



TESTIMONY OF

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BEFORE THE SENATE COMMITTEE ON FINANCE

“Living Without Health Insurance: Who’s Uninsured and Why?”

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Good morning, Chairman Grassley, Senator Baucus, and members of the committee.

I want to thank you on behalf of the Healthcare Leadership Council for the opportunity to testify today, and to commend this committee for giving the issue of the uninsured the attention it both needs and deserves. I would also like to commend the members of this Committee who have introduced or co-sponsored legislation that would make health insurance coverage more accessible to more Americans.

I am Mary Grealy, President of the Healthcare Leadership Council. HLC is a coalition of chief executives of the nation's leading health care companies and institutions. The purpose and vision of the Healthcare Leadership Council is to build a consumer-centered, market-based health care system that is accessible, that is affordable, that fosters innovation and that offers the highest quality health care to all patients and consumers.

Consistent with this vision, the members of the HLC have made accessible health care coverage for uninsured Americans our organization's highest priority. Over the past year, we have commissioned in-depth studies to understand the makeup of the uninsured population, to better understand how to target effective policy solutions. We have surveyed the nation's small business owners – particularly those who do not currently offer health insurance coverage to their employees – to understand who is and who is not offering insurance, and to understand the reforms needed to make health insurance a viable option. We have examined dozens of programs taking place throughout the country, innovative initiatives that are striving to make coverage accessible.

Today you have requested specifically that I address the characteristics and experience of populations that are most at risk for being uninsured. The Healthcare Leadership Council sees the lack of insurance as a multifaceted problem requiring diverse solutions. We believe that *everyone*, regardless of employment or income status, should have access to affordable health insurance. Because so many of the uninsured are connected with the workforce, where most Americans receive their health coverage, we have focused on employer insurance or the lack thereof.

First let me address the issue of the importance of health care coverage, and differentiate health care *coverage* from health care *access*. All Americans have the guarantee of access to health care in an emergency regardless of insurance status, and most of the nation's uninsured can find basic care for acute health care needs through community and charity health care programs. However, it has been well documented that charity care, public hospitals, and other safety net programs do not adequately substitute for health coverage and that individuals who are not covered by a health insurance policy are greatly disadvantaged in terms of comprehensive health care quality compared with those covered under a health plan through their employer, a government insurance program (Medicare, Medicaid, S-CHIP), or other source of insurance.

While much has been said about where the U.S. health care system ranks in comparison to other countries using various criteria, there is no question that the world's greatest health care innovations are produced in this country. People who receive health care through charity care programs and the like are less likely to have the advantages of the latest innovations in health care technology and research.

A study funded by the American College of Physicians and published in the *Journal of the American Medical Association* found, among other things, that uninsured women aged 50 to 64 were three times less likely than insured women of the same age to have received a mammography or clinical breast exam, and of the long-term uninsured, nearly 70 percent of those in poor health and nearly 50 percent of those in fair health reported not seeing a physician when needed within the last year due to cost¹. The American College of Physicians also found that uninsured Americans are three times more likely than the insured to experience an avoidable hospitalization for diabetes and other chronic diseases.

The Kaiser Commission on Medicaid and the Uninsured found that the uninsured with various forms of cancer are more likely to be diagnosed with late stage cancer, and that

¹ “*Unmet Health Needs Among Adults*,” *JAMA*, October 24, 2000, funded by the American College of Physicians – American Society of Internal Medicine.

death rates for uninsured women with breast cancer are significantly higher compared to women with insurance.

These compelling findings on the consequences of uninsurance demonstrate the urgent need for measures that will substantially reduce the number of those without access to health coverage in this nation. But as this committee has astutely recognize, in order to cost-effectively target such measures, we must first understand the demographics of the uninsured.

Employment and the Uninsured: Employment Status is Crucial

Despite an unprecedented term of growth in the nation's economy, the number of uninsured continues to climb.² To help explain the conundrum of increasing employment and prosperity along with decreasing rates of health coverage, HLC recently commissioned an analysis by The Moran Company of existing data on the uninsured (See attachment 1).

