

## TRENDS

## The U.S. Economy And Changes In Health Insurance Coverage, 2000–2006

Americans continued to lose their health insurance even as the economy improved.

by John Holahan and Allison Cook

**ABSTRACT:** The number of uninsured Americans increased by 3.4 million between 2004 and 2006, despite improving economic conditions. In the first four years of the decade, during a period of economic recession, the number increased by 6.0 million. The dominant factor in both periods was a decline in employer-sponsored insurance coverage. Although the recent decline was less than that experienced from 2000 to 2004, growth in public coverage was small, and the number of uninsured people increased by 1.0 million children and 2.4 million adults. Employer coverage declined most for self-employed or small-firm workers, in the South, and among noncitizens. [*Health Affairs* 27, no. 2 (2008): w135–w144 (published online 20 February 2008; 10.1377/hlthaff.27.2.w135)]

ON 26 AUGUST 2007 the U.S. Census Bureau reported that the number of uninsured Americans had increased by 2.2 million people between 2005 and 2006.<sup>1</sup> Of these, 2.1 million were nonelderly: 700,000 children and 1.4 million adults. The number of uninsured people had increased by 6.0 million between 2000 and 2004, in part because of weak economic conditions. The increase in the number of uninsured nonelderly people between 2004 and 2006 was 3.4 million. This is a somewhat greater increase on an annual basis over those two years than in the previous four years. This is surprising, because the economy had clearly improved in the latter period.

Between 2000 and 2004, real median household income declined from \$49,163 to \$47,323. The percentage of the population in poverty increased from 11.3 percent to 12.7 percent. Furthermore, the overall population in-

creased by 10.0 million between 2000 and 2004. Of this, the number of low-income people (earning less than 200 percent of the federal poverty level) increased by 9.1 million. After 2004, the picture changed considerably. Real median household income increased from \$47,323 in 2004 to \$48,201 in 2006, and the poverty rate declined in 2006 (to 12.3 percent).<sup>2</sup> The overall population increased by 4.9 million. Reflecting the much stronger economy, the number of people above 400 percent of poverty increased by 4.4 million. Thus, in the first part of the decade (2000–2004) the population shifted toward a group much less likely to have employer coverage and more likely to be uninsured. In 2004–2006, the population shifted somewhat toward a higher-income group, one more likely to have employer coverage and less likely to be uninsured.

The primary reason for the increase in the uninsured between 2000 and 2004 was a

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sharp decline in employer-sponsored insurance (ESI) in response to rising premiums and worsening economic conditions. Increases in Medicaid and the State Children's Health Insurance Program (SCHIP) coverage offset some of this decline. The increase in the uninsured was entirely among adults. The number of uninsured children fell slightly because of large expansions in Medicaid and SCHIP.

In the latter two years, the rate of decline in employer coverage was less, reflecting improved economic conditions. But the increase in Medicaid and SCHIP slowed, reflecting the accumulated effects of difficult economic circumstances on state budgets as well as the improving economy.<sup>3</sup> As a result, the increases in Medicaid and SCHIP offset much less of the decline in employer coverage, and the number of uninsured people continued to increase.

In this paper we provide more detail on why the number of uninsured Americans continues to grow despite improved economic conditions. The paper divides the first six years of the decade into two periods, 2000–2004 and 2004–2006, for two reasons. As noted above, Census data show a change in real incomes and the poverty rate beginning in 2004 (other data, such as those showing declines in unemployment and faster increases in gross domestic product, or GDP, appeared to occur slightly sooner, in 2003).<sup>4</sup> An additional reason for using 2004 as the dividing point is that the Census Bureau implemented revisions to the assignment of dependent coverage, affecting estimates of health insurance coverage for 2004 and all subsequent years. These revisions had the effect of increasing private insurance and reducing the number of uninsured people. Thus, the data before and after 2004 are not strictly comparable.

### Study Data And Methods

We used data from the 2001, 2005, and 2007 March Supplements to the Current Population Survey (CPS). Health insurance and income data on the March CPS are for the calendar year prior to the survey. Therefore, data presented are for 2000, 2004, and 2006. The CPS is the most frequently cited source for es-

timates of Americans' health insurance status, and its strengths and weaknesses have been widely documented.<sup>5</sup> There is debate over whether CPS estimates of the uninsured more closely reflect the number of uninsured people for an entire year (as intended) or at a point in time. In the data's most recent release, the Census Bureau commented on this issue and stated that its estimates were more closely in line with point-in-time uninsurance estimates.<sup>6</sup> We interpret the estimates of uninsurance presented in this analysis as essentially point-in-time.

