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U.S. Census Bureau: Number of uninsured declines

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But there's bad news hidden in the good news.

When the U.S. Census Bureau released its report "Income, Poverty, and Health Coverage in the United States: 2007," last week, it was a case of bad news hiding in good news.

The headline in the Los Angeles Times gave the good news: "Number of Americans without health insurance falls."

The bad news? The decrease in the number of uninsured came through increased dependence on government programs — as employers shed coverage, unemployment went up and premium costs increased.

Between 2006 and 2007, the number of people without insurance dropped from 47 million to 45.7 million. The number of people with any form of insurance (including enrollment in a government program) went up from 249.8 million to 253.4 million, resulting in a drop of the uninsured from 15.8 percent to 15.3 percent of the population.

The number of people with privately supplied health insurance in 2007 was 202 million, statistically unchanged from 2006. But more troubling, the percentage of people that represented did go down, from 67.9 percent to 67.5 percent of the population.

The number of people with employment-based insurance did not significantly change (177.4 million), but their percentage of the population went down to 59.3 percent, from 59.7 percent. Still, employment-based insurance is still the single biggest component of insurance coverage. The percentage of people who directly purchased insurance declined from 9.1 percent to 8.9 percent. (The report uses the 90 percent confidence level as the test of statistical significance.)

So if the percentage of people covered by employment-based insurance and directly purchased insurance both went down, how did the percentage of people who were without insurance go down? Government programs grew.

Enrollment in government programs of all sort grew from 80.3 million to 83 million, representing an increase from 27 percent of the population to 27.8 percent. Some of that

increase (1 million people) came through the aging of the population adding to Medicare, sending that program's share from 13.6 percent to 13.8 percent.

But Medicaid expanded even more, adding another 1.3 million people, growing from 12.9 percent to 13.2 percent of the population. SCHIP (Medicaid for children, essentially) grew as well. Combined with a decline in the poverty rate, the growth of SCHIP meant that fewer children went without insurance.

Finally, John Holahan, a policy expert at the Washington, D.C.-based Urban Institute, attributes one-quarter of the decline to the "Connector" and individual mandate in Massachusetts—a subject worthy of a column in its own right.

In short, fewer people made do on their own and turned to the government safety net. While that has some short-term benefits, it's a troubling fact that 2.7 million more Americans now depend on government for their health insurance needs. John Graham, a health care expert at the San Francisco-based Pacific Research Institute, said of the report, "Look: if people lose their jobs, do we count them as 'employed' if they go on welfare?"

Consider also the consumer perspective: How would you like to depend on Medicaid? (Ask your doctor the same question, if you want a second opinion.)

Government programs can be woefully inadequate. In July, for example, the Wall Street Journal noted that many people in the high-poverty city of Benton Harbor, Mich., had difficulty finding a physician. Benton Harbor reflects a larger national picture. In 2006, the Center for Studying Health System Change in Washington, D.C., reported that physicians are much more likely to refuse new Medicaid patients than they are to refuse new private insurance or private pay patients. The result, said Peter J. Cunningham, a fellow at the center, is that for Medicaid patients, the "quality of care and access to some services could be negatively affected."

This situation may be inherent to the government-run (that is, political) nature of Medicaid. The low payment rate for Medicaid—lower even than for Medicare—discourages doctors from accepting patients. Thanks to demands on the public purse for education and other worthy goals (not to mention a fair amount of pork-barrel spending), money for health welfare programs will always be tight: Low-income and unorganized people who depend on Medicaid don't have the same political clout as, say, middle-class and highly organized members of teacher unions or road contractor associations.

There's much that works well in our health care system. Our financing of it, however, leaves something to be desired. There are many steps we could take to make insurance affordable and portable, and more importantly, make health care itself more affordable. But two options stand out: change the federal tax code, and create a national market for individual insurance.

Briefly stated, the federal tax code treatment of health insurance is regressive and causes people who lose their jobs to lose their insurance policies, too. The lack of a national marketplace for insurance, meanwhile, means that people who seek policies outside of employers—who are increasingly shedding coverage—are priced out of policies.

We can applaud the fact that fewer people are now without insurance. But we should go beyond this so that insurance is affordable, accessible—and beyond the weaknesses of a welfare bureaucracy and the whims of politics.