



Who are the Uninsured? Characteristics of Uninsured Workers in Connecticut

Introduction

This is the fourth in a series of issue briefs examining the results of the 2001 Household Survey conducted by the University of Connecticut Center for Survey Research and Analysis (CSRA) on behalf of the Office of Health Care Access (OHCA). The survey explored respondents' health insurance coverage and their utilization of health care services.¹ It found that while most working-age adults (19 to 64 years)² had health care coverage, 7.3% or approximately 150,800 adults in Connecticut were uninsured.³

This brief focuses on a portion of these uninsured working-age adults, the 101,300 who were gainfully employed (hence referred to as "uninsured workers"), and exam-

ines the relationship between employment characteristics and insurance coverage.⁴ Specifically, uninsured workers were more likely to hold temporary or part-time positions that may have limited their eligibility for employer-sponsored coverage.

In this analysis, results from the 2001 Household Survey were supplemented with findings obtained from two consecutive 2001 Quarterly Business Surveys, for a total sample of more than 800 Connecticut businesses. Sponsored by the Connecticut Department of Economic and Community Development (DECD) and also conducted by CSRA, the Quarterly Business Surveys included questions on health insurance coverage.⁵ The Household Survey found that small firms employed two-thirds of all

uninsured workers and both studies revealed that small firms were less likely to offer health insurance as an employee benefit.

Social Characteristics

Most uninsured workers were under age 40 (69%), unmarried (71%), and did not have a college degree (75%).⁶ Workers under 40 were more than twice as likely to be uninsured than those who were older. Unmarried workers were four times more apt to lack coverage.⁷ Minority workers (9.1%) were also more likely to be

uninsured than non-Hispanic whites (5.6%).⁸

When examining insurance coverage among working adults, it should be noted that some, particularly young males, simply decline employer-offered insurance ("decliners").

While marital status, education, and race together create a demographic profile of a "typical" Connecticut uninsured working adult, family income was the strongest factor associated with insurance status. When income was taken into account and people within the same income category were compared, insurance coverage was no longer significantly related to other social differences such as race or education. Although employment is vitally linked with insurance coverage for adults, family income affects a person's ability to pay employee premium contributions, co-pays, health care costs before deductibles have been met, and other out of pocket costs. A number of the uninsured workers cited cost as the reason that they lacked coverage.

Uninsured workers were more likely to hold temporary or part-time positions that may have limited their eligibility for employer-sponsored coverage.

Almost half of all uninsured workers earned less than \$30,000 while in contrast, 60% of workers with health coverage earned \$60,000 or more. Nearly one of every four workers with family incomes of \$30,000 or less was uninsured while almost all of those with incomes of \$60,000 or more were insured.

Employment Status

Over three-quarters of all insured working-age adults obtained coverage through an employer. Gainfully employed adults were twice as likely to be insured than those who were not; however, two-thirds of uninsured working-age adults had a job.

Employment by itself was no guarantee of insurance coverage. Among uninsured workers, 40% reported that their employer did not offer coverage.

Many firms restrict eligibility based upon job status (permanent or temporary), hours worked (part-time or full-time), or time with the company.⁹ Job status was related to insurance coverage as nearly one-third of all uninsured workers either held part-time positions or worked full-time but in temporary or seasonal positions. In the Household Survey, about 20% of uninsured workers reported they were not currently eligible for their employers' insurance plans. In contrast, 83% of all insured workers were permanent, full-time employees. It is interesting to note that despite these differences, the uninsured worked on average one more hour a week than the insured (43 hours versus 42 hours). The uninsured were also more likely than the insured to hold multiple jobs and work at least 35 hours at one of them.

The self-employed were twice as likely to be uninsured as those who work for someone else. In fact, the uninsured rate for the self-employed and the unemployed was the same (13%). These groups often must obtain their own individual health insurance coverage and may consequently pay higher premiums than those paid for group plans.

Firm Size

Many uninsured workers were employed by firms that did not offer health insurance coverage. Was there

some difference between the types of firms that employed the insured and uninsured?

Firm size was strongly associated with insurance coverage as most uninsured were employed by small firms and most insured were employed by larger firms (Figure 1). Nationally, workers in smaller firms were less likely to have insurance coverage through their employer than those in large firms.¹⁰ Reflecting these national trends, the Household Survey found that in Connecticut employees in small firms (50 or fewer employees) were four times more likely to be uninsured than those who worked in larger ones.¹¹ There were an estimated 60,200 uninsured people working in small firms.

