



# Health Insurance & the Uninsured

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## Overview

*The backbone of America's healthcare system is health insurance. Most Americans under age 65 are insured via employer-based insurance whereas Americans above 65 are insured by Medicare. The origin of health insurance dates as far back as the 1930s after WWII. Over the years, there has been huge debate about the social responsibility of government in providing healthcare versus regulating private insurance companies. Meanwhile the crisis of the uninsured developed.*

## LEGISLATIVE ORIGINS

In 1950s, health insurance was birthed when government began providing it for federal employees. 1960's Kerr-Millis Act enabled the "vendor payment" which laid the foundation for outsourcing insurance to private companies. The 1974 enactment of Employee Retirement Income and Security Act (ERISA) lead to increased outsourcing of employer-based health insurance to private insurance companies as well as creation of self-funded health insurance options. In order to make profits, insurance

companies chose to provide coverage to healthy Americans and began to discriminate access to coverage based on medical conditions obtained from patient medical records. Thus, HIPAA was created in order to ensure privacy of patient records; however, HIPAA did not stop insurance companies from denying coverage for unhealthy Americans. Since discrimination based on health status was not enough to maintain profits, insurance companies created "managed care" this meant insurance companies could chose which medical expenses to pay for.



## WHAT CREATED THE UNINSURED?

Basic economic law shows that as demand increases beyond supply, cost rises. This basic law has played out perfectly in healthcare leading to

soaring costs of healthcare. As healthcare costs rose, it came at the expense of profits for employers who offered their employees health insurance. This resulted in "thinning out of coverage with less medical services being paid for and higher premiums for employees. Some employers chose to stop offering health insurance altogether creating the first set of uninsured population. As the percent of an employee's income spent on premium increased, some employees (usually young or healthy Americans) chose to opt out of having health insurance. Thus, adding to the population of uninsured.

The uninsured in America is estimated to be 47 million (15.8% of America's population) as of 2006. Some are uninsured involuntarily whereas others are uninsured voluntarily. Americans who voluntarily became uninsured were probably driven by the fact that premiums cost rose at twice the price of inflation or more as seen in 2007 when premium rose by 6.1%.

## BURDEN OF THE UNINSURED

Although the number of uninsured

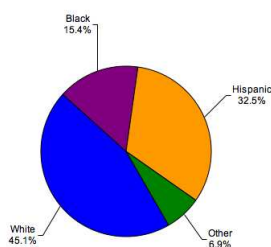


Fig. 1 – Uninsured Nonelderly Population by Race and Ethnic Origin, 2006

This figure displays a demographic breakdown of the uninsured. Blacks and Hispanics represented 15.4% and 32.5% respectively of the nation's 47 million uninsured in 2006. Both of these percentages represent a disproportionate burden of uninsured individuals in these racial and ethnic communities.

From <http://covertheuninsured.org> "Quick Facts on the Uninsured"

decreased in 2007 to 45.7 million (15.3% of Americans), the cost of uncompensated care for the uninsured in 2008 is estimated to be between \$54.3 and \$57.4 billion.

75% of the uncompensated care received by the uninsured will be paid for by public funds. Of the remaining 25%, donated physician time pays for \$7.8 billion and the rest are paid by private companies or loss of hospital profit.

Hadley J, et al has shown that it is very unlikely that the cost of healthcare rose as a result of the uncompensated care given to the uninsured. This is validated by the fact that over several years, uncompensated care has been relatively stable at 6% of hospital costs despite a steady increase in the percent of uninsured. Thus, contradicting the commonly held belief of 'cost-shifting'. That is, the uncompensated care for uninsured is paid for by charging higher prices to the insured.

#### IS HEALTHCARE A RIGHT?

There are several opinions regarding healthcare as a right, privilege or responsibility. For example, Senator Barack Obama believes healthcare is a right whereas Senator John McCain believes it is a responsibility.

Ironically, as of 2008, healthcare is a right for inmates whereas it is not a right for free citizens of America. One can argue that Americans currently have a form of right to healthcare because the emergency department is required to provide care for all patients regardless of their ability to pay. If this is the case,

then, we should find a way to provide healthcare for all Americans since all those who are not insured can get healthcare through the emergency department.

Should this be done by a system of universal healthcare or universal insurance coverage? Considering that both achieve the goals of ensuring that all Americans have access to the necessary care with a designated third-party paying the care provided.

#### UNIVERSAL INSURANCE COVERAGE VERSUS UNIVERSAL HEALTH CARE

- Universal healthcare usually means that health services of all citizens are covered under a single payer system.
- Universal insurance coverage usually means that health services are covered under a multi-payer system which could be private, public or a combination of both.
- Both universal insurance coverage and universal healthcare will achieve the same goal of providing healthcare access to all.

#### OPTIONS FOR COVERING THE UNINSURED

1. Building on the current healthcare system: This can be done by strengthening the three parts of current healthcare coverage—employer-based insurance, Medicaid/Medicare/SCHIP, and private insurance. Legislation can be made to ensure employers provide health insurance coverage for all employees. Legislation could also require all individuals to obtain insurance either through employer or private options. Finally, government coverage programs such

as Medicaid/Medicare/SCHIP could be expanded to cover more citizens.

2. Adoption of a single payer system: Since it is impossible to make private insurance companies combine into one, adoption of a single payer system means huge governmental control. Government will decide either to provide Medicare/Medicaid for all or to give contracts to private insurance companies for healthcare coverage.

3. Changing the current financing of health coverage through taxes: This can be done by either providing tax benefits or tax punishments to employers/individuals who do not offer/buy health insurance.

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