

### Why Do People Lack Health Insurance?

John A. Graves and Sharon K. Long  
The Urban Institute

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Forty-six million people, or nearly one in five nonelderly adults and children, currently lack health insurance in the United States, an increase of 6 million since 2000.<sup>1</sup> The recent rise in uninsurance has been attributed to a number of factors, including rising health care costs, the economic downturn, an erosion of employer-based insurance, and public program cutbacks.<sup>2</sup> Developing effective strategies for reducing uninsurance requires understanding why people lack insurance coverage. This brief looks at the reasons people report being uninsured overall and by key population subgroups (defined by age, race/ethnicity, health status, and family and employment characteristics). We also examine how those reasons have changed over time.

#### Key Findings

The high cost of health insurance matters for uninsured nonelderly adults and children, whether old or young, healthy or disabled, with high incomes or well below the poverty level. Further, the importance of high costs as a reason for being uninsured has risen rapidly, growing steadily for both nonelderly adults and children.

Although cost is an important issue for all population subgroups studied, cost concerns were most prevalent among Hispanic individuals, noncitizens, and those likely to face the highest costs for coverage in the non-group market—the near-elderly and disabled adults. Over time, however, the importance of high insurance costs for adults and children in families with access to employer-sponsored insurance (ESI) coverage also has grown, likely reflecting the rising costs of ESI.

If policymakers want to increase insurance coverage they will need to address the fact that many of the uninsured view the cost of the coverage options available to them as “too high.”

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<sup>1</sup>. J. Holahan and A. Cook (November 2005), “Changes in Economic Conditions and Health Insurance Coverage, 2000-2004,” *Health Affairs* web exclusive, <http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.498v1>.

<sup>2</sup>. Holahan and Cook (2005); T. Gilmer and R. Kronick (April 2005), “It’s the Premiums, Stupid: Projections of the Uninsured through 2013,” *Health Affairs* web exclusive, <http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.143v1>; S. Long and J. Graves (January 2006), “What Happens When Public Coverage Is No Longer Available?” Kaiser Family Foundation Policy Brief, <http://www.kff.org/medicaid/7449.cfm>; The Kaiser Family Foundation and Health Research and Educational Trust (September 2005), *Employer Health Benefits Survey, 2005 Summary of Findings*, <http://www.kff.org/insurance/7315/upload/7315.pdf>.

Lowering the cost of coverage (for example, by expanding eligibility for public insurance or providing subsidies for private insurance coverage) and/or raising the cost of being uninsured (for example, by imposing penalties for those who do not purchase coverage) could reduce the perceived high cost of coverage relative to being uninsured.

## **Data and Methods**

This analysis uses data from the National Health Interview Survey (NHIS), an annual cross-sectional survey of the civilian, noninstitutionalized U.S. population. Each year, the NHIS collects detailed information on the health conditions, health status, and insurance coverage of a nationally representative sample of households in all 50 states and the District of Columbia.

Our primary focus is the subset of nonelderly adults (age 19 to 64) and children (age 0 to 18) who are identified as uninsured at the time of the survey. These adults and the respondent for the child (generally the child's parent) were asked why they do not have health insurance: "Which of these are reasons [you/subject name] stopped being covered or [do/does] not have health insurance?" They were then read a list of potential reasons and allowed to select up to five different reasons. They were also asked if there were any other reasons for not having coverage. For most uninsured adults (77 percent) and children (84 percent), a single reason was cited for not having coverage. For simplicity in reporting, we collapsed the potential reasons into the following categories:<sup>3</sup>

- cost is too high;
- lost job or changed employers;
- self-employed; employer does not offer coverage or is not eligible for ESI coverage;<sup>4</sup>
- lost eligibility for Medicaid;
- became ineligible for coverage because of age or because left school;
- never had or have no need for insurance;
- other reasons;<sup>5</sup> and
- don't know or refused.

To ensure adequate sample size for the analysis of changes over time and among population subgroups, we combine data from the 1998 and 1999 surveys, and the 2003 and 2004

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<sup>3</sup>. A small subset of uninsured adults and children (1 percent of the total nonelderly sample) were not asked to provide reasons for uninsurance, in most cases because they were identified as being uninsured during data-cleaning processes after the survey was administered. We have excluded these cases from this analysis.

