

# PR<sub>x</sub>SCRIPTION FOR CHANGE

## A Profile of Kentucky's Uninsured

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# Health Insurance Trends

*The Forces Behind  
Rising Uninsured Rates*



# Systemic Change Underway

***“The system has turned decisively toward increased cost sharing, but without any assurance that this strategy will abate growth (in spending) or merely relocate the burden.”***

Anderson, Hussey, Frogner, and Waters, “Health Spending in the United States and the Rest of the Industrialized World, *Health Affairs* July/August 2005, p. 903.

# National Trends

- US health spending levels “unsustainable”
- Health insurance premiums rose 12.2% a year on average between 2000-2004 while wages increased 2.9% annually
- Employers shifting higher costs and greater risk to employees and retirees or eliminating coverage
- Dramatic shift in employment by industry size affecting quality and quantity of coverage
  - Large, high-coverage industries declined by 2.1 million workers between 2000-2004
  - Small and mid-sized, low-coverage industries gained 3.5 million workers while their coverage rates fell 4.2 percentage points

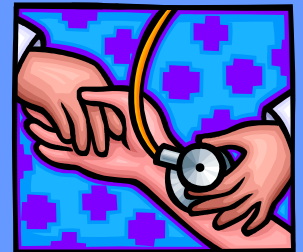


# National Trends

- Half of sicker US adults report not getting needed care due to cost
  - Despite high rates of forgone care, a third of US patients spent more than \$1,000 out-of-pocket last year
- Rising bankruptcies linked to health care costs
  - 54.5% of 2001 bankruptcies traced to a medical cause
  - 75.7% of those who filed for bankruptcy had health insurance when the health event occurred
- Employment bias against people with health problems emerging

# Uninsured Population Rising

- **Employer-sponsored health insurance—the primary source of coverage for Americans too young to receive Medicare or not poor enough to receive Medicaid—declining**
  - Between 2000-2004 US population under age 65 rose by 10 million
  - Number of Americans aged 18-64 covered by employer-sponsored health insurance fell by 4.9 million
  - Ranks of the uninsured increased by 6 million people
  - 15.7% of US residents or 45.8 million people

