Appendixes

The Uninsured, Underinsured, and People With AIDS

Introduction

In **1986,** an estimated 13.3 to 15.7 percent of the U.S. population did not have either private or public health insurance (tables 1-1 and A-1).1 Furthermore, in **1984** people with inadequate health insurance coverage were estimated to be between 8 and 26 percent of the under 65-year-old population (87). It is highly likely that a large number of people with AIDS are underinsured under some definitions of inadequate health insurance coverage. Thus, the impact of AIDS on the uninsured and underinsured populations must be considered in analyses of options for decreasing the number of people without health insurance **(31.0** million to **37.2** million in **1986)** and helping those who are underinsured.

Definitions of the terms "uninsured" and "underinsured" have a large influence on the size and characteristics of the populations in question. In the case of defining the uninsured population, there is general agreement that the uninsured are people who lack any form of private or public health insurance. However, the definition of uninsured becomes complicated if a time dimension is included. Is the uninsured population comprised only of people who lack health insurance over a period of time (e. g., a year)? Or is the

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[1] The **upper bound of the estimates for the uninsured is used in this Appendix; i.e.,** 15.7 **percent or** 37,180,000 **persons, rather than the lower bound of** 13.3 **percent or 31,010,000 persons summarized in table 1-1.**

Table A-l.—Geographical Distribution of the Uninsured: Number and Percentage of Population (all ages) by Census Division, 1986

Division	Number of uninsured	Percent of each region's population that is uninsured
New England.	1,348,000	10.7
Middle Atlantic	4,712,000	12.8
South Atlantic.	6,467,000	16.3
East North Central	5,185,000	12.5
East South Central.	2,827,000	19.1
West North Central	2,213,000	12.8
West South Central	5,634,000	21.5
Mountain	2,315,000	18.1
Pacific	6,478,000	18.5
Total United States . .	37,180,000	15.7

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey," unpublished data, March 1986.

uninsured population composed of anyone who has lacked health insurance during a period of time but not necessarily during the entire period?

The most widely used estimate of the number of uninsured has relied on the point-in-time definition. The reason for this is grounded in pragmatic considerations. Data on the uninsured over the course of a year come primarily from the National Medical Care Expenditure Survey (NMCES) and the National Medical Care Utilization and Expenditure Survey (NMCUES). The NMCES was conducted in 1977, and the NMCUES was conducted in 1980. Neither of these surveys can account for the effects of the 1981-82 economic recession and the changes in Medicaid eligibility criteria since **1980 on the total** of uninsured people. In the years since NMCUES was conducted, the size and characteristics of the uninsured population have been estimated primarily from the Health Interview Survey (HIS) and the March supplement to the Current Population Survey (CPS). [2]

Because the CPS and HIS have been used to estimate the size and characteristics of the uninsured in the mid-1980s, the point-in-time definition of the uninsured is used. However, while the number of people who are uninsured will change depending on whether a point-in-time or a longer period of time is used, the general characteristics of the uninsured population are not very different for the two definitions. Thus, while there are pragmatic reasons for choosing the point-in-time definition of the uninsured, it does not create a situation in which the characteristics of the uninsured will be greatly biased in one way or another.

Defining the underinsured population is somewhat more complicated than defining the uninsured. Calling something inadequate implies that there is a standard against which it can be judged. In the case of health

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[2] **'The Survey of Income and Program Participation (SIPP) was used in 1986 to estimate** the **uninsured over a period of time, and it will probably receive more attention in the future. The SIPP has** had **enough attrition from the sample to create problems with developing appropriate weights for the respondents' answers. The Congressional Budget Office (CBO) developed an alternative weighting scheme in the fall of 1987 that appears to give more satisfactory estimates of sub-groups in the population compared to the original weighting scheme. This development should lead to greater use of SIPP. Research on differences and similarities between the CPS and SIPP in terms of health insurance coverage is being conducted by the Census Bureau and by others.**

insurance, the standard seems to be insurance for unlimited hospitalization/surgical benefits and major medical coverage, with a modest deductible, 20 percent coinsurance payments, a stop loss on out-of-pocket expenditures (i.e., medical expenses not covered by the insurance policy), and high maximum lifetime benefits.