<sup>4</sup>. This category includes individuals in families in which a working adult is not offered ESI or individuals who are not eligible as a dependent under a family member's ESI policy.

<sup>5</sup>. Other reasons include married, divorced or separated, death of spouse, moved, insurance company refused coverage, and other unspecified reasons.

surveys. Henceforth, for simplicity we refer to the 1998/1999 combined sample as 1999; likewise, we refer to the 2003/2004 sample as 2004. The analysis was conducted using SAS 9.1 and Stata 9, and all estimates and standard errors have been adjusted to account for income imputations and the complex survey design of the NHIS.<sup>6</sup>

Our total sample constitutes 331,536 observations, including 226,378 nonelderly adults and 105,158 children. Of these, roughly 18 percent of nonelderly adults and 12 percent of children were uninsured in 1999.<sup>7</sup> By 2004, the uninsurance rate had risen to over 19 percent for nonelderly adults and had fallen to 9 percent for children. The latter reflects the growth of the State Children's Health Insurance Program (SCHIP) and increased Medicaid enrollment for children over the period. We have a sample of 24,093 uninsured nonelderly adults and 5,375 uninsured children for 2004. In 1999, the comparable numbers were 22,409 and 7,706, respectively.

## Results

### *Who Are the Uninsured?*

Consistent with other research, our samples of uninsured adults and children are quite diverse, encompassing all ages, race/ethnicities, educational levels, family types, and incomes (table 1). However, some members of the population are more likely to be uninsured than others:

- Among nonelderly adults, younger adults between age 19 and 34 are significantly more likely to be uninsured than older adults.
- Among children, older children age 7 to 18 are more likely to be uninsured; however, the uninsurance rate for these children is much less than that of adults age 19 to 34 (not shown in table).
- Compared to their insured counterparts, both uninsured nonelderly adults and uninsured children are more likely to be Hispanic and to be noncitizens. The latter fact likely reflects that many noncitizens are employed in low-wage jobs without health benefits and are ineligible for public coverage in most states.<sup>8</sup>
- The majority of nonelderly adults and nearly all children are in good or better health; however, uninsured adults are more likely to report fair or poor health than their insured counterparts (11 versus 9 percent).

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<sup>6</sup>. National Center for Health Statistics (2005), "2004 National Health Interview Survey (NHIS) Public Use Data Release: NHIS Survey Description," Division of Health Interview Statistics, National Center for Health Statistics, Centers for Disease Control and Prevention. <http://www.cdc.gov/nchs/nhis.htm>; N. Schenker et al. (January 2006), "Multiple Imputation of Family Income and Personal Earnings in the National Health Interview Survey: Methods and Examples," National Center for Health Statistics. <http://www.cdc.gov/nchs/data/nhis/tecdoc.pdf>.

<sup>7</sup>. Reported uninsurance rates are weighted percentages and therefore do not reflect percentages obtained using the raw sample numbers reported here.

<sup>8</sup>. Kaiser Family Foundation (June 2004), "Immigrants and Health Coverage: A Primer," <http://www.kff.org/uninsured/upload/Immigrants-and-Health-Coverage-A-Primer.pdf>.

When we look at the family circumstances of the insured and uninsured, we find large and significant differences for both nonelderly adults and children (table 2). Most notably,

- while nearly all uninsured adults and children have at least one worker in their family, only 16 percent of uninsured adults and 24 percent of uninsured children have a worker with an ESI offer in their family (though many of those offers may not include coverage for dependents).<sup>9</sup>
- both uninsured adults and children are much more likely to be low-income than their insured counterparts. Among uninsured nonelderly adults, nearly 60 percent have family incomes below 200 percent of the federal poverty level (FPL), as do nearly 70 percent of uninsured children. Although uninsured, most of these low-income children are likely eligible for public coverage via Medicaid or SCHIP.