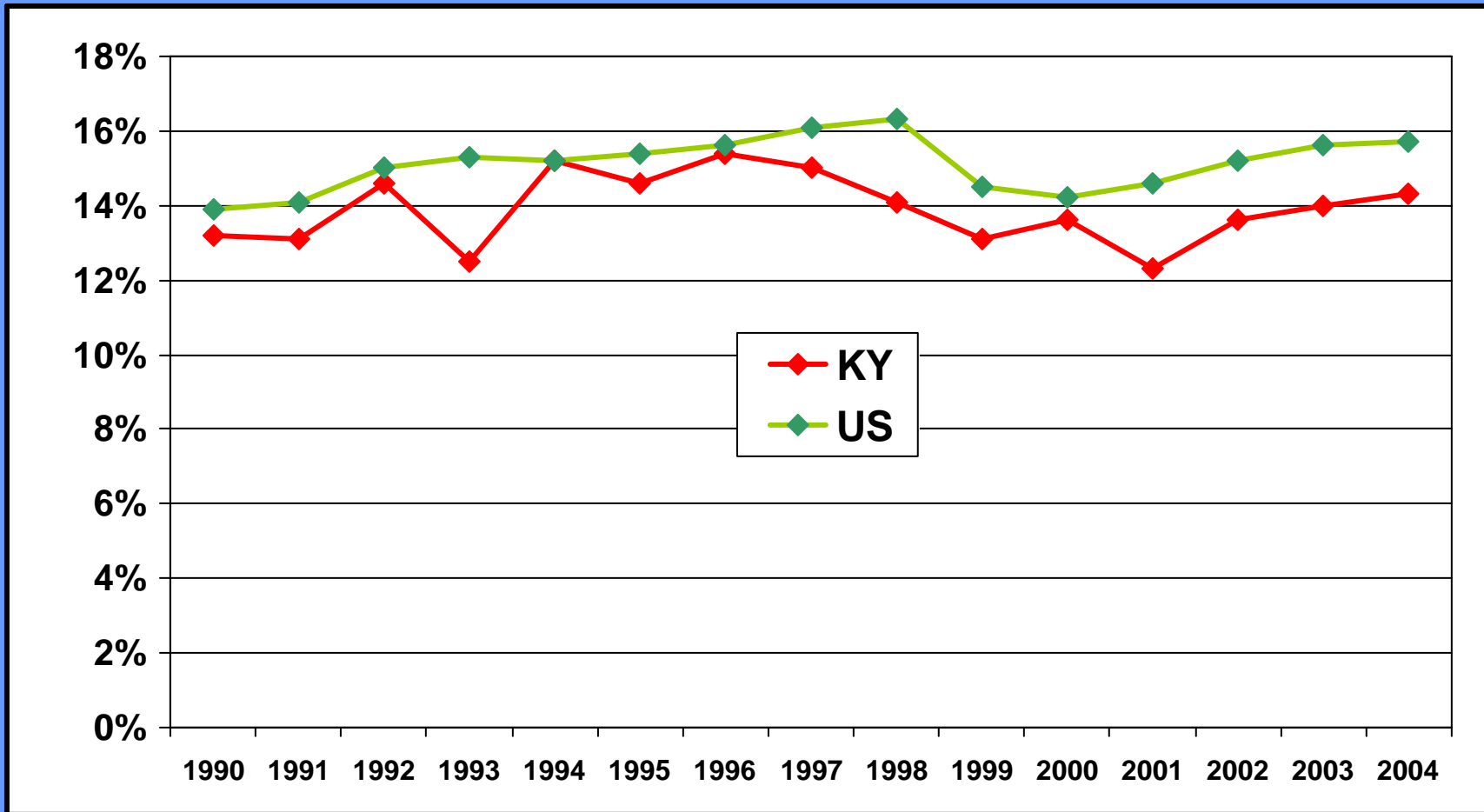


# Kentucky's Uninsured

- CPS estimated 14.3% of Kentuckians or 576,500 people uninsured in 2004
- Kentucky's lower uninsured rate due largely to a higher Medicaid population – 15% vs. 12.9% nationally (2004)
- Effects of anticipated changes in the Kentucky Medicaid Program are unknown; other state programs have reduced coverage and/or cut their rolls



# Percent of People Without Health Insurance, Kentucky and US, 1990-2004



# Obstacles to Progress



- Federal deficit continues to mount
- Kentucky emerging from economic downturn and successive budget shortfalls
- Partly state-financed Medicaid Program contending with rising costs and a budget shortfall
- State employee and teacher health care benefits consuming more of public pie
- Proposed federal Medicaid cuts could result in higher uninsured rates and broad economic losses
  - Kentucky's federal match (70%) one of nation's highest
  - 17 state-level economic impact studies link federal Medicaid matching dollars to jobs, business activity, and revenue

# **The Kentucky Health Insurance Research Project**

***A State Planning Grant Sponsored by  
the U.S. Health Resources and  
Services Administration***



# The Kentucky Health Insurance Research Project

- **Purpose:** Determine who Kentucky's uninsured are, how long they've been uninsured, why they're uninsured, and how best to address their needs
- **Plan:**
  - Form an advisory Steering Committee
  - Conduct public forums and small group meetings
  - Conduct a scientific statewide household survey and a survey of high-poverty counties
  - Survey Kentucky small businesses with 50 or fewer employees
  - Analyze public policy options in light of state-level models and experiences and Kentucky survey findings
- **Goal:** Recommend policies to increase the number of insured people in Kentucky

# **The Public Forums**

***Giving Kentucky's Uninsured a Voice***

# The Public Forums

- **Most believe nation's health care system is in crisis**
- **Cost cited as main obstacle to health insurance**
- **Most vulnerable to being uninsured:**
  - Low-wage earners
  - New labor market entrants
  - Employees of small firms, organizations
  - Older workers and early retirees
  - Disabled individuals
  - People in the underground (cash) economy
  - Undocumented migrant workers
- **Medical debt cited as main obstacle to qualification for loans to buy homes and start businesses**
- **The “precariously” insured and underinsured appear to be a potentially large population in Kentucky**



# The Public Forums

- Hospital representatives report “cost shifting” to help meet charity costs remains commonplace
- Providers report ongoing problems with insurers
  - Private insurers
    - Routine delays in reimbursement
    - Some diagnostic tests routinely denied approval
    - Credentialing of physicians routinely takes 6 months
  - Medicaid
    - Reimbursement levels do not cover actual costs
    - Proof of eligibility requirements discouraging enrollment

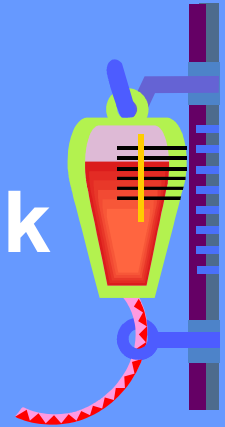
# The Public Forums



- **Safety net riddled with holes**
  - Too few community health centers and free clinics
    - Huge geographic gaps
    - Many free clinics lack the capacity to meet public demand
    - Free clinics plagued by inadequate operating funds
  - Hospital ERs primary caregiver for many
  - Uncompensated care costs fast becoming unsustainable for many hospitals
  - COBRA too costly for many displaced workers
  - Kentucky Access (high-risk pool) unaffordable to most
  - Some hospitals offer sliding-scale fees based on income, but patients must ask for this assistance
  - Nonprofit care providers report pharmaceutical company programs for low-income people change rules often and are difficult to negotiate



# The Public Forums



- **Community institutions may be at risk**
  - Community hospitals face rising charity care costs combined with rising health insurance premiums for their own employees
  - Small cities report substantial increases in annual health insurance costs
  - Nonprofit organizations experiencing steadily increasing insurance rates and lower “take-up” rates
  - Health departments that have opted out of state health insurance pool report spiraling costs for health insurance
  - Employers report sharp increases in insurance costs, affecting recruitment, retention, and benefits

# **The Kentucky Household Survey**

*Increasing Understanding  
of the Uninsured in the  
Commonwealth*

# Insured Status Over Past Year

- Overall, 17.6% of adult Kentuckians reported being uninsured for part of the past year
- 13.6% of Kentuckians aged 18 to 65 report being uninsured now. Of those:
  - 76% report having been uninsured for all of the past year
  - 24% report having been uninsured part of the past year
- 86.4% Kentuckians aged 18 to 65 report being insured now. Of those:
  - 4.4% report having been uninsured part of the year



# Duration of Uninsured Status of the Currently Uninsured

Length of Time	Percent of Those Uninsured <u>Now</u>
<1 month	1.4%
1 to 3 months	9.2%
4 to 6 months	6.7%
7 to 11 months	6.7%
1 to 2 years	13.4%
2 to 3 years	13.0%
>3 years	49.6%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Uninsured by Age Group and Gender