We examined two separate trends in coverage to take into account recent modifications to the CPS. In August 2006 and March 2007, the Census Bureau released revisions to the assignment of dependent coverage on the 2005 and 2006 March CPS.<sup>7</sup> The net impact of these revisions to 2004 estimates is a decline of approximately 2.5 million uninsured people, with declines of 700,000 and 1.8 million for the August 2006 and March 2007 revisions, respectively. Although the Census Bureau released correction flags for earlier years of data to adjust for the March 2007 dependent coverage revision, no adjustment was released for prior years of data for the earlier (August 2006) revision. Therefore, to examine methodologically consistent trends, we used unrevised 2004 data to examine the change in coverage from 2000 to 2004; we used revised 2004 data to examine the change in coverage between 2004 and 2006.

The CPS allows respondents to report multiple types of coverage. In this analysis, responses are classified in the following hierarchy, with each respondent assigned to only one type of coverage: employer coverage; Medicaid, SCHIP, or state coverage (it is not possible to reliably distinguish SCHIP from Medicaid coverage in the CPS); TRICARE or Medicare coverage; directly purchased coverage; and uninsured.

In this paper, the health insurance unit (HIU) is the unit of analysis for determining income and family work status. An HIU includes members of the nuclear family who can be covered under one health insurance policy

(policyholder, spouse, children under age nineteen, and full-time students under age twenty-three).<sup>8</sup> The income of the HIU reflects the income available to individuals when purchasing private insurance or determining eligibility for public programs more accurately than household income does.<sup>9</sup>

We present data for the following income groups using poverty thresholds: those with HIU incomes below 200 percent of poverty, 200–399 percent of poverty, and 400 percent and higher.<sup>10</sup> The intent is to show the changes in coverage among low-, middle-, and higher-income Americans. An advantage of using poverty thresholds is that they adjust for family size and inflation. The household income categories used by the Census Bureau do not adjust for either; this has led to some misinterpretation of data in the Census reports.<sup>11</sup>

## Changes In Coverage, 2000–2006

Exhibit 1 provides an overview of changes in coverage during the study period, divided into two periods. In 2000–2004, the rate of employer coverage fell dramatically, from 67.8 percent to 63.3 percent. Coverage in Medicaid, SCHIP, and other state programs increased from 8.8 percent to 11.2 percent, partially offsetting the decline in employer coverage. Other public and private types of coverage increased slightly, but the net result was an increase in the uninsurance rate from 16.1 percent to 17.8 percent and an increase of 6.0 million in the number of uninsured people.

Between 2004 and 2006, the rate of employer coverage fell another percentage point (note the higher rate of employer coverage and lower rate of uninsurance in 2004 in the lower panel relative to the upper because of the methodological changes described earlier).

**EXHIBIT 1**  
**Health Insurance Coverage Among Nonelderly Americans, By Age And Source Of Coverage, 2000–2004 And 2004–2006**

	All nonelderly			Adults			Children		
	Coverage distribution		Change (millions of people)	Coverage distribution		Change (millions of people)	Coverage distribution		Change (millions of people)
2000–2004	2000	2004	2000–04	2000	2004	2000–04	2000	2004	2000–04
All incomes (millions of people)	245.1	255.1	10.0 <sup>c</sup>	168.8	177.3	8.5 <sup>c</sup>	76.3	77.8	1.5 <sup>c</sup>
Employer	67.8%	63.3% <sup>a</sup>	-4.9 <sup>c</sup>	68.9%	64.4% <sup>a</sup>	-2.2 <sup>c</sup>	65.4%	60.7% <sup>a</sup>	-2.6 <sup>c</sup>
Medicaid/state	8.8	11.2 <sup>a</sup>	6.9 <sup>c</sup>	5.3	6.5 <sup>a</sup>	2.6 <sup>c</sup>	16.7	21.9 <sup>a</sup>	4.3 <sup>c</sup>
TRICARE/Medicare	2.1	2.3 <sup>a</sup>	0.7 <sup>c</sup>	2.3	2.7 <sup>a</sup>	1.0 <sup>c</sup>	1.7	1.3 <sup>a</sup>	-0.3 <sup>c</sup>
Private nongroup	5.1	5.4 <sup>a</sup>	1.3 <sup>c</sup>	5.6	5.8 <sup>b</sup>	0.9 <sup>d</sup>	3.9	4.4 <sup>a</sup>	0.4 <sup>c</sup>
Uninsured	16.1	17.8 <sup>a</sup>	6.0 <sup>c</sup>	17.9	20.6 <sup>a</sup>	6.3 <sup>c</sup>	12.3	11.6 <sup>a</sup>	-0.4
2004–2006	2004	2006	2004–06	2004	2006	2004–06	2004	2006	2004–06
All incomes (millions of people)	255.1	260.0	4.9 <sup>c</sup>	177.3	181.8	4.5 <sup>c</sup>	77.8	78.2	0.4
Employer	64.0%	63.0% <sup>a</sup>	0.5	65.2%	64.4% <sup>a</sup>	1.5 <sup>c</sup>	61.4%	59.7% <sup>a</sup>	-1.0 <sup>c</sup>
Medicaid/state	11.2	11.3	0.7 <sup>c</sup>	6.6	6.6	0.3	21.9	22.4	0.5 <sup>d</sup>
TRICARE/Medicare	2.3	2.3	0.3	2.7	2.8	0.3 <sup>d</sup>	1.4	1.4	0.0
Private nongroup	5.6	5.5	0.0	6.0	5.9	0.1	4.5	4.5	0.0
Uninsured	16.9	17.9 <sup>a</sup>	3.4 <sup>c</sup>	19.5	20.4 <sup>a</sup>	2.4 <sup>c</sup>	10.9	12.1 <sup>a</sup>	1.0 <sup>c</sup>