#### *Why Do They Report That They Are Uninsured?*

Virtually everyone in our sample wanted insurance coverage: less than 3 percent of uninsured nonelderly adults and uninsured children had never had insurance or had no need for insurance (figure 1). For those who wanted coverage, high health insurance costs and job-related issues (largely a lost job, a change in employment, or the lack of access to ESI) were by far the most common reasons reported for being uninsured in 2004. The high cost of insurance was reported for more than half of all uninsured nonelderly adults and uninsured children as a reason for their uninsurance. Job-related reasons were the second most common explanation for uninsurance for both uninsured adults (41 percent) and children (31 percent). To the extent that job-related issues are an indirect reporting of cost (in that the individual does not have access to ESI coverage and so can only purchase coverage in the nongroup market), health insurance costs were a factor for the majority of the uninsured adults (79 percent) and uninsured children (74 percent).

Looking more closely at the job-related reasons for being uninsured (table 3), we find the following:

- Frictional uninsurance, or lack of coverage due to a job loss or change of jobs, was cited as a reason for uninsurance for about one-quarter of uninsured adults and children.
- Lack of access to ESI (either because of no ESI offer or because of ineligibility for the employer's policy) was reported by nearly 16 percent of adults and for 8 percent of children.
- Job-related reasons were much higher for adults and children who had been uninsured for less than one year (data not shown). For this group, job-related reasons were cited by nearly half (49 percent) of nonelderly adults and for 42 percent of uninsured children.

For uninsured adults, the third most common reason for uninsurance was ineligibility for coverage due to age or a change in student status. Although reported by less than 10 percent of nonelderly adults overall, among adults age 19 to 24—who are most likely to be affected by age

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<sup>9</sup>. For workers who report an ESI offer, no follow-up question asks whether the employer's policy also covers spouses and dependent children. Therefore, the offer estimates reported here likely overstate the availability of ESI, particularly for children.

and student limitations on a parent's ESI policy—the share reporting this reason rose to 29 percent, making it the second-highest category behind high cost (44 percent) for this age group (data not shown). In contrast, for uninsured children, the third most common reason for uninsurance was lost eligibility for public coverage, which was cited for 17 percent of all uninsured children. As noted earlier, many of the uninsured children are likely eligible for public coverage through Medicaid or SCHIP.

#### *Who Is Most Affected by the High Cost of Coverage?*

In 2004, the high cost of health insurance was the dominant reason for being uninsured across population subgroups defined by age, race/ethnicity, health status, family structure, employment, and income (table 4).

- High cost as a reason for being uninsured was particularly prevalent among older adults and older children, Hispanic individuals, noncitizens, and those who had been uninsured for longer periods of time.
- High cost was a factor for individuals in families with workers who did not have an ESI offer (58 percent), as well as those in working families with an ESI offer (55 percent).
- Married couples were more likely to report high cost as a reason for being uninsured, likely reflecting the higher cost of family coverage.
- The share reporting high cost as a factor increased with the likely costs of obtaining insurance coverage, rising for those without access to ESI coverage, particularly for those who would likely face high costs in the nongroup market—persons with a disability and near-elderly adults (not shown in table).

#### *Have High Health Insurance Costs Become More of a Problem Over Time?*

Given the rapid increase in health insurance costs over the past five years, it should come as no surprise that the share of the uninsured reporting high costs as a reason for being uninsured has also increased rapidly (table 4). Between 1999 and 2004, the share reporting high costs rose by 8 percentage points among uninsured adults (from 46 to 54 percent) and by over 6 percentage points (from 46 to 53 percent) for uninsured children. Further, the increase in the importance of high costs as a reason for being uninsured grew over time for nearly every population subgroup examined.

- Among uninsured adults, the most rapid increases in the importance of high costs were found for Hispanic individuals, noncitizens, and individuals in families with a full-time worker with an ESI offer. Thus, access to ESI did not protect adults from the impacts of high costs.
- Among uninsured children, the share reporting high costs grew fastest for Hispanic children, children in families without workers, and low-income children (those with family income below 100 percent of FPL). As noted above, many in the last group are likely to be eligible for public coverage.