Another standard is an insurance policy with an actuarial value of at least **$2,000.** By this standard, any policy that is actuarially worth less would be termed inadequate. However, at least two other dimensions other than actuarial value might be included in measuring the adequacy of an insurance policy: 1) the proportion of a person's expected medical expenses that would be covered by the insurance policy, and 2) the proportion of a person's financial resources that is spent on out-of-pocket expenses. For example, suppose two people have identical insurance policies. If one person has large expected medical expenses and the other person has small expected medical expenses, their expected out-of-pocket costs may be different, and the adequacy of their insurance policies may not be the same. But the person who has fewer or none of his or her expected medical expenses covered may have a very high income and could easily afford to pay out-of-pocket expenses. Thus, a person's financial resources must also be taken into account in measuring the adequacy of an insurance policy. (Measuring the adequacy of an insurance policy in terms of out-of-pocket expenses relative to a person's income or total financial resources does not take into account the notion that people should be insured against very expensive illnesses. Insurance against catastrophic medical expenditures generally means that the policy has a limit on out-of-pocket expenses and does not have limits on total expenditures.)

The only source of data that has been used for estimating the underinsured population has been the NMCES. Other surveys that have gathered information on health insurance have not been designed to collect details about the benefits covered by the individuals' health insurance policies. This detailed information has to be verified with employers and insurance companies, which was done with NMCES. The NMCES data has been used to show that the number of people who might be identified as underinsured varies considerably with the way in which adequacy of an insurance policy is measured. However, the characteristics of the underinsured generally did not vary much with the definition used. Nonetheless, three definitions of the underinsured are used in this analysis **(87):**

  ı. a five percent expectation that out-of-pocket expenses for medical care will consume more than 10 percent of family income,

  2. **a 1** percent expectation that out-of-pocket expenses for medical care will consume more than 10 percent of family income, and

  3. the insurance policy does not have a limit (stop loss) on out-of-pocket expenditures.

The estimates of how many people under age **65** are underinsured increase from s.1 percent (11 million) under definition 1, to **8.3** percent (18 million) under definition 2, and to 18.3 percent (38 million) under definition 3.[3]

Characteristics of the Uninsured Population

The **37.2** million uninsured are disproportionately located in the five southern and western regions of the United States (table A-l). With few exceptions, the States in these regions have stringent eligibility criteria for Medicaid (particularly low income eligibility ceilings) and a shorter history of large union representation among workers, so health insurance as part of wage compensation is less prevalent than it is in the Northeast and Midwest.

Among the uninsured population under **65** years of age, children (persons less than **18** years of age) represent the largest group and account for a third of all the uninsured (table A-2). These 12.3 million children are a fifth of all children in the United States. Twenty-

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[3]Definition **1 results in fewer underinsured than in definition 2,** because definition 1 defines a "costly illness" to include a somewhat lower but more likely level of expense than definition *2* and considers the expectation of out-of-pocket expenditures for medical bills above the 95th (a 5 percent expectation) rather than the 99th (a 1 percent expectation) percentile by risk group. For *4* out of 5 people out of 100 who exceeded this threshold in definition 1, these bilk would be much lower than the medical bills of the 1 person in 100 considered in definition 2. When their insurance is measured against these lower expenditures, fewer people in definition 1 than in definition *2* would exceed the thresholds defining the underinsured.

Table A-2.—Age Distribution of the Uninsured Population Under the Age of 65, 1986

Aae	Number of uninsured		Percent of each age group that is uninsured
0-17 years	12,325,000	(33°/0)	19.6
18-24 years	7,912,000	(21 ʼ/0)	**29.2**
25-34 years	*6,880,000*	*(19°/0)*	*16.3*
35-44 **years . . . . .**	*3,887,000*	(11 0!0)	12.0
45-54 years	2,856,000	(08°/0)	12.6
55-64 years	3,058,000	(08°/0)	13.9
Total.	36,898,000	(loo"/o)	

ᵃDoes not include 282,000 persons 65 years or older who are Included in tables A-1 and A-3.

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey," unpublished data, March 1986.

one percent of the uninsured are young adults 18-24 years of age, and these 7.9 million people represent almost 30 percent of all 18-24 year olds. The remaining age cohorts include smaller numbers of people without health insurance and have smaller proportions of people who lack health insurance.

