

The Uninsured: Indiana's Rising Healthcare Dilemma

Too many Hoosiers live without health insurance. In 2006, nearly one of every seven Indiana residents under age 65 was uninsured.¹ Those who live without health insurance are more likely to neglect preventive care, experience poorer health, die prematurely, and face excessive medical debt, all of which impact the state's economy.² But additionally, experts say that large numbers of uninsured actually drive up the cost of care for those who are insured,³ so high rates of affect all of us, not just the uninsured.

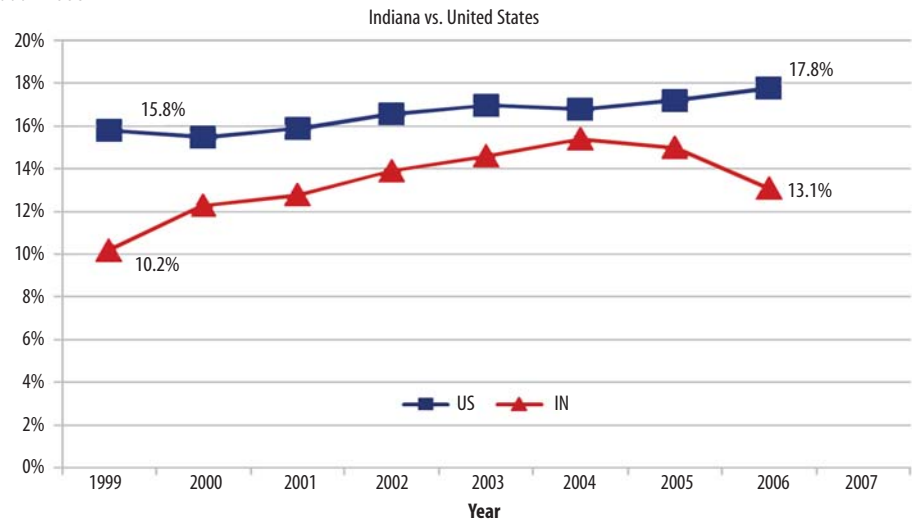
National and State Trends

Between 1999 and 2006, the percentage of uninsured under age 65 in the U.S. grew from approximately 16% to 18% (see Figure 1). Not so many years ago, when manufacturing dominated the state's economy, Indiana enjoyed relatively low numbers of uninsured. But over the past eight years, while the proportion of uninsured has increased, Indiana has experienced more than a 4% drop in the population who have employer-sponsored insurance (see Figure 2).

Experts believe that the drop in employment-based coverage across the nation is in response to rising healthcare costs and other adverse economic circumstances.⁴ Another factor is lower uptake rates on the part of employees and their dependents; i.e., fewer employees choosing to enroll in employer-sponsored healthcare plans.⁵ Additionally, between 2000 and 2004, enrollment in public health insurance

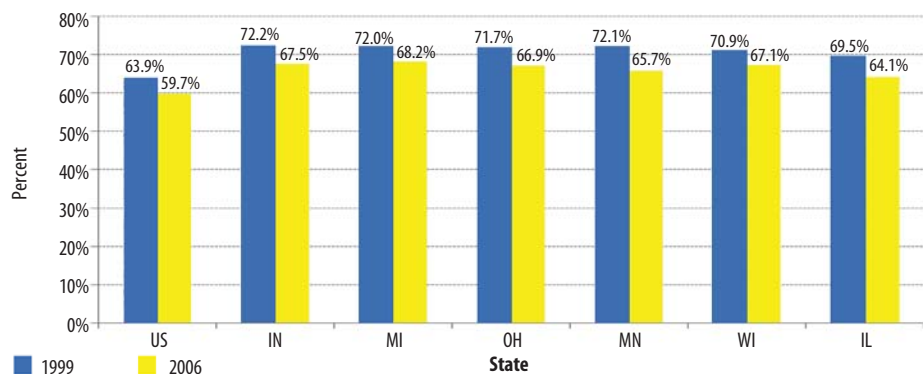
programs increased, offsetting decreases in employer coverage. But more recently, public program expansions have been inadequate to stem the continued increase in the uninsured.⁶

Figure 1. Percent of the Population Under 65 Uninsured at Any Given Time, Indiana vs. United States, 1999–2006¹



Source: U.S. Census Current Population Survey, 2007.