### *How Have the Other Reasons for Uninsurance Changed Over Time?*

Unlike the increase in the share of uninsured adults and uninsured children who were uninsured because of the high costs of coverage, the importance of other key reasons for being uninsured changed little, with few exceptions, between 1999 and 2004, either for the overall uninsured population or for key population subgroups (table 3). One key exception was among uninsured nonelderly adults, for whom lack of access to ESI became more of an issue over time. A key exception for children was in the share reporting lost eligibility for public coverage as a reason for being uninsured. That share dropped by 3 percentage points between 1999 and 2004 to about 17 percent—which, as indicated above, likely reflects the expansion of SCHIP and increased focus on retention over this period.

### **Discussion**

Less than 3 percent of the uninsured reported that they did not need insurance coverage. For the remaining uninsured adults and children, the cost of insurance coverage was the most frequently cited reason for why they lacked coverage. As might be expected, cost concerns were most prevalent among those more likely to face high medical costs (disabled and near-elderly adults), for populations without access to employer-based insurance, and for populations typically ineligible for public programs (childless adults and noncitizens). Further, many of the other reasons for being uninsured are implicitly linked to the cost of obtaining coverage. That is, when individuals report that they are uninsured because of being self-employed, because their employer does not offer ESI coverage, or because they lost Medicaid eligibility, their response reflects an implicit assessment of the cost of purchasing coverage in the nongroup market. Consequently, in this broader sense, “high costs” are an issue for virtually all uninsured adults and children, whether old or young, healthy or disabled, with high incomes or with incomes well below the poverty level.

Equally important, however, is our finding that over time the share of the uninsured reporting high costs increased substantially, while the other reasons for uninsurance remained stable. This upward trend is particularly noteworthy given that many of the largest increases in those reporting high costs as a reason for being uninsured occurred in higher-income families and in households with an ESI offer. These findings suggest that access to ESI may provide less protection than it once did for working families and individuals.

Taken together, our results point to the important relationship between health care costs and insurance coverage in the United States. Policy options aimed at reducing the number of uninsured must address the fact that many of the uninsured view the cost of the coverage options that are available to them as “too high.”

**Table 1. Comparison of Individual Characteristics of Nonelderly Adults and Children by Insurance Status, 2003/2004**

Individual Characteristics	Nonelderly Adults			Children		
	Percent of insured	Percent of uninsured	Difference	Percent of insured	Percent of uninsured	Difference
Total	100	100	-	100	100	-
<b>Age</b>						
0-6	-	-	-	38.5	33.2	-5.3 ***
7-18	-	-	-	61.5	66.8	5.3 ***
19-24	13.5	24.3	10.9 ***	-	-	-
25-34	20.0	28.9	8.9 ***	-	-	-
35-54	49.2	37.8	-11.3 ***	-	-	-
55-64	17.4	8.9	-8.4 ***	-	-	-
<b>Sex</b>						
Female	52.2	45.3	-6.8 ***	48.8	49.5	0.7
Male	47.8	54.7	6.8 ***	51.2	50.5	-0.7
<b>Race/ethnicity</b>						
White, non-Hispanic	74.3	50.1	-24.3 ***	62.9	41.0	-22.0 ***
Black, non-Hispanic	11.2	13.9	2.7 ***	15.8	12.8	-3.0 ***
Other, non-Hispanic	4.8	4.7	-0.1 ***	4.7	4.6	0.0
Hispanic	9.6	31.3	21.7 ***	16.6	41.6	24.9 ***
<b>Citizenship status</b>						
U.S. citizen	93.8	73.7	-20.1 ***	97.8	81.8	-16.0 ***
Not a citizen	6.2	26.3	20.1 ***	2.2	18.2	16.0 ***
<b>Health and disability status</b>						
Fair or poor health	8.7	11.0	2.3 ***	1.7	2.0	0.3
Work limitation	8.7	7.1	-1.6 ***	-	-	-
Sample size	87,371	24,093	-	45,448	5,375	-

Source: Urban Institute analysis of the 1998, 1999, 2003, and 2004 National Health Interview Survey (NHIS).

Notes: Nonelderly adults are age 19-64; children are age 0-18.

\* (\*\*) (\*\*\*) Significantly different from zero at the .10 (.05) (.01) level, two-tailed test.