In terms of family income relative to the poverty level (which was about $11,000 for a family of four in 1985), a third of the uninsured have family incomes below the poverty level (table A-3). (Recall that the uninsured are persons with no private or public health insurance, so these **12.3** million people do not meet the eligibility criteria for Medicaid in the States in which they live.) Seventeen percent of the uninsured have family incomes between 1 and **1.49** times the poverty level, and another 13 percent have family incomes between 1.5 and 1.99 times the poverty level. Thirty-eight percent of the uninsured have incomes above two times the poverty level. In terms of the proportions of each income group without health insurance, the risk of being uninsured falls dramatically as family income rises. Among people with incomes below the poverty level, 35 percent are uninsured, while only 7 percent are uninsured among people with incomes three or more times the poverty level. Thus, income is a good simple indicator of the likelihood that a person has health insurance.

Nearly three out of five uninsured adults 18-64 years of age are employed, and 11 percent are unemployed (table A-4). The rest are in categories considered to be out of the labor force. Men constitute almost three out of five employed uninsured adults and almost two-thirds of unemployed uninsured adults. Women constitute two-thirds of the uninsured adults who are out of the labor force. These numbers reflect to some degree the proportions of men in each of the three categories. Men account for 55 percent of all employed adults and 58 percent of all unemployed adults, but only 27 percent of all adults who are out of the labor

Table A-4.—Labor Force Status of Uninsured Adults Ages 18-64, 1986

Labor force status	Number of uninsured	Percent of each labor force status who are uninsured
Employed (full- & part-time)	.14,533,000 (59"/0)	14.2
Unemployed	2,591,000 (1 10/0)	32.4
At school	1,520,000 (06°/0)	29.1
Unable to work, early retirement . .	2,298,000 (09°/0)	22.6
Keeping house	3,630,000 (15°/0)	18.4
Total.	.24,572,000 (lOO°/o)	

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey, " unpublished data, March 19S6.

force. Fifty-six percent of workers without employment-based group health insurance are 18-34 years of age, and employed uninsured adults are more likely to be employed in the service and retail trade sectors of the U.S. economy (279).

Table A-5 summarizes the relationship between marital status and insurance coverage for adult men. In 1986, 12.6 million men ages 18-64 lacked health insurance. They account for 51.5 percent of all uninsured adults. Nearly half of these uninsured men had never been married. Thirty-five percent of the uninsured men were married and living with their wives, and 9 percent were divorced. Married men living with their wives had the lowest risk of being uninsured. Onl$_y$ 10 percent of these men were uninsured, compared to proportions two to three times higher for the other categories.

The fact that a group has a high risk of being uninsured is not alarming unless there are a lot of people in that group. Thus, the fact that between 23 and **27** percent of divorced, separated, or widowed men are uninsured is not as alarming as the fact that **30** percent of never married men are uninsured, because there are relatively few divorced, separated, or widowed

Table A.3.—The Uninsured by Family Income Relative to the Poverty Level (all ages), 1986

Poverty level	Number of uninsured	Percent of each income group that is uninsured
Below poverty	12,304,000 (33°/0)	35.0
1.0-1.49 x poverty . . .	6,317,000 (17°/0)	27.1
1.5-1.99 x poverty . . .	4,712,000 (13°/0)	20.0
2.0-2.99 x poverty . . .	6,048)000 (17°/0)	12.9
3,0 x poverty or greater	7,799,000 (21 ₇/0)	**7.2**
Total	**.37.180.000 (101'/O)a**	

aExceeds 100% because of rounding.

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey, " unpublished data, March **1986**.

Table A"5.—Marital Status of Uninsured Men, Ages 18-64, 1986

Marital status	Number of uninsured	Percent of each marital status who are uninsured
Married.	4,437,000 (3570)	10.3
Married, spouse absent	268,000 (02°/0)	37.3
Divorced	1,140,000 (09%0)	22.8
Widowed	149,000 (01!40)	23.8
Separated	444,000 (04%0)	27.2
Never married	6,209,000 (49°/0)	30.5
Total	.12,647,000 (loOO/")"	

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey," unpublished data, March 19S6.

men. These numbers are noteworthy, because men with AIDS are more likely to be never married.