Not surprisingly, we found that the factors determining whether or not an individual will be uninsured are many and varied. They include age, geographic region, family structure, employment status, income, firm size, and more. However, these factors are weighted very differently. For example, the industry sector within which an individual works has only a minor impact on whether or not he or she is insured. Whereas the type of family structure an individual is part of – and whether or not someone in that family is employed – plays the most important role in determining whether or not that person will be insured.

To further illustrate this, our study looked at how many individuals working in industries least likely to offer insurance actually receive insurance coverage through another family member. For instance, 77 percent of individuals working in the agriculture, forestry, and fisheries industry are not offered coverage by their employer. But 60 percent of these

² While the March, 2000 Current Population Survey (CPS) (issued in September, 2000) showed a reverse in the 12-year trend of increasing uninsured, a trend of decreasing uninsured has yet to be established pending the next annual issuance of the CPS.

uncovered agriculture, forestry and fisheries workers are covered by an insurance policy of another family member. Likewise, 53 percent of those in the sales industry sector are not offered insurance – but 60 percent of those uncovered workers in sales are covered elsewhere as well. That is to say that many spouses and younger adults are able to accept jobs without an offer of insurance because they live within a family where one member works for an employer who offers family coverage. As our report states, “the growing number of multi-earner families has a powerful mediating effect on the relationship between employment status and health insurance coverage.” This data also helps to explain why a significant number of the uninsured are single adults.

Employer-offered health insurance has been, since its inception, primarily responsible for ensuring coverage for Americans under the age of 65. While our study showed that 47 million Americans are indeed uninsured³, it also showed that 161.2 million individuals within the non-Medicare population are insured through their employer or a family member’s employer, and only 21.8 million are insured through non-employer sources. An alternative way to look at this is that 19 percent of those with at least one employed member in their family are uninsured, while 30 percent of those in families with *no one* employed are uninsured (the other 70 percent are insured mostly through safety net programs such as Medicaid).

We have focused on the millions of individuals connected to the workforce who are still uninsured. In fact, more than 70 percent of the uninsured are in a family with at least one worker. These individuals can be divided into two main subgroups: (1) individuals in families where a worker is offered insurance but the offer is declined (for the worker or dependents), and (2) individuals in families where there are workers but no offer of insurance from an employer.

Employed with an offer of insurance that is declined: One of our most striking findings was that over 16.7 million people, or more than one-third of the uninsured, are in families

³ Data used is from the Medical Expenditures Panel Survey (MEPS). Estimates of the uninsured may vary due to differences between data obtained from the MEPS versus data obtained from the Current Population Survey and other data banks.

where at least one family member has been offered employer coverage but has turned it down. According to our research, the “decliners” of employer health insurance predominantly decline coverage for their families, not themselves. This is most likely because many employers charge higher premiums and cost sharing for dependents than for the actual employees.

Declining an employer’s offer of insurance is more common among low-wage workers in smaller firms where more of the premium cost is passed to the employee. In such cases where dependents go uncovered in families with low-wage workers, the employee is often unaware that his or her dependents may be qualified for enrollment in a State Children’s Health Insurance Program (S-CHIP) and thus need not go uncovered.

HLC recently enlisted the public opinion firm, American Viewpoint, to survey 500 small business owners (90 percent of whose firm size was 50 and under) throughout the country to help us understand their attitudes toward health coverage (see Attachment 2). Our survey of small employers found that only 58 percent of small businesses offering insurance extended the offer to their employees’ dependents as well. And the majority of companies surveyed confirmed that they charge a higher premium for dependent coverage than for employee coverage.

Employed but no offer of insurance: Despite the fact that the cost of health insurance is increasing, there is little sign that employers are dropping health care coverage for their employees⁴ or requiring employees to pay an increasing share of premiums.⁵ Even so, HLC’s study found that 17.3 million – or 36.8 percent of the uninsured – are in families with at least one worker but no employer offer of coverage.

