," *Inquiry* (Spring 1995): 102-110; P. Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1996 Current Population Survey*, Issue Brief no. 179 (Washington: Employee Benefit Research Institute, November 1996); R. Kronick, "Health Insurance 1979-1989: The Frayed Connection between Employment and Insurance," *Inquiry* (Winter 1991): 318-332; E. O'Brien and J. Feder, *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers* (Washington: Kaiser Commission on Medicaid and the Uninsured, 1999); R. Kronick and T. Gilmer, "Explaining the Decline in Health Insurance Coverage, 1979-1995," *Health Affairs* (Mar/Apr 1999): 30-47; and S. Long and J. Rogers, "Do Shifts toward Service Industries, Part Time Work, and Self-Employment Explain the Rising Uninsured Rate?" *Inquiry* (Spring 1995): 111-117.
  2. J. Holahan, C. Winterbottom, and S. Rajan, "A Shifting Picture of Health Insurance Coverage," *Health Affairs* (Winter 1995): 253-264.
  3. S. Smith et al., "The Next Decade of Health Spending: A New Outlook," *Health Affairs* (July/Aug 1999): 86-95.
  4. M.R. Ellwood and L. Ku, "Welfare and Immigration Reforms: Unintended Side Effects for Medicaid," *Health Affairs* (May/June 1998): 137-151.
  5. K. Swartz, "Changes in the 1995 Current Population Survey and Estimates of Health Insurance Coverage," *Inquiry* (Spring 1997): 70-79.
  6. K. Lewis et al., "Counting the Uninsured: A Review of the Literature," Occasional Paper no. 8 (Washington: Urban Institute, July 1998).
  7. Although survey respondents could choose multiple types of health insurance on the survey, we grouped and classified their responses according to the following hierarchy: employer-owned, insurance through a person's own employer-group health plan; employer-other, primary coverage through another's employer-group plan; Medicaid; other public, coverage from other non-Medicaid government insurance programs, such as military-related insurance and Medicare; other private, coverage through a private insurance plan but not as part of an employer-sponsored benefit; and uninsured, the residual category for those who did not report any of the other types of coverage over the course of the year.
- We examined the effect of using this hierarchical classification approach by comparing it with changes in coverage using data on all types of coverage reported by respondents. The results do not change in significant ways, with one exception: There are no changes, as would be expected in employer coverage when no hierarchy is used, because employer coverage is first in the hierarchical sequence. Nor are there changes in the number of uninsured, since this is a residual category in both approaches. However, we found greater increases in Medicaid, other public, and private nongroup coverage between 1989 and 1993 and greater reductions between 1994 and 1998.
8. These trends have led some to observe that the Medicaid increases were the cause of the decline in employer-sponsored coverage. Research on this issue suggests that the crowding-out effect was small and that the predominant effect was to reduce the number of uninsured. L. Dubay, "Expanding Public Insurance Coverage and Crowd-Out: A Review of the Evidence," in *Options for Expanding Health Insurance Coverage: What Difference Do Different Approaches Make?*, ed. J. Feder and S. Burke (Washington: Henry J. Kaiser Family Foundation, November 1999). Exhibit 1 suggests this as well. The Medicaid expansions were greater for children than for adults and increases in the uninsured were less for children than for adults, while declines in employer-sponsored coverage were similar.
  9. In 1998, 200 percent of the federal poverty level was \$16,660 for a family of four; 400 percent of poverty was \$33,320.