The number of uninsured adult women in 1986 was a little less than the number of uninsured adult men (table A-6). However, the distribution of uninsured women by marital status is different than that observed for men. Whereas 49 percent of uninsured men had never married and 35 percent were married and living with their wives, only a third of the uninsured women had never been married, and 42 percent were married and living with their husbands. About a quarter of never married women were uninsured, compared to **30** percent of their male counterparts. Being divorced, separated, or widowed were more common among uninsured women than among uninsured men. However, the risks of being uninsured for divorced, separated, or widowed women are not very different from the risks of being uninsured for their male counterparts. The proportion of married women who are uninsured is also essentially the same as the proportion for married men,

Thus, men and women who have never been married **have the** highest risks of being uninsured, and men and women who have been previously married (i.e., divorced, separated, or widowed) have lower but still high risks of being uninsured.

In sum, the **37.2** million uninsured people in the United States are a heterogeneous group. However, in terms of what an AIDS epidemic might mean for the uninsured population, it is noteworthy that a third of the uninsured are adult men (12.6 million of 37.2 million), of whom about half (6.2 million) have never been married.

Characteristics of the Underinsured Population

As stated earlier, under a strict definition of inadequate health insurance, around 11 million people would have been underinsured in 1986; under a middle definition, 18 million; and under a lenient definition, 38 million. In general, people with nongroup insurance policies are far more likely to be underinsured by any definition of inadequate insurance than people with group policies (87). Furthermore, because most people obtain group insurance policies as part of employment compensation, full-time employees and their dependents are least likely to be underinsured. However, a person has to have some private health insurance to be underinsured, so the proportions of people with different characteristics who are underinsured to some extent provide a mirror image of where private health insurance is more common. For example, under the most lenient definition of inadequate health insurance (i.e., a person does not have a limit on out-of-pocket expenditures), the Northeast region of the country has the highest proportion of underinsured, but the Northeast also has the highest proportion of people with private health insurance.

Table A-7 contains the proportions of people with different characteristics who can be described as underinsured by the three definitions of inadequate insurance. What emerges from this table is that the patterns of being underinsured do not differ between the two definitions that link out-of-pocket expenses with income. For example, poor and near-poor people have the highest proportion of underinsured, and the proportions decline as income rises. In contrast, the most lenient definition of inadequate insurance sometimes yields a different pattern of proportions of underinsured. By this definition, the poor and near-poor have the lowest proportion of underinsured, and the proportion rises as income rises through the low and middle income groups, then falls slightly for the high income group.

In spite of the different effects resulting from different definitions of the underinsured, in general the risk of being underinsured rises as a person's expected out-of-pocket expenditures rise, as people grow older, or as a person's income falls.

The Links Between AIDS Patients and the Uninsured and Underinsured Populations

By the end of **1987,** nearly **50,000** cases of AIDS had been reported to the Centers for Disease Control (CDC), and nearly 28,000 of these people were reported to have died (56). Clearly, the number of living AIDS patients is small compared to the numbers of uninsured or underinsured persons. However, the number of Americans believed to be infected with Human Immunodeficiency Virus (HIV) is estimated to be

Table A-6.—Marital Status of Uninsured Women Ages 18-64, 1986

Marital status	Number of uninsured	Percent of each marital status who are uninsured
Married. . . . . M~rr~e$,spouse	5,066,000 (42Yo)	11.1
	192,000 (020/o)	37.7
Divorced : l 1 : : : ~ j	1,503,000 (13?40)	20.3
Widowed	736,000 (06%0)	23.4
Separated	599,000 (050/0)	24.0
Never married	3,827,000 (32VO)	24.3
Total	11,923,000 (looyo)	

SOURCE: U.S. Department of Commerce, Bureau of the Census, "Current Population Survey," unpublished data, March 1986.