There are many reasons some employers do not offer coverage. Small businesses (less than 100 employees) are far less likely to offer health insurance than larger companies. A

⁴ March 2000 CPS reported that employment-based coverage increased from 62 percent in 1998 to 63 percent in 1999.

⁵ A survey by the Kaiser Family Foundation found that there was a slight reduction between 1996 and 2000 in the percentage of the premium that workers were required to pay.

small business survey conducted last year by the Employee Benefit Research Institute, et al. found that 53 percent of small businesses not offering insurance cited affordability as a major reason preventing such an offer. Interestingly, the same survey found that 57 percent of small employers do not know that health insurance premiums are 100 percent tax deductible.⁶ This strongly indicates that perhaps a lack of information and education contribute in some way to the inability or unwillingness of small business insurance offerings.

HLC's small business survey found that many companies that do not now offer health coverage would begin to do so if premiums were reduced or subsidized by as little as 10 percent, although many would require as much as a 25 percent subsidy. However, two out of three employers surveyed who do not offer insurance said that they will continue that practice if no public policy changes are made to reduce the cost of insurance. One concern raised by the survey is the fact that a significant number of small employers will likely drop their coverage if their health insurance premiums rise by 10 percent in the near future.

Another study, conducted for HLC in 2000 by the George Washington University Center for Health Services Research and Policy, and Health Policy R&D, looked at how various communities and employers are expanding coverage for working families. These local programs, although small in scale, have proven themselves as excellent laboratories on this issue. They provide crucial information on what is necessary to encourage small employers and individuals to participate in coverage programs. For example, an insurance program in Wayne County, Michigan, named HealthChoice, found that it was difficult to entice businesses to participate as long as subsidies to those businesses were less than one-third of their insurance premium costs. The premium formula that eventually made the program a success was one-third paid by the employer, one-third paid by the employee, and one-third subsidized by the county government. These programs give us real-world examples of what level of financial support is necessary to make health insurance a feasible reality for Main Street businesses.

⁶ EBRI/CHEC/BCBSA 2000 Small Employer Health Benefits Survey.

Conclusion

Mr. Chairman, what I have presented today are some observations and characteristics of the working uninsured as you have requested. Our research has helped us to better understand the barriers to insurance so that we can begin assisting you in breaking down those barriers.

Some conclusions from our work are summarized by the following:

Our studies have found that the makeup of the uninsured population – the fact that more than seven of every ten persons without health coverage lives in a household in which at least one family member is employed – demonstrates that we have an existing framework within which we can effectively address this challenge. In fact, the latest Census Bureau data on employer coverage confirmed that employer-provided health insurance was the driving factor that caused uninsured rates to drop in 1999.

The owners of America's small businesses – the people who face the greatest challenge in providing health coverage to their employees – want to offer insurance to their employees, have a strong desire to provide that coverage, and believe that solutions are within reach. Our survey of small employers told us this, and it also revealed that if we don't move toward solutions in the near future, a significant number of small businesses who currently offer health insurance will succumb to economic pressures and will cease to do so.

Finding answers to the challenge of the uninsured is essential, not only for the uninsured but for the nation's health care system as a whole. America's health care providers are carrying a heavy financial burden created by uncompensated care, and this burden cannot continue to grow in size without serious damage to the nation's health care system, the people who provide care, and those who receive that care.

HLC has proceeded beyond these observations in discussing fundamental solutions targeted toward the various cohorts of the uninsured. Most of these solutions are market-based and would build upon the employer-based health insurance system that most Americans enjoy today. We would welcome the opportunity to share with this committee these recommendations for finding solutions for the uninsured.

The Healthcare Leadership Council is encouraged that there appears to be a renewed willingness by both political parties to dedicate some of the nation's prosperity to resolving this important public policy issue. We urge you to take advantage of this recent momentum and pass legislation early in the 107th Congress to help end the crisis of the uninsured. This must be our national priority for 2001.

Thank you for the opportunity to share HLC's views today. We stand ready to assist this committee in any way as you work toward solutions that will allow all Americans to enjoy the benefits of our nation's health care system.