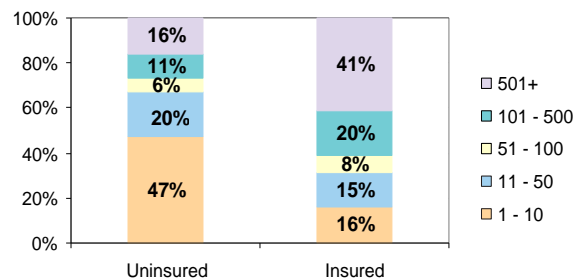


Figure 1: Firm Size

The 2001 Connecticut Business Quarterly Surveys also revealed that smaller firms were less likely to offer insurance to their employees (Figure 2). While almost all firms with 50 or more employees offered health insurance coverage to at least some of their employees, just over half of small firms did so. Similarly, when firm size was examined in terms of annual gross revenue, virtually all firms that earned \$1 million or more in annual revenue offered health insurance as a benefit to their employees, but fewer than half of firms who earned less did so.

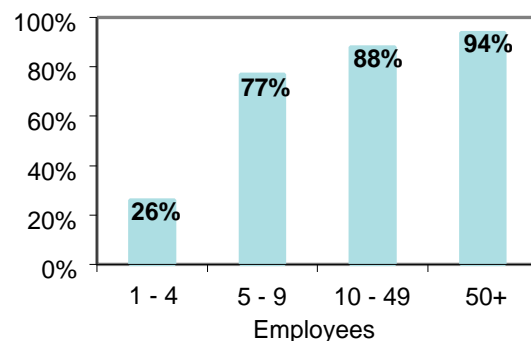


Figure 2: Percent of firms offering health insurance by firm size

Small firms must frequently pay higher coverage premiums and administrative costs than larger ones.¹² They usually lack purchasing power and administrative resources and are therefore often at a disadvantage in negotiating premiums with insurance companies. As a result, they may pass on higher costs to their employees. For example, the Connecticut Business Quarterly Surveys found that over 40% of the largest firms offered health insurance plans with a monthly premium of less than \$250, and nearly one quarter provided plans for under \$100 (Figure 3). In contrast, comparable figures for the smaller firms were only 27% and 6%. Consequently, workers in small firms may be paying more for their health insurance coverage than their counterparts employed in large firms.

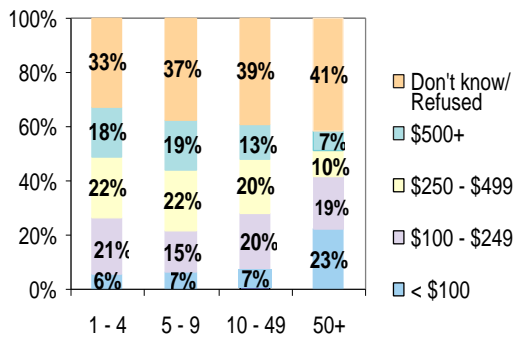


Figure 3: Least Expensive Premium Offered by Firm Size

Lacking economies of scale and therefore facing high premiums, it is no surprise that the small firms that did not offer insurance coverage cited their size (“too few employees”) and the cost of insurance as the main reasons for their decision. To a lesser extent, small firms also mentioned the nature of their labor force (i.e. seasonal, part-time, family) as a factor in their decision not to offer health insurance. Smaller firms may also lack the flexibility of larger firms who generally offer more than one health plan. Thus, larger firms can drop plans when they become too expensive yet still offer their employees other health coverage options.

Although small firms were less likely to offer insurance coverage to their employees, the Connecticut Business Quarterly Surveys found that those that did

were more likely to offer this coverage to all employees than were larger firms (60% versus 44%). “Take-up” rates, or the extent to which eligible employees enrolled in an employer-offered insurance plan, were also much higher in smaller firms than large ones. Nearly one-half of all small firms offering insurance had a take-up rate of 100%, but this occurred in less than 20% of the largest firms.

Rising health care costs and the recent economic slowdown have affected businesses’ ability to offer health insurance coverage. A national industry study found the average business’s total premium costs rose by 15% in 2002 to nearly \$6,000 per employee.¹³ However over the last several years, premiums have risen more rapidly for small firms, with an increase of nearly 15% in 2001 and 18% in 2002.¹⁴ For small firms, a national industry study projected 2003 premium increases from 25% to 35%.¹⁵

National studies have shown that small firms have been more likely to respond to increasing health insurance costs by increasing employees’ share of premiums, co-payments, coinsurance, and deductibles.¹⁶ They were also more likely to tighten eligibility requirements, drop contributions for dependent coverage, and switch to less expensive but more restrictive insurance plans.