**SOURCE:** Urban Institute, 2007, based on data from the 2001, 2005, and 2007 March Supplements of the Current Population Survey.

**NOTE:** Excludes those age sixty-five and older and those in the Armed Forces.

<sup>a</sup> Change in percentage of people is statistically significant (at the 95% confidence level).

<sup>b</sup> Change in percentage of people is statistically significant (at the 90% confidence level).

<sup>c</sup> Change in numbers of people is statistically significant (at the 95% confidence level).

<sup>d</sup> Change in numbers of people is statistically significant (at the 90% confidence level).

There was virtually no change in Medicaid, SCHIP, and state coverage; as a result, the uninsurance rate increased by another percentage point, from 16.9 percent to 17.9 percent. The number of uninsured people increased by 3.4 million. The rate of employer coverage in these two years declined, but at a much slower rate than in the earlier four years. The increase in the uninsurance rate together with the increase in population resulted in growth in the uninsured of 3.4 million—slightly more than half of the increase seen between 2000 and 2004.

■ **Adults.** Most of the large increase in the uninsured that occurred between 2000 and 2006 was among adults. During 2000–2004, the rate of employer coverage for adults fell by 4.6 percentage points. But there were small increases in Medicaid coverage (1.2 percentage points) and in other forms of coverage. The uninsurance rate increased from 17.9 percent to 20.6 percent (Exhibit 1). The adult population also increased by 8.5 million. For both reasons, the number of uninsured adults increased by 6.3 million. In the following two years, it increased by another 2.4 million. There was smaller decline in the rate of employer coverage, from 65.2 percent in 2004 to 64.4 percent in 2006, which resulted in an increase in the uninsurance rate from 19.5 percent to 20.4 percent.

■ **Children.** The picture for children is somewhat more complex. Between 2000 and 2004, employer coverage for children dropped by the same magnitude as for adults (4.6 percentage points). But there was a large increase (5.2 percentage points) in Medicaid and SCHIP coverage. As a result, the uninsurance rate for children declined from 12.3 percent to 11.6 percent, and there was a 400,000 decline in the number of uninsured children (Exhibit 1). Between 2004 and 2006, there was a smaller but still significant decline in employer coverage for children, from 61.4 percent to 59.7 percent. There was a small increase in the rate of Medicaid and SCHIP coverage (not statistically significant), and an increase in the uninsurance rate from 10.9 percent to 12.1 percent. As a result, in these two years, the num-

ber of uninsured children increased by 1.0 million. Because increases in public coverage were very small, the decline in employer coverage resulted in an increase in the number of uninsured children.

### Changes In Coverage, By Income

■ **2000–2004.** During this time period, employer coverage declined 5.5 percentage points (from 36.1 percent to 30.6 percent) among children below 200 percent of poverty, but Medicaid and SCHIP coverage increased 8.1 percentage points (Exhibit 2). As a result, the uninsurance rate fell from 21.9 percent to 19.5 percent, and there were 300,000 fewer low-income uninsured children. Among the middle-income group, there was also a fairly large decline in employer coverage but a comparable increase in Medicaid and SCHIP. There was no significant change in the uninsurance rate. Among higher-income children, there was also a decline in the rate of employer coverage, as well as a small increase in the uninsurance rate. As a result, there was no net increase in the number of uninsured children with family incomes above 200 percent of poverty.

Low-income adults fared much differently than low-income children (Exhibit 2). Between 2000 and 2004, there was a significant drop in employer coverage (4.2 percentage points), a smaller increase in Medicaid and state coverage (1.8 percentage points), and an increase in the uninsurance rate of 2.7 percentage points. The number of uninsured low-income adults increased by 4.2 million. The contrast between the changes in coverage for low-income adults and children is striking.

Among middle-income adults, there was also a large decline in employer coverage, little change in Medicaid and state coverage, and an increase in the uninsurance rate of 2.5 percentage points. The number of uninsured middle-income adults increased by 1.5 million. The decline in the employer coverage rate was somewhat smaller for those above 400 percent of poverty. The uninsurance rate still increased, adding 600,000 higher-income adults to the ranks of the uninsured.