**Table 2. Comparison of Family Characteristics of Nonelderly Adults and Children by Insurance Status, 2003/2004**

Family characteristic	Nonelderly Adults			Children		
	Percent of insured	Percent of uninsured	Difference	Percent of insured	Percent of uninsured	Difference
<b>Family structure</b>						
Single adult with children	7.8	13.2	5.4 ***	26.8	31.2	4.4 ***
Single adult without children	27.0	43.9	16.9 ***	-	-	-
Married adults with children	36.7	27.9	-8.8 ***	73.2	68.8	-4.5 ***
Married adults without children	28.5	15.1	-13.5 ***	-	-	-
<b>Education</b>						
Self, spouse, or parent has high school diploma	91.4	73.6	-17.7 ***	89.3	72.7	-16.6 ***
<b>Employment status</b>						
No workers in family	9.5	15.5	6.0 ***	8.9	14.0	5.1 ***
Part-time/other <sup>a</sup> worker in family	12.7	25.2	12.5 ***	12.0	18.2	6.2 ***
Full-time worker without offer <sup>b</sup> in family	8.1	43.1	35.0 ***	12.5	44.3	31.8 ***
Full-time worker with offer in family	69.6	16.2	-53.5 ***	66.6	23.5	-43.1 ***
<b>Family income</b>						
Less than 100% FPL	10.4	30.7	20.3 ***	18.0	35.3	17.3 ***
100–200% FPL	12.8	31.5	18.8 ***	19.3	33.4	14.1 ***
200–300% FPL	14.6	17.7	3.1 ***	16.6	16.4	-0.2
Over 300% FPL	62.2	20.1	-42.1 ***	46.1	15.0	-31.2 ***
<b>Sample Size</b>	<b>87,371</b>	<b>24,093</b>	<b>-</b>	<b>45,448</b>	<b>5,375</b>	<b>-</b>

Source: Urban Institute analysis of the 1998, 1999, 2003, and 2004 National Health Interview Survey (NHIS).

Notes: Nonelderly adults are age 19–64; children are age 0–18.

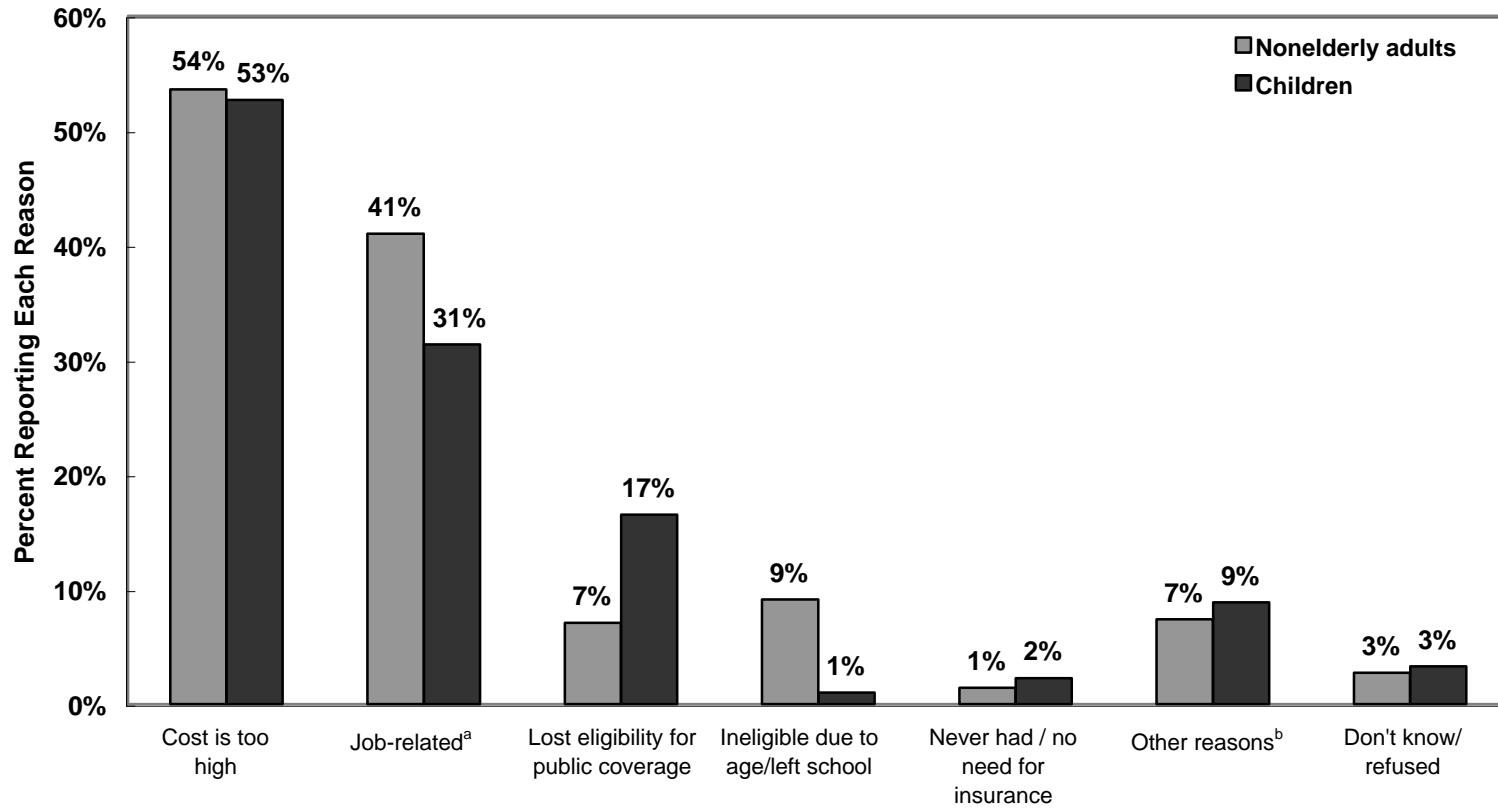
\* (\*\*) (\*\*\*) Significantly different from zero at the .10 (.05) (.01) level, two-tailed test.

