

Characteristics and Trends of the Adult Uninsured in Spokane County

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This report compares profiles for uninsured adults age 18-64 years in Spokane County from 1998 to 2006. Information on the characteristics and trends associated with the working uninsured in Spokane County is presented. Children and adults age 65 years or older were excluded since Medicaid and the State Children's Health Insurance Program (SCHIP) insures children in lower income families and Medicare insures seniors. Economic and industry factors are also discussed as they relate to health insurance. This information will help policymakers and other community stakeholders in Spokane County gain a better understanding of the needs of the uninsured and underinsured.

HISTORY

To understand how the United States healthcare system is organized and delivered, the reader should know how health insurance came to be the primary funding mechanism in this nation. Prior to World War II, individuals paid out-of-pocket for the total cost of medical care received from a family physician. The belief was that paying for care was the responsibility of the individual. During and after World War II, a new model of healthcare delivery was introduced to the citizens of the United States. For those who joined the military, healthcare was easily accessible and the benefits derived from medical services were apparent. For those at home, wage freezes were common and benefits, such as pensions and health insurance, were being offered in lieu of pay increases. As a result, the private health insurance industry, including commercial insurance companies, flourished following the war while health insurance became a common employee benefit.¹ With the creation of the Medicare and Medicaid programs in 1965, government sponsored health insurance plans for the elderly and disabled became a social benefit.

BACKGROUND

Evidence shows that among employed low-wage workers, a growing proportion are uninsured and underinsured.² Since the mid-1940s, the health insurance system has relied

on employer-sponsored health insurance, which increasingly is becoming unaffordable for smaller businesses of 99 employees or less. To the extent that employers are no longer financially able to fulfill the expectation of offering health insurance to their workers and access to affordable health insurance is primarily gained through the place of employment, the employer-based health insurance system is weakening.

American citizens recognize that the United States is facing a healthcare crisis leading to increased costs of coverage and loss of benefits. Employer-sponsored and private health insurance covers 66% of the non-elderly American population, the largest source of coverage in the United States. Government-sponsored insurance through Medicaid and other sources covers close to 16% of the American population.³ Declines in employer-sponsored coverage from 2001 to 2003 left nine million employed Americans without health insurance, which has increased the strain on public systems.⁴ Changes in the economy are increasingly blamed for lack of coverage, as adverse economic conditions make it more difficult for employers to absorb the rising cost of offering health insurance benefits. Additionally, changes in employment status can cause one to lose insurance, adding strain to the financial stability and health of family members.

THE IMPORTANCE OF HEALTH INSURANCE

Lack of insurance is becoming a major barrier in gaining access to healthcare services. The uninsured are approximately three times more likely to experience problems in obtaining needed medical care, some of which may be for serious conditions. As a result, treatment is often sought from emergency departments in which the care received is more expensive and fragmented and unnecessarily strains the public safety net.³ Uninsurance at the community level is associated with financial instability for healthcare providers and institutions when they have to increasingly devote limited resources to charity care.

Among the non-elderly population, insured individuals enjoy better general health outcomes and lower mortality than their uninsured counterparts.⁵ Research suggests that insurance coverage is linked to improved health, which leads to higher labor force participation and higher income. Illness and functional limitations impair people's ability to work and impose the costs of lost income and production on those who can least afford it.² Less healthy communities make for a less vibrant and productive workforce and personal decisions, such as a career change, may be determined by insurance status.⁶ Those without insurance have a financial impact on employers and the community with lost productivity, lower earnings, disabilities, and even death. Nationally, the annualized economic cost of reduced health and shorter life spans of those who lack health insurance is between \$65 and \$130 billion. In addition, there is a 25% greater mortality risk for uninsured individuals between 1 and 65 years old compared to those who are insured.⁷

Health insurance premiums have been rising much faster than wage rates. Average family premiums increased by \$1,354 since 2000 to an average of \$2,973 per year in 2006 or approximately one quarter of the total earnings of a minimum wage worker.³ Lack of coverage in families with even one uninsured member exponentially increases the likelihood that they could become burdened with medical bills as a result of seeking care, especially for lower income families.⁷ Medical debt is becoming far too common for the uninsured and insured alike. It affects close to 29 million non-elderly adults, undermines personal