As a result of these trends, the Census Bureau noted a decline in 2001 in the number of small firm employees with employer-based coverage; in 2002 an industry study confirmed the continuation of this trend.¹⁷

Conclusion

For working-age adults, health insurance coverage was strongly related to employment as over three-quarters were enrolled in employer-sponsored plans. However, OHCA’s 2001 Household Survey found that employment did not necessarily guarantee coverage for the approximately 101,300 uninsured working adults. Although most uninsured adults work, 40% reported their employer did not offer

coverage. An additional 20% were not currently eligible for their employers' coverage due to the status of their job or recency of their hire. One-third of uninsured working adults were either employed in part-time or temporary jobs.

The overwhelming majority of uninsured working adults were employed in firms with 50 or fewer employees. These firms were less likely to offer insurance coverage than larger ones. Due to their size and consequent limited bargaining power with insurers, small firms generally cannot offer less expensive plans that are available to the largest companies. Faced with higher premiums and greater out of pocket costs, it may be more difficult for employees in small firms to purchase employer-based health coverage. This is particularly true for low-income workers, and nearly half of all uninsured workers earned less than \$30,000.

The next brief in this series on OHCA's 2001 Household Survey will examine children's access to health insurance coverage and their utilization of health care services. Survey results indicated that there were approximately 34,000 uninsured children in Connecticut at the time of the survey.

NOTES

For technical/statistical questions on this issue brief, please contact Michael Sabados at (860) 418-7069 or via e-mail at michael.sabados@po.state.ct.us

¹ The survey, consisting of 3,985 interviews, was conducted in Fall of 2001.

² Working-age adults are not automatically eligible for any public insurance programs. Connecticut's children have access to HUSKY, the state's SCHIP Program. Senior citizens were excluded from this analysis because they are eligible for Medicare. While working-age adults may qualify for Medicaid, they must pass means testing to be eligible.

³ Unless specified otherwise, "uninsured" refers to anyone who reported he or she did not have health insurance coverage at the time of the survey, i.e., the "point in time" uninsured. This includes those who were continuously uninsured for the year preceding the survey and those who had insurance at some point during that time but did not have coverage at the time of the survey.

⁴ "Gainfully employed" refers to those who were either self-employed or owned their business, and those employed by someone else for a wage. "Working age" refers to those between 19 and 64 years old.

⁵ Under OHCA's Health Resources and Services Administration (HRSA) State Planning Grant, a portion of grant funding was used to add health insurance coverage questions to DECD's recurring business survey.

⁶ Age, marital status, and education were all statistically significantly associated with the insurance status of working adults at the .001 level. Statistical significance refers to the likelihood that the relationship of factors such as age, race, and education with insurance coverage was anything but random chance. Significance at the .001 level means that this relationship has a one in 1000 possibility of being a chance relationship. Unless otherwise noted, this brief includes only those associations that were significant at the .001 level.

⁷ Married persons may have the opportunity to obtain insurance through their spouses' employers.

⁸ Significant at the .05 level.

⁹ CT Department of Labor definition of part-time is less than 35 hours per week.

¹⁰ U.S. Census Bureau, *Health Insurance Coverage: 2000* and *Health Insurance Coverage: 2001*.

¹¹ 11.8% of small firm employees were uninsured while 2.7% of large firm employees were uninsured.

¹² Danielle Ferry, Bowen Garrett, Sherry Glied, Emily Greenman, and Len Nichols, Health Insurance "Expansions For Working Families: A Comparison Of Targeting Strategies," *Health Affairs* (July/August 2002): 246-254.

¹³ Diane Levick, "Health Care Cost Hikes Push Premiums Up," *Hartford Courant*, (December 13, 2002).

¹⁴ Center for Studying Health System Change, "Cutting Back But Not Cutting Out: Small Employers Respond to Premium Increases," (Issue Brief No. 56, October 2002) and Levick.

¹⁵ Levick.

¹⁶ Center for Studying Health System Change, op. cit. and John MacDonald, "Health Insurance Premiums Jump, More Hikes Likely," *Hartford Courant*, (September 6, 2002).

¹⁷ U.S. Census Bureau, *Health Insurance Coverage: 2001* and Levick.