## EXHIBIT 2 Health Insurance Coverage Among Nonelderly Americans, By Age And Income, 2000–2004

	Low income			Middle income			High income		
	Coverage distribution		Change (millions of people) 2000–04	Coverage distribution		Change (millions of people) 2000–04	Coverage distribution		Change (millions of people) 2000–04
	2000	2004		2000	2004		2000	2004	
Children (millions)	31.4	33.3	2.0 <sup>c</sup>	23.7	22.8	-0.9 <sup>c</sup>	21.2	21.6	0.4
Employer	36.1%	30.6% <sup>a</sup>	-1.1 <sup>c</sup>	81.1%	78.1% <sup>a</sup>	-1.4 <sup>c</sup>	91.1%	88.9% <sup>a</sup>	-0.1
Medicaid and state	36.5	44.7 <sup>a</sup>	3.4 <sup>c</sup>	4.7	8.1 <sup>a</sup>	0.7 <sup>c</sup>	0.8	1.4 <sup>a</sup>	0.1 <sup>c</sup>
Medicare/TRICARE	2.1	1.6 <sup>a</sup>	-0.1 <sup>c</sup>	1.9	1.4 <sup>a</sup>	-0.1 <sup>c</sup>	1.0	0.9	0.0
Private nongroup	3.5	3.6	0.1	4.4	4.8	0.1	3.9	5.1 <sup>a</sup>	0.3 <sup>c</sup>
Uninsured	21.9	19.5 <sup>a</sup>	-0.3 <sup>d</sup>	7.9	7.6	-0.1	3.1	3.6 <sup>a</sup>	0.1 <sup>c</sup>
Adults (millions)	49.3	56.4	7.1 <sup>c</sup>	50.9	51.9	1.1 <sup>c</sup>	68.6	68.9	0.3
Employer	33.9%	29.7% <sup>a</sup>	0.1	75.9%	72.1% <sup>a</sup>	-1.2 <sup>c</sup>	89.0%	87.0% <sup>a</sup>	-1.1 <sup>c</sup>
Medicaid and state	16.1	17.9 <sup>a</sup>	2.2 <sup>c</sup>	1.5	2.1 <sup>a</sup>	0.3 <sup>c</sup>	0.4	0.5 <sup>a</sup>	0.1 <sup>c</sup>
Medicare/TRICARE	4.4	4.7	0.5 <sup>c</sup>	1.9	2.3 <sup>a</sup>	0.2 <sup>c</sup>	1.1	1.5 <sup>a</sup>	0.3 <sup>c</sup>
Private nongroup	8.0	7.4 <sup>a</sup>	0.2 <sup>d</sup>	5.4	5.7	0.2	4.0	4.6 <sup>a</sup>	0.4 <sup>c</sup>
Uninsured	37.6	40.3 <sup>a</sup>	4.2 <sup>c</sup>	15.3	17.8 <sup>a</sup>	1.5 <sup>c</sup>	5.6	6.5 <sup>a</sup>	0.6 <sup>c</sup>

**SOURCE:** Urban Institute, based on data from the 2005 and 2007 March Supplements of the Current Population Survey.

**NOTES:** Excludes those age sixty-five and older and those in the Armed Forces. Low income is less than 200 percent of the federal poverty level; middle income, 200–399 percent; and high income, 400 percent or more.

<sup>a</sup> Change in percentage of people is statistically significant (at the 95% confidence level).

<sup>b</sup> Change in percentage of people is statistically significant (at the 90% confidence level).

<sup>c</sup> Change in numbers of people is statistically significant (at the 95% confidence level).

<sup>d</sup> Change in numbers of people is statistically significant (at the 90% confidence level).

Thus, between 2000 and 2004, among children and adults at all income levels, we saw declines in the rates of employer coverage. Children were largely unaffected because of the increase in public coverage. The same did not occur for adults; as a result, the number of uninsured adults increased by 6.3 million.

■ **2004–2006.** Employer coverage continued to decline during this period among both children and adults, at all income levels. For low-income children, the employer coverage rate fell 2.5 percentage points, from 32.0 percent to 29.5 percent (Exhibit 3). There was a much smaller increase in Medicaid and SCHIP coverage than occurred in the previous four years. This was not sufficient to offset the decline in employer coverage, and the uninsurance rate for low-income children increased from 18.0 percent to 19.6 percent, or by 500,000 children.

Among middle-income children, there was also a decline in employer coverage. There was a very small increase in Medicaid and SCHIP

coverage, and an increase in the uninsurance rate from 7.3 percent to 9.1 percent. This meant that 400,000 middle-income children lost coverage. High-income children added another 100,000 to the increase in the number of uninsured children.