Table A-7.—Underinsured Persons in the U.S. Population Under Age 65:
Percentage With Inadequate Coverage According to Alternative Definitions[a]

Characteristic	1977 population	Only private and underinsured		
		Definition 1	Definition 2	Definition 3
Total[b].	189,837,000	5.1 "!0	8.30/o	18.30/o
Employment status of household head				
Full-time employee	136,686,000	4.0	6.9	18.0
Part-time employee	8,653,000	7.3	9.2	15.0
Self-employed .	17,359,000	7.4	12.0	25.0
Did not work in 1977" :	17,877,000	8.2	11.0	12.8
Ages in years				
Less than 19	69,014,000	3.4	5.9	17.6
19-24	22,109,000	6.4	9.6	13.5
25-34	32,155,000	4.2	7.4	17.0
35-54	46,354,000	4.0	7.8	20.0
55-64	20,206,000	13.7	17.9	24.6
Family income				
Poor and near poor.	25,413,000	15.1	17.7	10.1
Low	27,005,000	7.7	12.3	17.3
Middle	75,238,000	3.5	7.1	20.7
High.	62,182,000	1.9	4.3	19.3
Perceived hea/th status				
Excellent.	*89,027,000*	3.9	6.9	19.4
Good	*71,249,000*	5.6	8.8	17.8
Fair	*16,881,000*	8.0	12.3	16.3
Poor	*4,572,000*	8.1	11.8	13.1
Place of residence				
SMSA	131,346,000	4.4	7.4	18.0
Not SMSA.	58,492,000	6.7	10.4	19.1
U.S. census region				
Northeast	39,915,000	5.3	9.1	23.7
North central	55,947,000	5.0	7.3	17.4
South	60,474,000	5.5	9.2	18.6
West	33,502,000	4.5	7.5	12.9

[a]Definitions of underinsured (adjusted for changes in group major medical insurance):
(l) 5 percent expectation of IO percent of family income in out-of-pocket expenses;
(2)1 percent expectation of IO percent of family income in out-of-pocket expenses;
(3) No limit on hospital out-of-pocket expense.
[b]Includes persons for whom employment status of household head and perceived health status are unknown, **as well** as all other ethnic/racial groups not shown Separately.

276,000 to 1,75 million (68). Thus, the potential exists for a large number of people to have AIDS within the next 10 years. The medical care expenses that an AIDS patient can expect to incur before dying place an AIDS patient at risk for being underinsured by even the strictest definition of inadequate insurance. Estimates of such expenses are wide-ranging, but seem to center between $40,000 and $100,000 **(121,230,264, 265,271).** Moreover, because AIDS frequently causes its victims to be too weak to work, the disease increases the risk that people will lose their link to being insured.

Thus, several factors provide the basis for worrying about the link between AIDS and the uninsured and underinsured populations. First, AIDS may cause people to lose their health insurance, and the costs of medical care for people with AIDS may cause even the insured to be underinsured. Second, there may be large numbers of people who are already infected, which means that there is a potentially large group of people who are very likely to incur large medical expenses and be at risk for being underinsured or uninsured sometime within the next decade.

Among the cases of AIDS reported to CDC, **65 per**cent of adults have been homosexual or bisexual men without a history of intravenous (IV) drug abuse, 8 percent have been homosexual or bisexual IV drug abusers, 17 percent have been heterosexual male and female IV drug abusers, 3 percent had hemophilia or had received blood transfusions, 4 percent were at-

tributable to heterosexual transmission, and the presumed means of acquiring HIV infection in the remaining 3 percent of adult AIDS cases was unknown. Among the cases of AIDS in chiIdren, 77 percent were acquired perinatally (over **70** percent of which were related to IV drug abuse in the child's mother or her sexual partner), 13 percent were associated with transfusions, 5 percent occurred in children with hemophilia, and 5 percent were undetermined **(56).**

We can probably assume that most of the AIDS patients over the next decade will resemble the current population with AIDS. To the extent that IV drug abusers are unlikely to hold steady jobs with health insurance, the **25** percent of future AIDS victims who are IV drug abusers are least likely to have health insurance. If they have health insurance, it is more likely to be Medicaid, because they may qualify under the Aid to Families with Dependent Children program or the Supplemental Security Income program. The 4 percent of future AIDS cases who are heterosexuals with no history of IV drug abuse are likely to be spouses or lovers of bisexual men or IV drug abusers. If these heterosexuals have incomes below half the poverty level and meet the categorical criteria for Medicaid eligibility (principally, with custody of children or who are disabled), they are likely to be covered by Medicaid. Otherwise, it is difficult to predict whether they have health insurance or not. Hemophiliacs and other recipients of contaminated blood are likely to have health insurance or be covered by Medicaid or Medicare, because the condition that caused them to receive transfusions probably made most of them eligible for coverage if they did not have it before. Furthermore, because of methods to inactivate HIV in blood clotting factors and screening for HIV among blood donors, it is unlikely that this group of AIDS cases will grow rapidly in the future. Most of the children with AIDS acquired it perinatally from their mothers. This population is of growing concern, because it has the potential to expand greatly if heterosexual transmission of HIV becomes widespread. Currently, however, the number of children with AIDS is small, and most are wards of the State and are usually covered by Medicaid.