- Among newer entrants to labor force, younger men far more likely to be uninsured than women
- Concentration in low-wage jobs likely reason for higher uninsured rates among women in middle-age group
- About one-fifth of pre-retirement-age men and women uninsured

Age Group	Male	Female
18-34	38.1%	24.1%
35-55	40.8%	56.1%
55-64	21.0%	19.2%

*Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center*

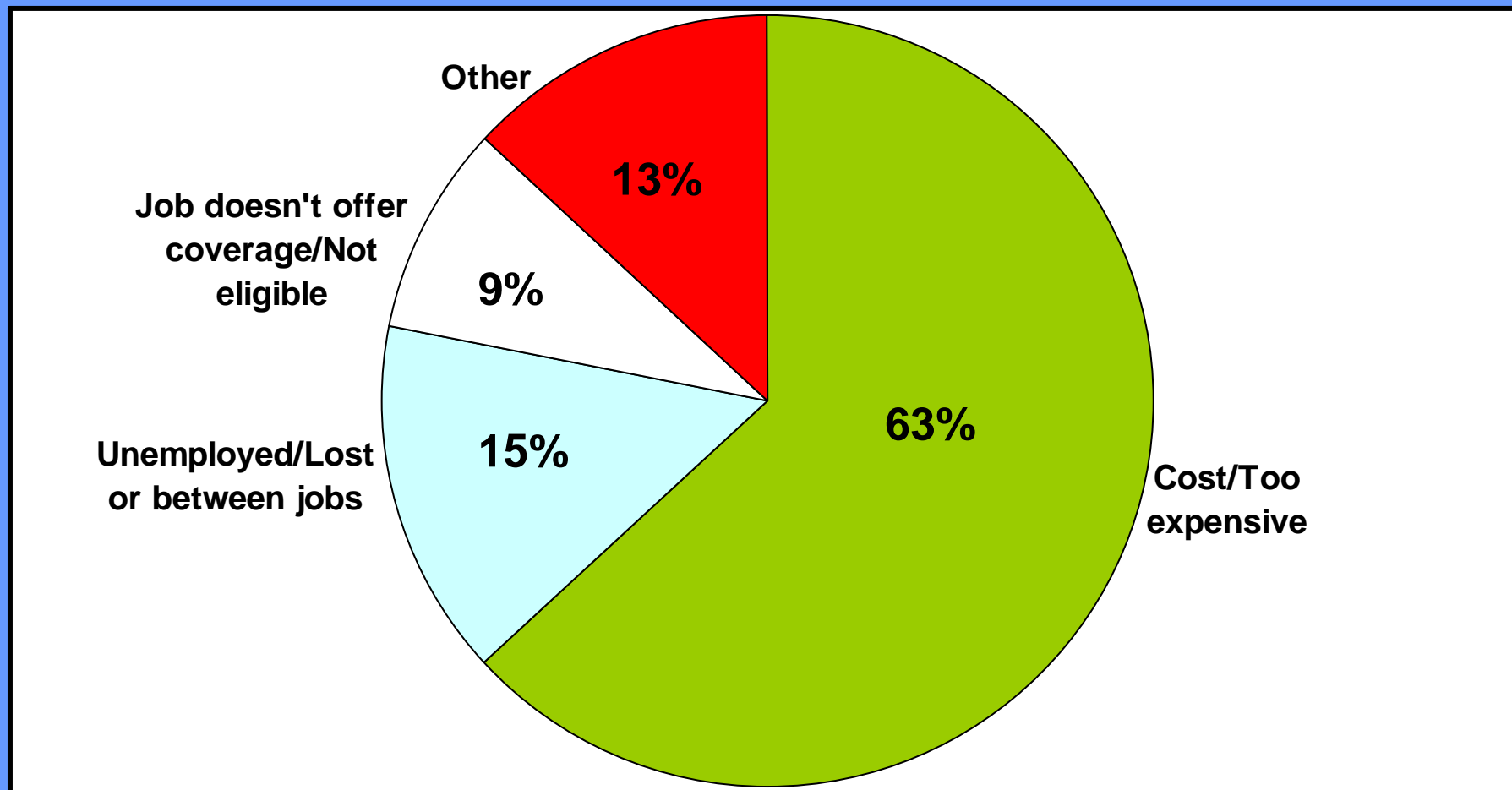
# Employment Status of Uninsured

- Majority of uninsured now respondents and nearly half of their total household members employed
- Significantly higher employment rates found among those who are insured now
- Employment status clearly linked to uninsurance

	Respondents	Spouses	Household Members
<u>Uninsured Now</u>			
- Percent Employed	52%	38%	48%
<u>Insured Now</u>			
- Percent Employed	66%	70%	68%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Main Reasons Cited for Not Having Health Insurance Now