Among low-income adults, there was a decline in employer coverage of 1.6 percentage points, from 30.3 percent to 28.7 percent (Exhibit 3). The uninsurance rate increased from 39.4 percent to 41.2 percent. Among middle-income adults, the rate of employer coverage fell from 72.8 percent to 71.9 percent and the number of uninsured increased by 300,000. Among adults above 400 percent of poverty, rates of employer coverage declined slightly, resulting in an increased uninsurance rate and an additional 600,000 uninsured people.

Overall, of the 3.4 million increase in uninsured adults and children between 2004 and 2006, 700,000 were middle-income Americans and 800,000 were higher-income Americans. The majority (2.0 million), however, were be-

**EXHIBIT 3**  
**Health Insurance Coverage Among Nonelderly Americans, By Age And Income, 2004–2006**

	Low income			Middle income			High income		
	Coverage distribution		Change (millions of people) 2004–06	Coverage distribution		Change (millions of people) 2004–06	Coverage distribution		Change (millions of people) 2004–06
	2004	2006		2004	2006		2004	2006	
Children (millions)	33.4	33.1	-0.3	22.8	22.6	-0.2	21.6	22.5	0.9 <sup>c</sup>
Employer	32.0%	29.5% <sup>a</sup>	-0.9 <sup>c</sup>	78.3%	75.4% <sup>a</sup>	-0.8 <sup>c</sup>	89.0%	88.5%	0.7 <sup>c</sup>
Medicaid and state	44.6	45.7 <sup>b</sup>	0.3	8.0	8.7 <sup>b</sup>	0.2	1.4	1.7	0.1
Medicare/TRICARE	1.6	1.4	-0.1	1.4	1.7	0.1	0.9	0.9	0.0
Private nongroup	3.9	3.7	-0.1	4.9	5.1	0.0	5.2	5.1	0.0
Uninsured	18.0	19.6 <sup>a</sup>	0.5 <sup>c</sup>	7.3	9.1 <sup>a</sup>	0.4 <sup>c</sup>	3.5	3.9	0.1 <sup>d</sup>
Adults (millions)	56.4	57.7	1.2 <sup>c</sup>	51.8	51.6	-0.3	69.0	72.6	3.5 <sup>c</sup>
Employer	30.3%	28.7% <sup>a</sup>	-0.5 <sup>d</sup>	72.8%	71.9% <sup>a</sup>	-0.7	88.0%	87.5% <sup>b</sup>	2.7 <sup>c</sup>
Medicaid and state	18.0	18.0	0.2	2.2	2.2	0.0	0.5	0.6	0.0
Medicare/TRICARE	4.5	4.7	0.2	2.3	2.6 <sup>b</sup>	0.1 <sup>d</sup>	1.4	1.3	0.0
Private nongroup	7.8	7.4	-0.1	5.9	5.9	0.0	4.7	4.8	0.2
Uninsured	39.4	41.2 <sup>a</sup>	1.5 <sup>c</sup>	16.8	17.4	0.3	5.3	5.9 <sup>a</sup>	0.6 <sup>c</sup>

**SOURCE:** Urban Institute, based on data from the 2005 and 2007 March Supplements of the Current Population Survey..

**NOTES:** Excludes those age sixty-five and older and those in the Armed Forces. Low income is less than 200 percent of the federal poverty level; middle income, 200–399 percent; and high income, 400 percent or more.

<sup>a</sup> Change in percentage of people is statistically significant (at the 95% confidence level).

<sup>b</sup> Change in percentage of people is statistically significant (at the 90% confidence level).

<sup>c</sup> Change in numbers of people is statistically significant (at the 95% confidence level).

<sup>d</sup> Change in numbers of people is statistically significant (at the 90% confidence level).

low 200 percent of poverty. About three-quarters of these were adults, for whom there was no change in public coverage to offset the decline in employer coverage.

**Decline In Employer-Sponsored Insurance Among Workers**

■ **By industry rates of employer coverage.** We further examined the change in employer-sponsored coverage and the uninsured by examining trends among workers, ages 18–64, by industry and firm size (Exhibit 4). We divided workers into industries with high and low rates of employer-sponsored insurance (ESI), meaning those with ESI rates above and below 80 percent in 2000. High-ESI industries include manufacturing, finance, and public administration. Low-ESI industries include services, construction, and retail trade.

There was a substantial increase in workers in low-ESI industries: the number increased by 6.5 million over the 2000–2006 period. The growth in employment was largely in service

industries and construction, which increased by 4.4 million and 2.5 million workers, respectively, between 2000 and 2006 (data not shown). The number in high-ESI industries declined by 2.1 million between 2000 and 2004 and grew by 1.0 million between 2004 and 2006, a net decline of 1.1 million. The net decline was dominated by a reduction in manufacturing employment, which fell by 3.6 million between 2000 and 2006; employment in some high-ESI industries such as education and finance actually increased (data not shown).