The largest subgroup among AIDS cases, homosexual or bisexual men with no history of IV drug abuse, is the hardest group to analyze in terms of health insurance coverage. It is difficult to determine whether homosexual or bisexual men are more likely to be employed in sectors of the economy that are less likely to provide health insurance as part of the wage compensation package. If such men are disproportionately employed in service sector or retail trade jobs, then they are more at risk for being uninsured.

Assuming that the vast majority of homosexual men never marry, the fact that half of the uninsured men have never been married, together with the fact that **30** percent of never married men lack health insurance, means that homosexual men are at risk for not having health insurance. (A large proportion of men who abuse IV drugs are also likely to never marry and are at risk for not having health insurance.) Thus, the connections between **age,** insurance coverage, and whether or not a man has ever been married must be looked at closely. Table A-8 presents further details about the **72** million men in the United States in terms of the proportions of men of different ages who are uninsured, never married, or both never married and uninsured.

Fifty-eight percent of never married, uninsured men are **18-24** years of age. Another **31** percent are **25-34** years of age. Eighty-one percent of men **18-24 years** of age have never married, and **32** percent of men **25-34** years of age have never married. Thus, while 89 percent of all uninsured, never married men are between the ages of 18-34, this age cohort also has high proportions of never married men. Consequently, marital status alone (i. e., never married) cannot be used as a proxy for homosexuality or bisexuality.

The Kinsey Institute has estimated that approximately 10 percent of the U.S. population is homosexual. The CDC estimates that there are **2.5** million homosexual men and another **2.5-7.5** million bisexual men and men with very infrequent homosexual contacts. Considering both these estimates, perhaps between 5 and 10 percent of men in the United States are homosexual or bisexual. These percentages approximate the percent of never married men age 35 and over in table A-8, which range from 6-10 percent. Some insurance companies have allegedly used similar characteristics in some parts of the United States— for example unmarried men over the age of 35—as a proxy for homosexuality in attempting to determine an applicant's sexual orientation. However, the similarity between the percentages of never married men age **35** and over in table A-8 and estimates of the total homosexual and bisexual male population in the United States is more likely due to happenstance. For example, there is probably not a one-to-one correlation between marital state and sexual orientation, particularly for bisexual men. Nevertheless, if we extrapolate from these data, there might be between 1 million and 1.8 million uninsured homosexual men between 18-64 years of age. This estimate is arrived at in the following manner. If we disregard the 33 percent of never married men under the age of **25,** approximately **25** percent of never married men **ages 25-64** are uninsured (table A-8). If we assume that **6** to 10 percent

Table A-8.—Men 18-64 Years of Age: Percent Uninsured, Percent Never Married, Percent of Never Married Men Who Are Also Uninsured, and Distribution of All Never Married Uninsured Men by Age Cohort, 1986

Age cohort	Number of men	Uninsured in age cohort — all men in age cohort	Never married men in age cohort — all men in age cohort	Never married, uninsured men in age cohort — all never married men in age cohort	Percent of all never married uninsured men
18-24	13,657,000	320/o	81 '/o	33%0	580/o
25-34	20,956,000	19	32	29	31
35-44	15,955,000	12	10	22	6
45-54	10,970,000	12	6	26	3
55-64	10,350,000	12	6	23	2
Total	71,888,000	17.60/o	28.30/o	30.5 '/0	100'/0

SOURCE U.S. Department of Commerce, Bureau of the Census, "Current Population Survey," unpublished data, March 1986.

of men in all age groups are homosexual and that **25** percent of all homosexual men are uninsured, table A-9 provides the estimates of uninsured homosexual men for each of the age cohorts.