Figure 2. Percent of Total Population with Employment-Based Health Insurance, US and States in the Great Lakes Region (1999 vs. 2006)¹



Source: US Census Current Population Survey, 2007.



Who Are Indiana's Uninsured?

A common misconception is that the uninsured are unemployed and from low-income families. In fact, lack of insurance is more prevalent among working families whose incomes exceed the level that would qualify them for Medicaid.⁷

Residents of rural communities are more likely to be uninsured than urban residents, and the likelihood of being uninsured is greater for residents of rural communities that do not border urban settings.⁸ Racial and ethnic minorities are also more likely to be uninsured. Among Indiana residents, approximately 17% of African Americans, 38% of Hispanics, and 45% of foreign-born citizens are uninsured (see Table I). Uninsured minorities tend to have lower family income than uninsured whites and are less likely to be able to purchase private insurance.⁹

Cost Shifting

The uninsured impact the cost of healthcare through a process known as *cost shifting*. Cost shifting occurs when providers such as hospitals make up for the unpaid costs of care delivered to one patient population by increasing the cost of services

charged to other patient populations.¹⁰ When persons without health insurance fail to pay their bills, and neither collection efforts nor government subsidies fully cover such expenses, health providers may increase charges to other patients to cover the cost of providing this uncompensated care.

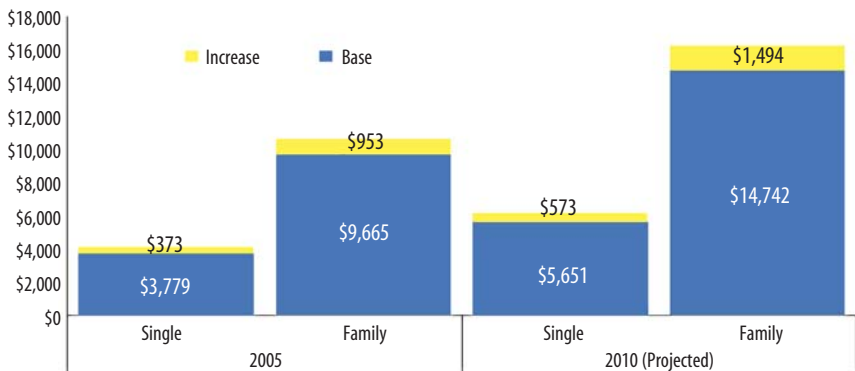
A recent study by Families USA estimated that cost-shifting resulted in Hoosiers paying an extra \$373 for single coverage and \$953 for family coverage in 2005. By 2010, increases could be as high as \$573 for single and \$1,494 for family coverage (see Figure 3). When premiums increase, fewer people are able to afford insurance, further aggravating the cost shifting phenomenon.¹¹

Table I. Indiana's Uninsured Population by Income Level and Educational Attainment, 2002 and 2006¹

	2002	2006	Change
Annual Income			
< \$5000	41.9%	35.4%	-6.5%
\$5,000 to \$14,999	21.2%	18.8%	-2.4%
\$15,000 to \$24,999	19.0%	20.6%	+1.6%
\$25,000 to \$49,999	15.2%	14.8%	-0.4%
\$50,000 or more	7.4%	7.2%	-0.2%
Educational attainment (people 16 and older)			
No high school diploma	17.1%	18.7%	+1.6%
High school or equivalent	15.0%	14.1%	-0.9%
Some college, less than 4-year degree	11.6%	11.7%	+0.1%
Bachelor's degree or higher	7.7%	5.5%	-2.2%
Race			
White non-Hispanic	11.6%	9.7%	-1.9%
Black non-Hispanic	18.5%	16.9%	-1.6%
Hispanic	17.8%	37.9%	20.1%
Citizenship (Nativity)			
Native	12.3%	13.2%	0.9%
Naturalized citizen	17.0%	16.4%	-0.6%
Not a citizen	42.8%	45.0%	2.2%

Source: U.S. Census Current Population Survey, 2007.