Rates of employer coverage also declined more in low-ESI industries than in high-ESI industries between 2000 and 2004 (4.2 versus 1.6 percentage points, respectively; Exhibit 4). As a result, the uninsurance rate increased by 3.0 percentage points in the former versus 1.0 percentage point in the latter. Between 2004 and 2006, ESI rates declined in both low- and high-ESI industries but somewhat more so in low-ESI industries. As a result, the increase in

**EXHIBIT 4**  
**Change In Insurance Status Of Nonelderly Workers, By Firm Size And Industry, 2000–2004 And 2004–2006**

	Percent of population by coverage type, 2006		Change in millions of people		Change in percent with employer coverage		Change in percent uninsured		Change in millions of uninsured	
	Empl.	Unins.	00–04	04–06	00–04	04–06	00–04	04–06	00–04	04–06
All workers	70.9%	18.8%	1.4**	4.0**	-3.7%**	-0.8%**	2.5%**	1.0%**	3.8**	2.2**
Workers in high-ESI industries	83.5	9.9	-2.1**	1.0**	-1.6**	-0.7*	1.0**	0.6*	0.3*	0.4**
Workers in low-ESI industries	64.6	23.2	3.5**	3.0**	-4.2**	-0.8**	3.0**	1.2**	3.5**	1.8**
Self-employed or small firm	52.0	30.8	3.8**	0.1	-5.0**	-1.6**	3.4**	1.9**	2.5**	0.9**
Medium firm	75.8	16.7	-1.3**	2.7**	-1.9**	-1.4**	1.4**	1.4**	0.4**	1.1**
Large firm	81.8	11.0	-1.1**	1.3**	-2.5**	-0.2	1.7**	0.2	0.8**	0.3

**SOURCE:** Urban Institute, 2007, based on data from the 2001, 2005, and 2007 March Supplements of the Current Population Survey.

**NOTES:** Excludes those age sixty-five and older and those in the Armed Forces. ESI is employer-sponsored insurance.

\* $p < 0.10$  \*\* $p < 0.05$

the uninsurance rate was greater in low-ESI industries. The net result was that the increase in uninsured workers occurred predominantly in low-ESI industries in both periods. Overall, 70 percent of the increase in uninsured workers occurred in service and construction industries (data not shown).

■ **By firm size.** Workers in small firms or who were self-employed had much lower employer coverage rates and much higher uninsurance rates than other workers (Exhibit 4). Employment among the self-employed and in small firms increased sharply between 2000 and 2004, and the declines in employer coverage rates and increases in uninsurance rates were greatest among these workers: together they accounted for 3.4 million of the 6.0 million increase in uninsured workers over the combined period.

### Other Factors

We also examined changes in coverage by race/ethnicity, citizenship, and region (Exhibit 5).<sup>12</sup> We found that each race/ethnicity group experienced declines in employer-sponsored insurance between 2000 and 2004. Whites and Hispanics experienced significant declines between 2004 and 2006. Hispanics ac-

counted for more than half of the growth of the U.S population in both periods. Hispanics have lower rates of employer coverage and higher uninsurance rates than black or white non-Hispanic Americans. Hispanics accounted for almost 40 percent of the increase in the uninsured over the entire period despite accounting for only 16 percent of the nonelderly population in 2006.<sup>13</sup>

Native U.S. citizens experienced declines in employer coverage and increases in their uninsurance rate in both periods and accounted for more than 70 percent of the increase in the number of uninsured people. Noncitizens (legal and undocumented) accounted for about 20 percent of the increase in the uninsured but only 8 percent of the population. Noncitizens have much lower rates of employer coverage and higher uninsurance rates than do native or naturalized citizens. The number of noncitizens grew by 2.4 million, and noncitizens also had the largest increase in uninsurance rates over the 2000–2006 period; as a result, the number of uninsured noncitizens increased to 10.0 million in 2006.<sup>14</sup>

Finally, we observed a decline in the rate of employer coverage in each region between

**EXHIBIT 5**  
**Change In Coverage Status Of The Nonelderly U.S. Population, By Selected Characteristics, 2000–2004 And 2004–2006**