<sup>a</sup> Other worker category includes workers for whom no full-/part-time information is available.

<sup>b</sup> For workers who report an ESI offer, no follow-up question asks whether the employer policy also covers spouses and children. Therefore, the offer estimates reported here likely overstate the availability of ESI, particularly for children.



**Figure 1. Reasons for Uninsurance among Uninsured Nonelderly Adults and Children, 2003/2004**



Source: Urban Institute analysis of the 1998, 1999, 2003, and 2004 National Health Interview Survey (NHIS).

Notes: Reasons are not mutually exclusive; nonelderly adults are age 19–64; children are age 0–18.

<sup>a</sup> Job-related reasons include lost job or changed employers, self-employed, employer doesn't offer / not eligible for ESI.

<sup>b</sup> Other reasons include moved, got married or divorced, insurance company refused coverage, and other unspecified reasons.

**Table 3. Percent Reporting Different Reasons for Uninsurance among Uninsured Nonelderly Adults and Children, 1998–2004**

Reason for uninsurance <sup>a</sup>	Nonelderly Adults		Children	
	2003/2004 (%)	Change from 1998/1999	2003/2004 (%)	Change from 1998/1999
Cost is too high	53.6	7.7 ***	52.7	6.4 ***
Job-related	41.0	1.0	31.3	0.2
Lost job/changed jobs	26.7	0.0	24.7	-0.3
Self-employed	0.4	-0.1	0.1	-0.2 *
Employer doesn't offer/not eligible for ESI	15.5	1.2 **	7.9	1.1
Lost eligibility for public coverage	7.1	-1.1	16.5	-2.9 ***
Ineligible due to age/left school	9.1	-0.2	1.0	-0.2
Never had insurance/no need for insurance	1.4	-1.3 ***	2.3	0.0
Other reasons for uninsurance <sup>b</sup>	7.4	-1.5 ***	8.9	-0.7
Don't know/refused	2.7	-1.7 ***	3.3	-0.5
Sample size	24,093	-	5,375	-

Source: Urban Institute analysis of the 1998, 1999, 2003, and 2004 National Health Interview Survey (NHIS).

Notes: Nonelderly adults are age 19–64; children are age 0–18.