Figure 3: Annual Premiums for Hoosiers with Single or Family Coverage with Estimated Increases Attributed to High Numbers of Uninsured³



Source: Families, USA, 2005

Methodology Note

Government agencies use several surveys to estimate the number of uninsured. The data used in this issue brief have been drawn from the *U.S. Census Current Population Survey (CPS) Annual Social and Economic Supplement*. This survey measures the number of people who go without health insurance coverage for the entire year, a group often referred to as the *chronically uninsured*.

Other surveys such as the *Medical Expenditure Panel Survey (MEPS)*, administered by the U.S. Department of Health and Human Services, and the *National Health Interview Survey*, administered by the Centers for Disease Control, collect data on the number of people who are uninsured at any point in time during the year. These latter surveys can produce different results because they include people who are only temporarily uninsured in addition to the chronically uninsured. For example, for the first half of 2006, the MEPS indicated that 19.4% of Americans under age 65 were uninsured (at any time).¹² This is higher than the CPS estimate for that year (17.8%).

Thoughts for Policymakers

There are two basic strategies for reducing the number of uninsured in our current healthcare system: 1) expand government-sponsored programs, and 2) facilitate enrollment into private insurance plans.

Indiana has a number of traditional government sponsored programs to provide coverage for low income and other vulnerable Hoosiers, including Medicaid, SCHIP, Hoosier Healthwise, and the Indiana Comprehensive Health Insurance Association (the state's high-risk pool). Yet, there are an estimated 380,000 Hoosiers living at or below 200% of the federal poverty level (FPL) who do not have health insurance. To help curb this problem, in May 2007, the Indiana legislature passed, and the governor signed into law, the Healthy Indiana Plan (HIP). This program is designed to provide coverage to uninsured Hoosiers with household incomes at or below 200% of the FPL and who are otherwise ineligible for Medicaid or employer-based health insurance. Researchers estimate that there is enough funding from a 44 cent increase in the tobacco tax to cover approximately 130,000 people,¹³ about 35% of Indiana's low-income chronically uninsured.

HIP is a step in the right direction, but appears to be able to reach only 23% of the 561,000 Hoosiers who are uninsured on any given day. In order to address the issue of the uninsured in a comprehensive manner, policymakers need to consider adopting more

expansive reform measures.

States such as Massachusetts and Colorado have either implemented or are proposing to adopt an individual mandate that would require all residents to purchase some minimum benefit plan. Such programs are usually complemented by additional insurance market regulations to ensure people who are now mandated to buy insurance in the private market are able to do so. Also, as part of an insurance mandate policy, subsidies are provided to low-income residents to offset the financial burden of their insurance purchases. Mandates are typically enforced by a fee or tax penalty for non-compliance.

There are, however, challenges to implementing an individual mandate in Indiana. One barrier is access to the insurance market for those who are either ineligible for or do not have access to employer-based insurance. This problem might be overcome by instituting an insurance exchange similar to Massachusetts' Commonwealth Connector. A health insurance exchange operates much like a stock exchange and serves to lower prices in the individual coverage market. It would give consumers more choice in insurance plans, allow coverage portability, and increase employers' flexibility in offering health benefits.¹⁴

Given the complex mix of government and privately funded healthcare, more discussion is needed on coordinating public and private insurance.

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CENTER FOR HEALTH POLICY

About This Report

This report is part of a series on the healthcare system in Indiana. It was created as a result of the work of the Indiana University Healthcare Reform Faculty Study Group, a group of faculty members and analysts from the following Indiana University organizations:

- IU Center for Health Policy
- IUPUI Consortium for Health Policy, Law, and Bioethics
- William S. and Christine S. Hall Center for Law and Health
- IU School of Medicine



The Indiana University Center for Health Policy is an independent, nonpartisan applied research unit within the Indiana University School of Public and Environmental Affairs at Indiana University–Purdue University Indianapolis (IUPUI). CHP researchers work on critical policy issues related to the health of Hoosiers and the quality and accessibility of healthcare in Indiana. The CHP is part of the Indiana University Public Policy Institute and the Consortium for Health Policy, Law, and Bioethics, a Signature Center at IUPUI. For more information, visit the CHP Web site at <http://www.healthpolicy.iupui.edu>.

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