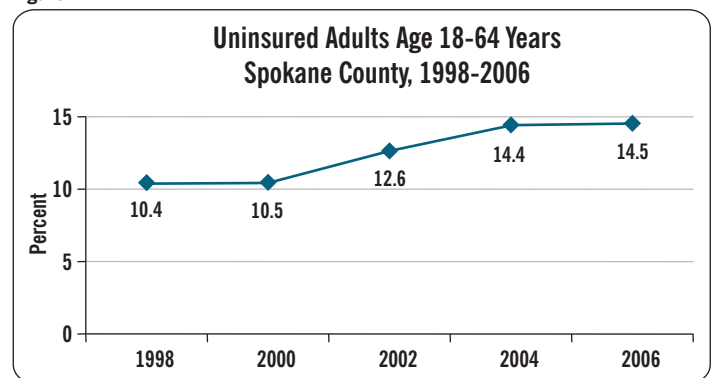
financial viability, and decreases access to healthcare, so much so that it is almost the same as having no insurance at all.⁸

Having health insurance reduces the risk, worry, and uncertainty regarding future healthcare costs. Economic or psychological hardships from lack of insurance negatively impact health through restricted access to care. Clearly, there are benefits to the population as a whole when individuals and their families have greater financial security and less stress and worry about healthcare access and coverage.

SPOKANE COUNTY'S UNINSURED ADULTS AGE 18-64 YEARS

The proportion of adults in Spokane County who were uninsured increased significantly from 10.4% in 1998 to 14.5% in 2006 (Figure 1). Adults were 47% more likely to be uninsured in 2006 than in 1998 ($p=0.005$) (Fig. 1).

Figure 1

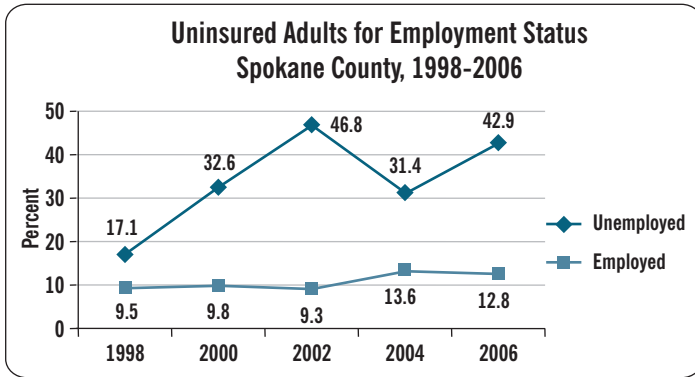


Source: WA State Population Survey 1998 to 2006, Office of Financial Management.

The proportion of employed adults who were uninsured in Spokane County increased from 9.5% in 1998 to 12.8% in 2006 (Figure 2). The proportion was relatively stable until 2004 when it substantially increased. Adults who were employed were 1.4 times more likely to be uninsured in 2006 compared to 1998.

Among unemployed adults, the proportion that was uninsured increased from 17.1% in 1998 to 42.9% in 2006. Adults who were unemployed were 3.7 times more likely to be uninsured in 2006 compared to in 1998 (Fig. 2).

Figure 2

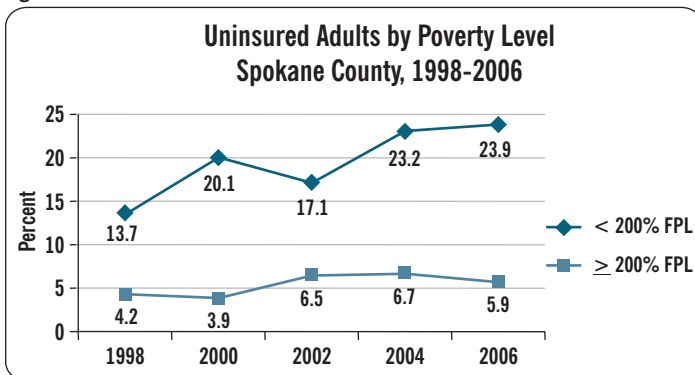


Source: WA State Population Survey 1998 to 2006, Office of Financial Management.

A greater proportion of adults living below 200% Federal Poverty Level (FPL) was uninsured compared to those living at or above 200% FPL (Figure 3). Among adults living below 200% FPL, the proportion that was uninsured increased significantly from 13.7% in 1998 to 23.9% in 2006. There was no statistically significant increase for adults living at or above 200% FPL.

The difference between income groups is not surprising considering that the lower income group is the least likely to be able to absorb increases in premiums for health insurance and cost of care. If someone is uninsured, it does not necessarily mean that healthcare coverage was not available. Few low-income individuals can afford to purchase coverage if the premiums exceed 5% of their family income. Due to financial constraints, lower-earning employees may opt out of purchasing employer-sponsored health insurance even when it is available. A higher income makes this possibility less likely.