	Percent of population by coverage type, 2006		Change in millions of people		Change in percent with employer coverage		Change in percent of uninsured		Change in millions of uninsured	
	Empl.	Unins.	00–04	04–06	00–04	04–06	00–04	04–06	00–04	04–06
All nonelderly	63.0%	17.9%	10.0**	4.9**	-4.6%**	-1.0%**	1.7%**	1.0%**	6.0**	3.4**
White (non-Hispanic)	70.9	12.6	0.7	0.6	-4.4**	-0.5**	1.9**	0.3	3.3**	0.6*
Black (non-Hispanic)	51.8	21.8	0.8**	0.6*	-4.0**	-0.7	1.2*	1.7**	0.5**	0.7**
Hispanic	41.0	35.7	5.4**	2.8**	-3.1**	-2.1**	-0.3	2.4**	1.8**	1.9**
Other	62.0	17.8	3.2**	1.0**	-2.5**	-0.5	-1.4*	0.3	0.4**	0.2
U.S. citizen—native	65.2	15.0	7.1**	3.1**	-4.5**	-1.0**	1.5**	0.9**	4.4**	2.4**
U.S. citizen—naturalized	64.1	19.9	1.3**	0.9**	-3.0**	-1.0	0.9	0.2	0.4**	0.2*
Noncitizen	39.4	46.6	1.5**	0.9**	-4.9**	-0.7	2.5**	2.0**	1.2**	0.8**
Northeast	68.0	14.0	1.1**	0.0	-3.1**	-1.0**	1.2**	0.4	0.7**	0.2
Midwest	69.1	12.9	0.9**	0.5**	-4.9**	-0.9*	1.6**	0.1	1.0**	0.1
South	59.6	21.5	5.1**	2.5**	-5.1**	-1.3**	2.5**	1.5**	3.2**	1.9**
West	58.8	19.9	2.9**	2.0**	-4.2**	-0.6	0.7*	1.3**	1.0**	1.1**

**SOURCE:** Urban Institute, 2007, based on data from the 2001, 2005, and 2007 March Supplements of the Current Population Survey.

**NOTE:** Excludes those age sixty-five and older and those in the Armed Forces.

\**p* < 0.10 \*\**p* < 0.05

2000 and 2004 and in three out of four regions between 2004 and 2006. The number of uninsured people also increased in each region. However, more than 75 percent of the growth in the uninsured occurred in the South and the West. This is due in part to the fact that most of the population growth in the United States occurred in these two regions, which have lower employer coverage rates and higher uninsurance rates than in the rest of the nation.<sup>15</sup> The South in particular had a large drop in the rate of employer coverage and an increase in the uninsurance rate in both periods. Thus, more than half of the increase in the uninsured in both periods occurred in the South.

**Discussion**

In this paper we examine coverage trends over two periods, one in which the U.S. economy was in recession or emerging from it, and one in which the economy was clearly expanding. Over both periods, the dominant factor was the decline in employer coverage. Overall, this coverage fell from 67.8 percent to 63.3 per-

cent between 2000 and 2004 and from 64.0 percent to 63.0 percent between 2004 and 2006 (the different percentages for 2004 reflect the change in survey methodology).

The decline was much greater in the first period, reflecting poor economic conditions. But the rate of employer coverage continued to decline even when the economy improved. For adults, this led to an increase in the uninsurance rate and more uninsured people. Over the two periods, the number of adults without coverage increased by 8.7 million because the decline in employer coverage was not offset by much of an increase in public coverage.

For children, the decline in employer coverage was offset by large growth in Medicaid and SCHIP in the first four years of the decade. During 2004–2006, Medicaid and SCHIP growth was quite small, and the uninsurance rate for children and the number of uninsured children both increased. As states experienced deteriorating fiscal conditions, they adopted policies that restricted growth in these programs. As a result, the number of uninsured

children increased by 1.0 million between 2004 and 2006, after having fallen by 400,000 between 2000 and 2004.

The decline in employer coverage was much greater for low-income adults and children than their higher-income counterparts. We have shown that the declines in employer coverage for low-income adults and children were virtually always greater in percentage point terms than the declines for higher income groups. Because the level of employer coverage was lower, the percentage declines were much greater for the low income than for high income; for example, between 2000 and 2004, the rate of employer coverage fell by 13.6 percent for low-income people and 2.3 percent for those with incomes above 400 percent of the poverty level.<sup>16</sup> Between 2004 and 2006, employer coverage fell by 6.2 percent for those below 200 percent of the poverty level and by 0.6 percent for those at or above 400 percent of poverty. Thus, the data show that employer coverage is clearly declining at all income levels, but primarily among those with the lowest incomes. Employer coverage rates are also declining the most in the South, in low-ESI industries such as services and construction, and in smaller firms and among the self-employed. These changes are related to income, but not entirely. We also saw larger drops in employer coverage rates for noncitizens than for native U.S. citizens.

The decline in employer coverage can be traced to greater increases in health insurance premiums than in wages.<sup>17</sup> Richard Kronick and Todd Gilmer have demonstrated the relationship between the faster growth in health care spending relative to incomes and the number of uninsured people.<sup>18</sup> As health insurance becomes more and more expensive, it adds more to the cost of a worker's total compensation package. To the extent that firms cannot shift this back to workers in the form of lower wages, they become less likely to offer coverage. At the low end of the income scale, premiums add much more to compensation and often cannot be shifted back to workers. Nor are the tax benefits at the low end of the income distribution particularly great, which

weakens the incentive to give up wages for health insurance. For higher-income people, the tax exclusion of employer contributions to health insurance provides valuable tax-exempt compensation. Thus, it is not surprising that the rate of employer coverage is declining very little for higher-income people.