\* (\*\*) (\*\*\*) Significantly different from zero at the .10 (.05) (.01) level, two-tailed test.

<sup>a</sup> Reasons are not mutually exclusive.

<sup>b</sup> Other reason category includes moved, got married or divorced, insurance company refused coverage, and other unspecified reasons.

**Table 4. Prevalence of High Cost of Coverage as a Reason for Uninsurance for Nonelderly Adults and Children, by Individual and Family Characteristics, 1998–2004**

Individual and Family Characteristics	Nonelderly Adults		Children	
	2003/2004 (%)	Change from 1998/1999	2003/2004 (%)	Change from 1998/1999
<b>Total</b>	53.6	7.7 ***	52.7	6.4 ***
<b>Individual characteristics</b>				
Age				
0–6	-	-	45.9	4.4 **
7–18	-	-	56.0 ^^	7.2 ***
19–24	43.9	6.7 ***	-	-
25–34	53.0 ^^	9.2 ***	-	-
35–54	58.5 ^^	7.6 ***	-	-
55–64	61.2 ^^	4.9 ***	-	-
Sex				
Female	52.7	7.8 ***	51.9	5.4 ***
Male	54.3 ^	7.7 ***	53.4	7.5 ***
Race/Ethnicity				
White, non-Hispanic	50.7	5.6 ***	46.9	-1.2
Black, non-Hispanic	47.7 ^	6.5 ***	45.1	7.1 *
Other, non-Hispanic	54.1	8.6 ***	39.6	-0.3
Hispanic	60.8 ^^	10.3 ***	62.2 ^^	13.7 ***
Citizenship status				
U.S. citizen	50.6	6.3 ***	49.8	5.3 **
Not a citizen	61.9 ^^	10.4 ***	65.8 ^^	7.2 ***
Health and disability status				
Excellent/very good/good health	53.3	8.0 ***	52.8	6.6 ***
Fair or poor health	56.1 ^	5.6 ***	47.9	-1.3
<b>Family characteristics</b>				
Parental and marital status				
Single parent family	47.6	7.9 ***	47.8	8.4 ***
Single nonparent	50.6	8.0 ***	-	-
Married parent family	57.7 ^^	6.4 ***	54.8 ^^	4.9 **
Married nonparent family	60.0 ^^	9.7 ***	-	-
Family employment status				
No workers in family	52.1	6.9 ***	51.7	11.2 ***
Part-time/other <sup>a</sup> worker in family	46.4 ^^	5.0 ***	41.9 ^	3.7
Full-time worker without offer <sup>b</sup> in family	57.7 ^^	6.9 ***	57.5 ^	4.2 *
Full-time worker with offer in family	55.2 ^	13.4 ***	52.5	8.5 ***
Family income				
Less than 100% FPL	52.3	7.5 ***	52.0	10.2 ***
100–200% FPL	55.2	6.9 ***	52.4	2.4
200–300% FPL	54.4	7.3 ***	55.1	8.0
Over 300% FPL	52.3	9.8 ***	52.2	3.5
<b>Duration of uninsurance<sup>c</sup></b>				
Less than one year	31.9	9.6 ***	31.5	6.9 ***
More than one year	61.2 ^^	5.9 ***	66.3 ^^	8.8 ***
Sample size	24,093		5,375	

Source: Urban Institute analysis of the 1998, 1999, 2003, and 2004 National Health Interview Survey (NHIS).

Notes: Nonelderly adults are age 19–64; children are age 0–18.

\* (\*\*) (\*\*\*) Change over time significantly different from zero at the .10 (.05) (.01) level, two-tailed test.

^ (^) (^^) Category is significantly different from first category in the variable group at the .10 (.05) (.01) level, two-tailed test.

<sup>a</sup> Other worker category includes workers for whom no full-/part-time information is available.

<sup>b</sup> For workers who report an ESI offer, no follow up question asks whether the employer policy also covers spouses and children. Therefore, the offer estimates reported here likely overstate the availability of ESI, particularly for children.

<sup>c</sup> Duration of uninsurance is unknown (or the respondent refused question) for approximately 3.7 percent of uninsured nonelderly adults and 3.5 percent of uninsured children.