Figure 3



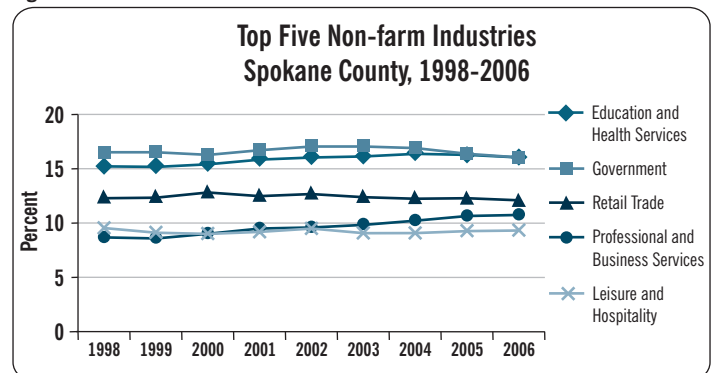
Source: WA State Population Survey 1998 to 2006, Office of Financial Management.

THE SPOKANE COUNTY LABOR MARKET

The types of industries in a region impact the accessibility and affordability of health insurance. Employers must have the ability to offer benefits and wages that allow a person to obtain health insurance. Employees need to pay for insurance while still meeting basic living expenses. For example, retail trade jobs do not pay the highest wages and traditionally hire seasonal and part-time staff. It is unlikely that this industry offers health insurance to a substantial number of their employees or that employees could afford to purchase these benefits if offered. Still, retail trade is an important source of employment for new and unskilled entrants into the labor force as well as seasonal employment for part-time workers.⁹ Manufacturing jobs dominated the Spokane County economy in the 1990s, but with the closure of the Kaiser Aluminum Mead Plant in 2000, employment in manufacturing has dropped significantly.⁹ This reduction has had a negative effect on the number of uninsured in the region as well as on the region's income and could partially account for the increased level of uninsured between 1998 and 2000.

In 2006, the top employers in Spokane County were education and health services with 34,350 employees and federal, state, and local government jobs employing 34,242 people (both representing 16.1% of the labor force) (Figure 4). Retail trade provided 26,167 jobs or 12.3% of the labor force. Average annual wages paid for the retail trade sector in Spokane County was \$24,068 in 2004.¹⁰ In Spokane County, 56% of employees work at firms that employ 99 workers or less and 24% employ 20 workers or less (Table 1).¹¹

Figure 4



Source: WA State Employment Security Department, Non-farm industry Employment, 1998-2006.

Table 1.

Percent of Workforce Employed by Size of Firm, Spokane County, 1998 and 2006		
	1998	2006
100+ employees	46.2%	44.1%
Less than 100 employees	53.8%	55.9%
Less than 50 employees	41.2%	42.5%
Less than 20 employees	24.4%	24.2%

Source: WA State Employment Security Department, Size of Firm, 1st Quarter, 1998 and 2006.

CONCLUSIONS

If the proportion of uninsured adults continues to grow at a rate similar to the growth between 1998 and 2006, one could expect this number to double within the next 10 years. This increase in the number of uninsured would have a negative impact on the system that currently assists the uninsured in Spokane County. Hospitals are under increasing pressure to contain costs while providing high-quality care at the national and local levels, including Spokane County. In 2004, one out of every nine people were uninsured in Spokane County and medical providers delivered almost \$20 million in uncompensated care to the population. This uncompensated care significantly impacts our local economy.¹²

Policy Recommendations

This study provides information for determining positive options in planning for future uninsurance needs of Spokane County's population. Two types of policies are recommended to address these needs.

The first policy area looks at the labor market. Under a labor policy initiative, Spokane County could focus on attracting larger companies and/or develop policies that

provide subsidies to firms so they can provide health insurance. By implementing different types of legislation that would make insurance more affordable for smaller employers, a more level playing field would be created. The Washington State legislature is currently looking at legislation that addresses reinsurance pools that should improve the ability of small businesses to insure their employees. Reinsurance pools help with high-cost individuals by shifting some of the expense to a third party or by providing a subsidy.¹³

The second policy approach would focus on improving access to healthcare for the uninsured and underinsured through community initiatives, such as out-of-pocket primary care packages and the elaboration of safety net providers like Community Health Association of Spokane (CHAS) and Project Access. If Spokane County continues to experience increases in the proportion of adult uninsured (see Figure 1), current safety nets will need to be carefully scrutinized. Thus, legislation should address current funding methods for these providers to insure their continued presence as an option for care.

In conclusion, the proportion of the population that is uninsured is steadily rising among those who are below 200% Federal Poverty Level and among those who are unemployed. Additionally, there is an increasing proportion of the population who are employed but do not have medical insurance. Policy changes would help alleviate the burden on individuals who do not have insurance.



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