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Annual Household Income

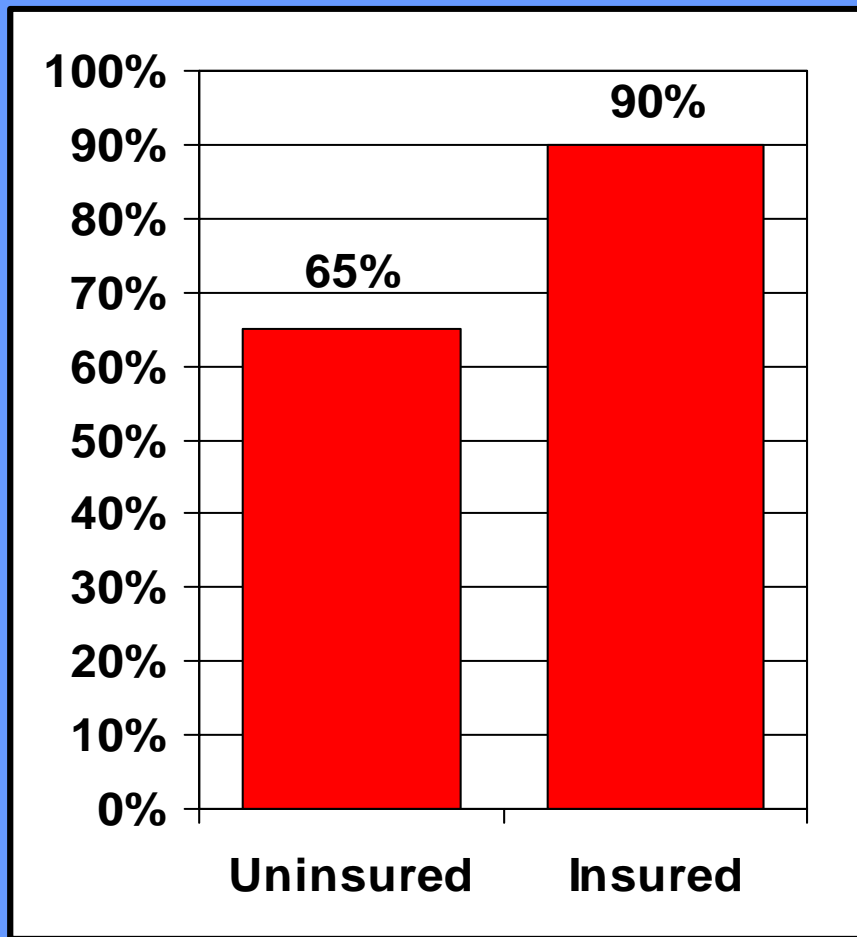
	Uninsured	Insured
Less than \$15,000	43%	14%
\$15,000 to \$30,000	32%	17%
\$30,000 to \$50,000	17%	21%
More than \$50,000	7%	48%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center



# **The Impact of Being Uninsured on Quality of Care and Utilization**

# Kentuckians with a Medical Home



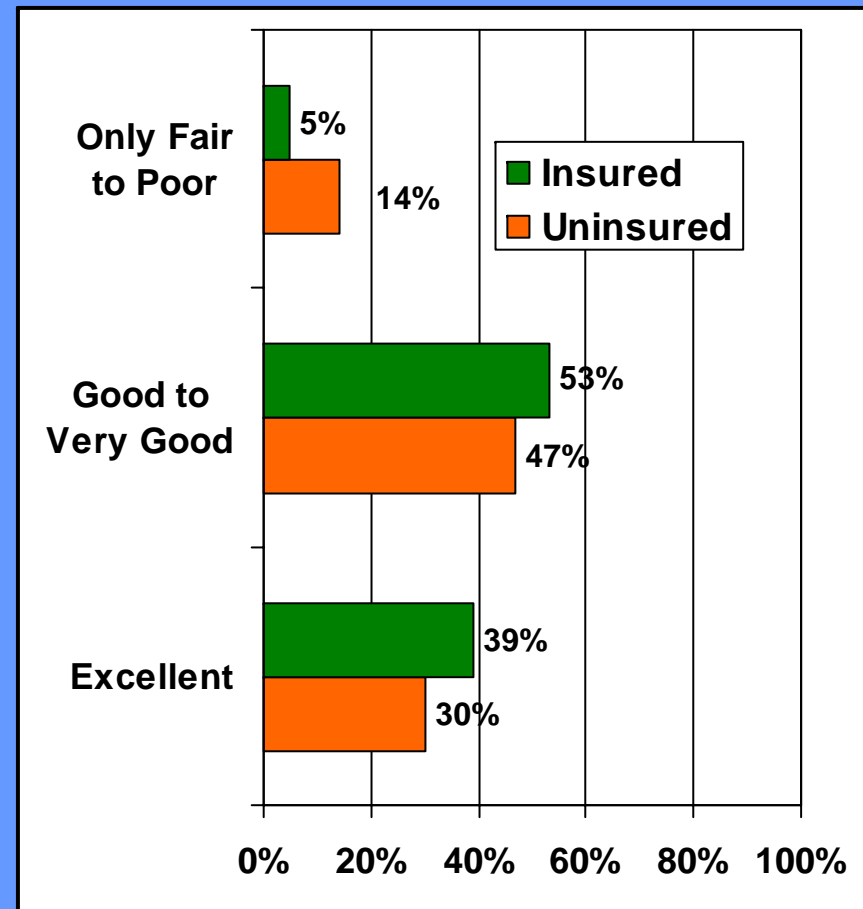
Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

- Kentucky's uninsured less likely to report having a personal family doctor or a nurse practitioner to rely on for medical care
- 35% of state's uninsured do not have a medical home, increasing the likelihood of poorer health outcomes



# Quality of Care by Insured Status

- Majority of both insured and uninsured rate the provider they most often rely on highly
- Uninsured 3 times as likely to rate the care they receive as fair to poor