The decline in employer coverage can also be traced to broader changes in employment and population migration. The shift in employment to service industries and construction and away from large-scale manufacturing is clearly contributing to the coverage decline. The movement of the population to the South and West, again away from large manufacturing industries in the North and Midwest, is also contributing to the decline. The increase in the number of noncitizens also contributes, but in a relatively minor way. As we have shown, noncitizens contribute only about 20 percent to the growth in the number of uninsured people over this period.

It is striking that the rate of employer coverage declined and the number of uninsured people increased even after the U.S. economy rebounded from the recent recession. This erosion will likely continue, particularly for low-income workers, because the basic factors underlying it seem unlikely to change.

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## NOTES

1. C. DeNavas-Walt, B.D. Proctor, and J. Smith, *Income, Poverty, and Health Insurance Coverage in the United States* (Washington: U.S. Census Bureau, August 2007).
2. Ibid.
3. V. Smith et al., "Medicaid Budgets, Spending, and Policy Initiatives in State Fiscal Years 2005 and 2006: Results from a Fifty-State Survey" (Washington: Kaiser Commission on Medicaid and the Uninsured, October 2005).
4. Employment data are from the Current Employment Statistics survey, Bureau of Labor Statistics, 2006. Data on gross domestic product are from the Bureau of Economic Analysis.
5. K. Lewis, M. Ellwood, and J.L. Czajka, "Counting the Uninsured: A Review of the Literature," *Assessing the New Federalism Occasional Paper no. 8* (Washington: Urban Institute, 1998); and Congressional Budget Office, "How Many People Lack Health Insurance and for How Long?" (Washington: CBO, 2003).
6. DeNavas-Walt et al., *Income, Poverty, and Health Insurance Coverage*.
7. State Health Access Data Assistance Center, "Findings from the 2005 Current Population Survey, SHADAC Conference Call Highlights," September 2006, [http://www.shadac.umn.edu/img/assets/18528/CPS2005Summary\\_Sep2006.pdf](http://www.shadac.umn.edu/img/assets/18528/CPS2005Summary_Sep2006.pdf) (accessed 25 January 2008); and U.S. Census Bureau, "Current Population Survey, 2005 and 2006 Annual Social and Economic (ASEC) Supplement, User Note 1," March 2007, <http://www.census.gov/hhes/www/hlthins/usernote/usernote3-21rev.html> (accessed 25 January 2008).
8. The CPS permits calculation of HIU-level income data because it contains person-level income data that can be summed to any larger unit (HIU, subfamily, family, and so on).
9. J. Holahan, C. Hoffman, and M. Wang, "The New Middle Class of Uninsured Americans—Is It Real?" (Washington: Kaiser Commission on Medicaid and the Uninsured, March 2003).
10. The federal poverty level was \$17,603 for a family of four in 2000, \$19,307 for a family of four in 2004, and \$20,614 for a family of four in 2006.
11. Holahan et al., "The New Middle Class."
12. A full set of tables on trends in coverage by race/ethnicity, citizenship, age, and region can be obtained from the authors.
13. An algebraic decomposition showed that almost all of the increase in the number of uninsured Hispanics between 2000 and 2004 and half of the growth in the number of uninsured Hispanics between 2004 and 2006 was due to increases in the number of Hispanics.
14. We estimate that more than half of the increase in the number of uninsured noncitizens was due simply to the increase in the number of noncitizens. The remainder of the increase was due to greater likelihood of being uninsured.
15. We estimate that about one-quarter of the increase in the number of uninsured people in the South and West was due to population expansion, with the remainder due to increased uninsurance rates.
16. Tables containing these data can be obtained from the authors.
17. Between 2000 and 2004, premiums increased at an annual rate of 9.2 percent while workers' earnings increased by 2.9 percent. Between 2004 and 2006, premiums increased by 8.4 percent per year while workers' earnings increased by 3.5 percent per year. See the Henry J. Kaiser Family Foundation/Health Research and Educational Trust (HRET) Survey of Employer-Sponsored Health Benefits, 2001–2006; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001–2006; and Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001–2006.
18. R. Kronick and T. Gilmer, "Explaining the Decline in Health Insurance Coverage, 1979–1995," *Health Affairs* 18, no. 2 (1999): 30–47; and T. Gilmer and R. Kronick, "Calm Before the Storm: Expected Increase in the Number of Uninsured Americans," *Health Affairs* 20, no. 6 (2001): 207–210.