Methods Under Consideration for Reducing the Number of the Uninsured

The three major methods currently under consideration for reducing the number of uninsured are:

1. mandatory employer-provided health insurance for all employees and their dependents of firms employing more than a specified minimum number of employees,
2. expanded Medicaid eligibility to include all people with incomes below some fraction of the poverty level, and
3. allowing people who are categorically ineligible for Medicaid but who have incomes below the poverty level (or some other multiple of the poverty level) to buy into Medicaid on a sliding scale fee basis,

(The Medicaid options are usually discussed with a managed care component.) Many people who can no longer work (including those with AIDS) now have the option under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1986 to remain in the employer-group for health insurance for up to 18 months, as long as they pay the full insurance premium. [4] For many people with AIDS, 18 months will cover the time between no longer being able to

work and death. However, treatment with the drug AZT and other therapies may prolong life beyond these 18 months, and the cost of health insurance may be more than many people with AIDS can afford to pay after they cease working.

Mandating employers to provide health insurance to employees and their dependents would, by some estimates, cover three-quarters of all the uninsured (i.e., about **28** million people). It is the only option currently under consideration that would cover such a large proportion of the uninsured population. **For** employed people who are at risk for AIDS, this approach would be particularly important, because **it** provides a mechanism for them to obtain health insurance through group policies, which have lower premium rates than non-group policies.

The employer-provided health insurance proposal that has received the most attention is Senate Bill **1265**. This bill would require benefits for prenatal care and well-baby care, and would place the limit on out-of-pocket expenses at **$3,000** or 10 percent of annual income. The out-of-pocket limitation is what would most assist employed people who develop AIDS (as well as people with other illnesses and chronic conditions). A catastrophic type of health insurance policy that would limit out-of-pocket expenses to a proportion of a person's annual income would provide similar assistance.

The second major method under consideration for reducing the number of uninsured is to expand Medicaid eligibility to all people below some fraction of the poverty level. This option in particular would help the very poor in States that currently have low income eligibility ceilings. It would also help IV drug abusers and homosexual men with AIDS who do not meet current categorical eligibility criteria for Medicaid, (e. g., custody of children) but who are below the poverty level.

The third major method under consideration for reducing the number of uninsured is to allow people who

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[4] **Under COBRA, non-government and non-religious employers with more than 20 employees must give ex-employees the option to remain in the group for health insurance for up to 18 months, as long as the employees pay the employer's and the employee's shares of the premium, plus no more than another 2 percent of the total premium.**

Table A-9.-Estimates of the Number of Uninsured Homosexual Men in Each Age Cohort

Aae cohort	Total number of men	Estimate of uninsured homosexual men, assuming Go⅙are hOfnOSeXUal	Estimate of uninsured homosexual men, assuming 10°/0 are homosexual
18-24	13.657.000	205,000	342,000
25-34	20:956:000	314;000	524;000
35-44	15,955,000	239,000	399,000
45-54	10,970,000	165,000	274,000
55-64	10,350,000	155,000	259,000
Total	71,888,000	1,078,000	1,798,000

SOURCE: K. Swartz, "What is the Overlap Between the Uninsured, Underinsured, and People With AIDS?" contract paper in the Urban Institute prepared for the Office of Technology Assessment, U.S. Congress, Washington, DC., 1988.

are categorically ineligible for Medicaid but who have incomes below some multiple of the poverty level (e.g., 75 percent or 150 percent of the poverty level) to buy into Medicaid on a sliding-scale fee basis. The extent to which this option might reduce the number of uninsured depends on the proportion of the Medicaid premium that would be subsidized. If only a small fraction of the premium is subsidized, it is unlikely that many of the uninsured poor will buy into Medicaid.

Other methods for reducing the size of the uninsured population include pooling risks for small firms, so that premiums per employee for participating small firms are lower. The idea of these Multiple Employer Trusts (METs) is based on the notion that premiums can be lowered for small employers who band together and act as a larger employer. METs have not lived up to expectations along this line, but it is not clear why this is the case. Another method of creating larger risk pools for small firms is to create statewide pools, such as those created by the Federal unemployment insurance tax. Such proposals will lower premiums for employees in small firms but are unlikely to affect many people.

Similarly, risk pools for uninsurable people have been introduced in 15 States for people at high risk for expensive health care services (see app. B). This approach will not greatly reduce the number of uninsured nor assist people with AIDS who do not have large financial resources.