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

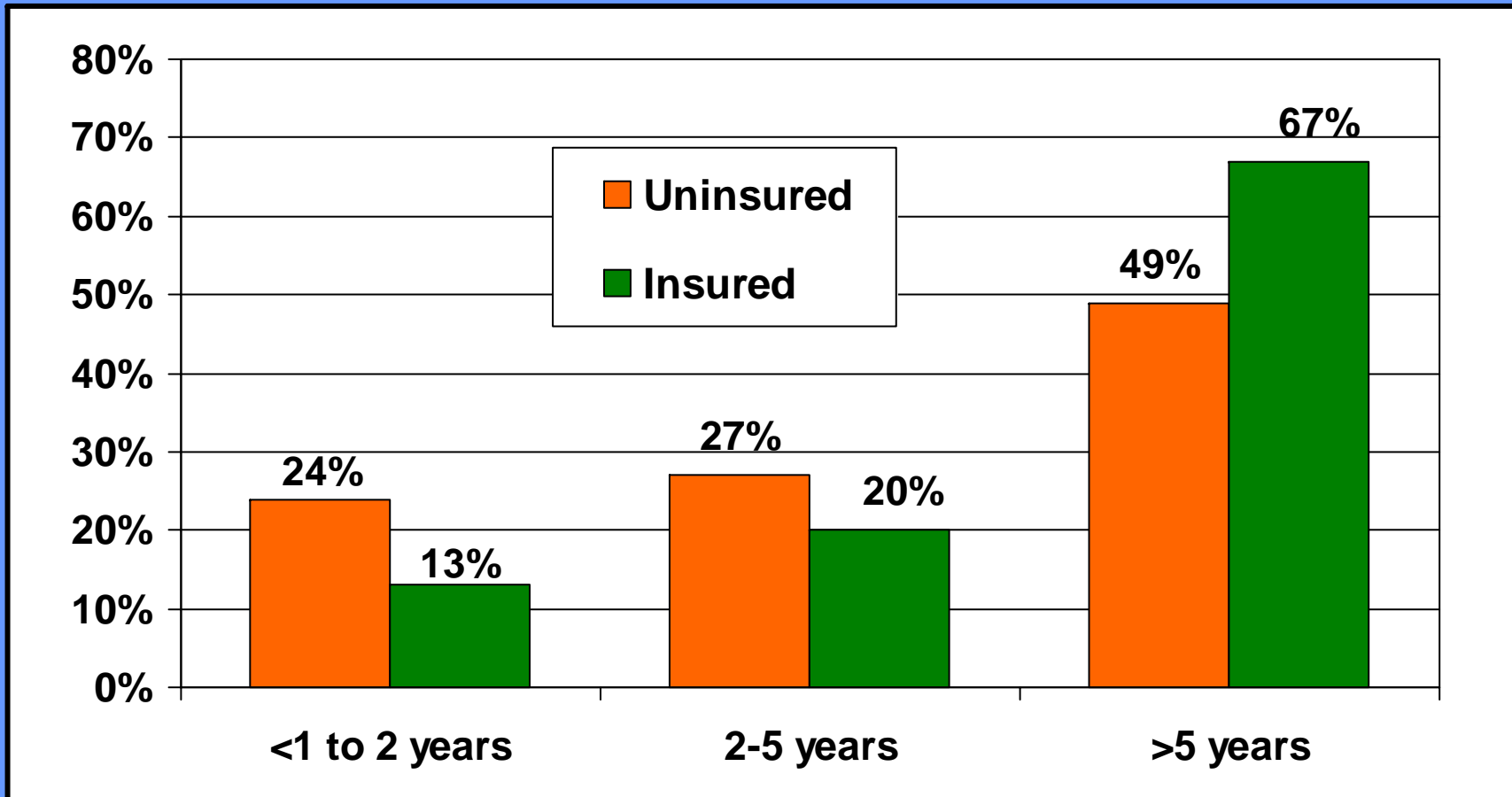


# Where Kentuckians Usually Go for Health Care

Provider	Uninsured	Insured
Private Doctor's Office or Clinic	50%	81%
Public Clinic, Free Clinic, or Community Health Center	27%	8%
Hospital Clinic	8%	6%
Emergency Room/Department	13%	3%
No Regular Place for Care	2%	1%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

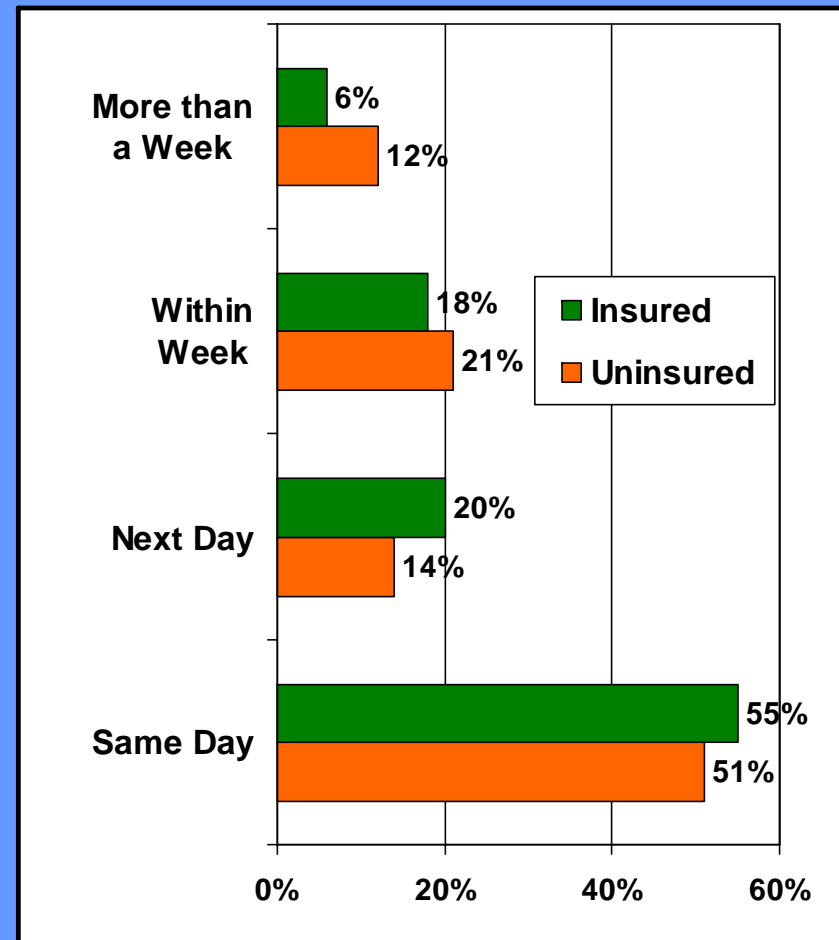
# Length of Time with Usual Provider



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Delays in Getting Care

- Majorities of both uninsured and insured receive same- or next-day attention to medical needs
- Uninsured more likely to report delays in getting care
- Uninsured twice as likely to wait more than a week

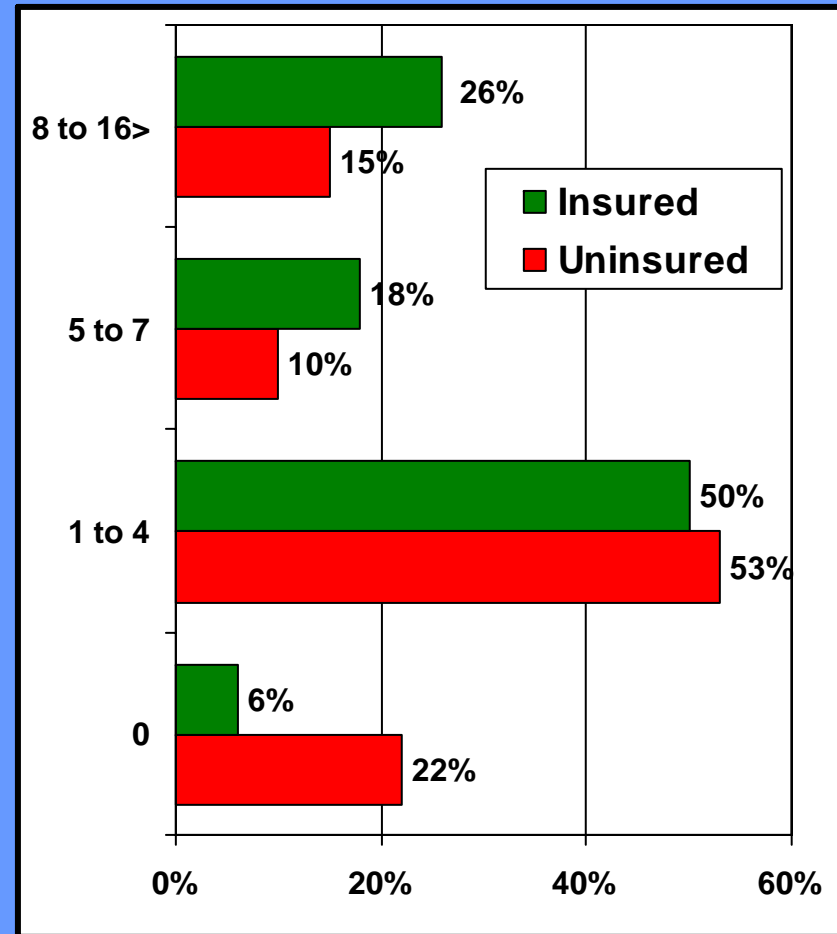


Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Utilization of Health Care

## *Number of Medical Contacts in Past Year*

- Uninsured nearly 4 times as likely to say “never” when asked how many medical contacts (doctor visits, tests, etc.) they made in past year
- Majority of insured & uninsured report 4 or fewer contacts
- Having insurance associated with increased number of contacts
  - Majority (53%) of uninsured report 2 or fewer visits
  - 44% of insured report 5 or more visits



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center



## Cost an Obstacle to Treatment in Past Year

	Uninsured	Insured
<i>Sick but did not seek care</i>	70%	22%
<i>Skipped a test</i>	54%	21%
<i>Did not fill a prescription</i>	53%	26%
<i>Did not see a specialist</i>	42%	15%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center





## Problems with Health Care Costs in Past Year

	Uninsured	Insured
Problem paying a medical bill	65%	27%
Contacted by a collection agency	46%	23%
Changed way of life to pay medical bills	45%	19%
- Used up all or most of savings	33%	15%
- Borrowed money from family or friend	29%	10%
- Unable to pay for basic necessities	23%	8%
- Had to get loan or another mortgage	9%	6%
- Declared bankruptcy	9%	6%

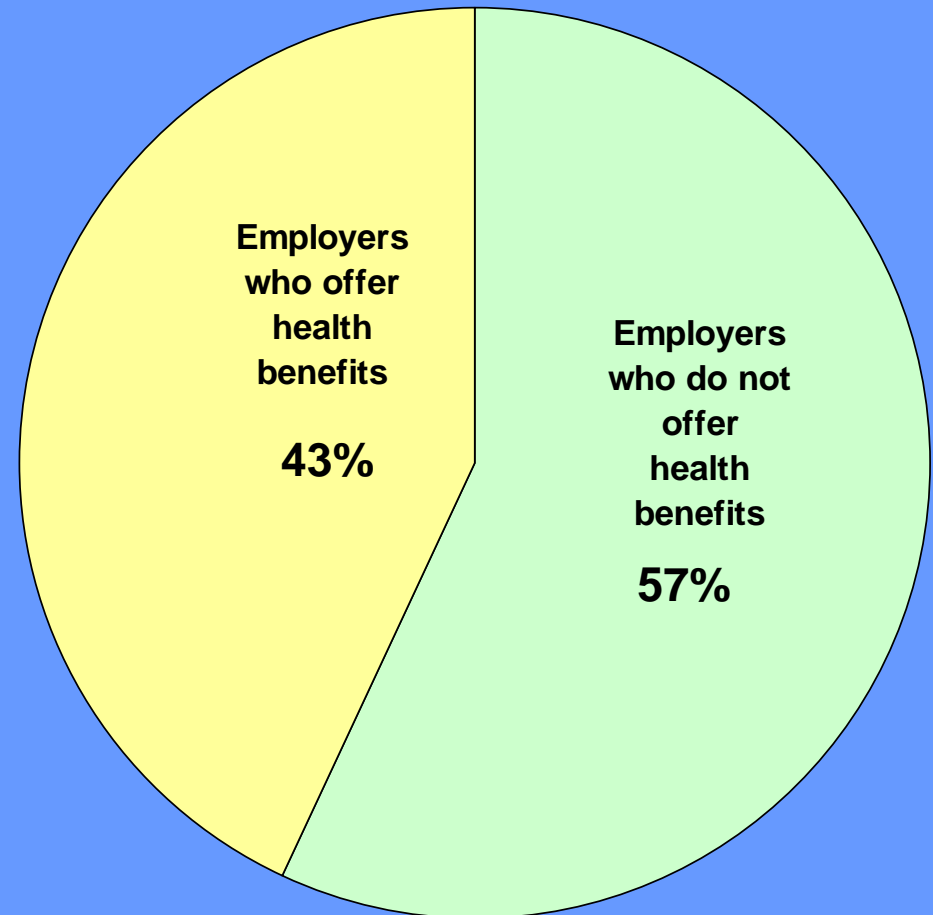
Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Small Employers' Survey

*Findings from Kentucky  
Employers of 50 or Fewer People*

# Size of Small Kentucky Employers and Percent Offering Health Insurance

Size of Small Firms	
Number of Employees	Percent of Businesses
1 to 3	55%
4 to 7	21%
8 to 25	20%
26 to 50	4%



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Small Business Employees Offered Health Benefits



Type of Employees	Eligible	Covered
Full-Time	92%	80%
Part-Time	11%	8%
Seasonal/Temporary	8%	3%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

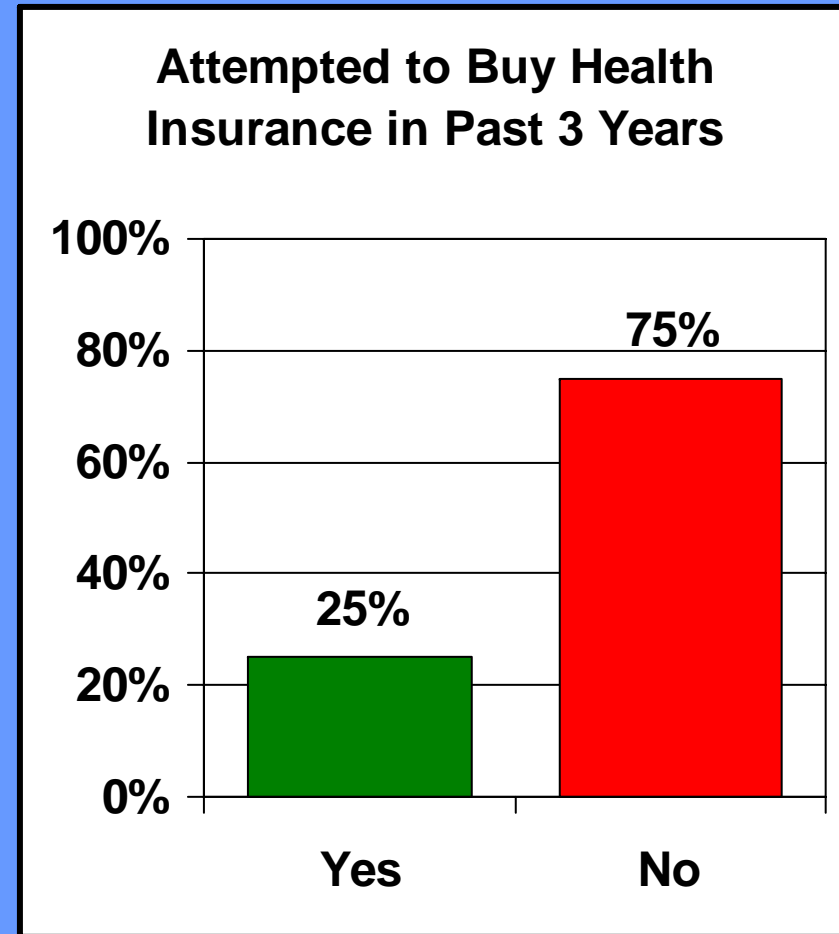
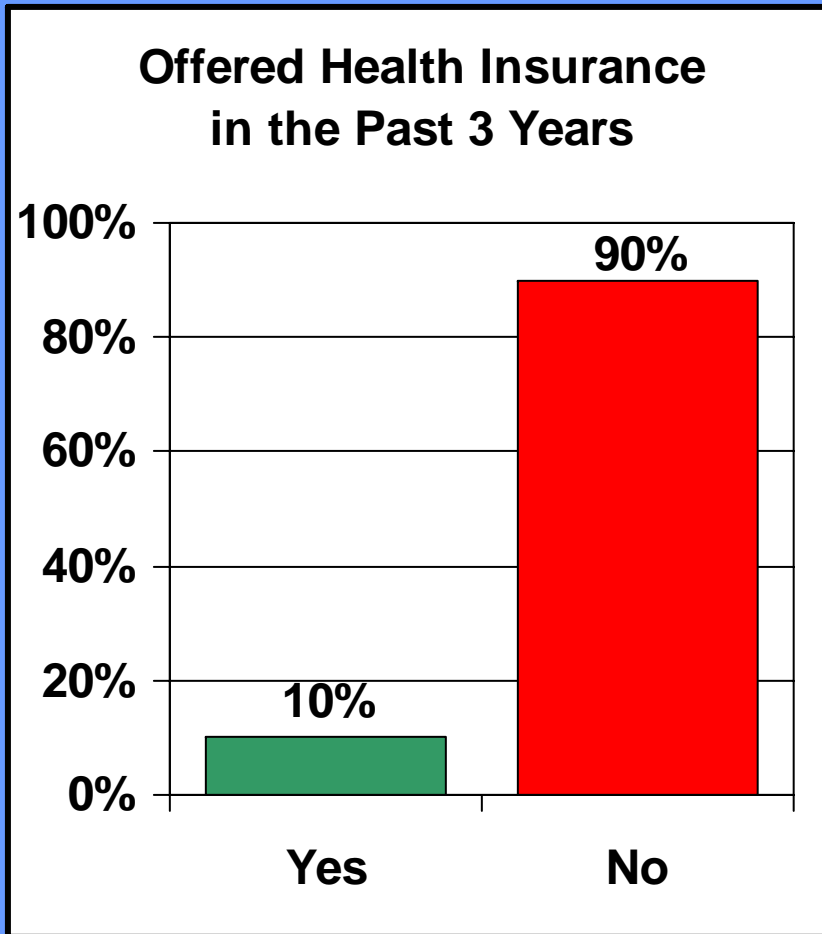
# Likelihood Companies Offering Health Benefits Now Will Offer Them Next Year



<b>Very likely</b>	<b>81%</b>
<b>Somewhat likely</b>	<b>16%</b>
<b>Somewhat unlikely</b>	<b>3%</b>
<b>Very unlikely</b>	<b>1%</b>

*Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center*

# History and Efforts of Companies Not Offering Health Benefits



Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# Reasons Cited for Not Offering Health Insurance Benefits



Reasons	Percent
<i>Tried to buy, it was too expensive</i>	37%
<i>Most employees don't want/need it, have coverage through family member or public program</i>	34%
<i>Have not tried to buy, know it's too expensive</i>	32%
<i>Willing to offer coverage; most employees can't afford it</i>	17%
<i>Most employees prefer higher wages</i>	13%
<i>Other</i>	11%
<i>Too much of an administrative burden</i>	9%
<i>Most employees don't want it, think it's not necessary</i>	1%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

# How Much Companies Not Now Offering Health Insurance Would Be Willing to Pay to Insure Employees



## Maximum Monthly Amount

(excluding employee contribution)

## Percent

<i>Not interested in buying health insurance at any cost</i>	20%
<i>Less than \$50 per employee</i>	28%
<i>\$50 to \$99 per employee</i>	25%
<i>\$100 to \$149 per employee</i>	14%
<i>\$150 to \$199 per employee</i>	6%
<i>\$200 to \$249 per employee</i>	2%
<i>\$250 to \$299 per employee</i>	4%
<i>\$300 or more per employee</i>	2%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center





## Prospects for Offering Health Insurance in the Next 12 Months Businesses Not Now Offering

<i>Will definitely not offer</i>	49%
<i>Will probably not offer</i>	44%
<i>Will probably offer</i>	6%
<i>Will definitely offer</i>	1%

*Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center*

# Health Insurance Premium Increases and Changes in Coverage for Small Businesses Now Offering Health Insurance

	Since 2004	Since 2002
<b>MEDIAN INCREASE</b>	<b>15%</b>	<b>30%</b>
<i>Higher deductibles</i>	47%	61%
<i>Increased co-payments</i>	47%	60%
<i>Terms did not change</i>	37%	23%
<i>Fewer or modified benefits</i>	26%	39%
<i>Employee pays more of premium</i>	12%	15%
<i>Less choice in providers</i>	8%	14%
<i>Other</i>	8%	7%

Source: UK Center for Rural Health, Kentucky Long-Term Policy Research Center, and UK Survey Research Center

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