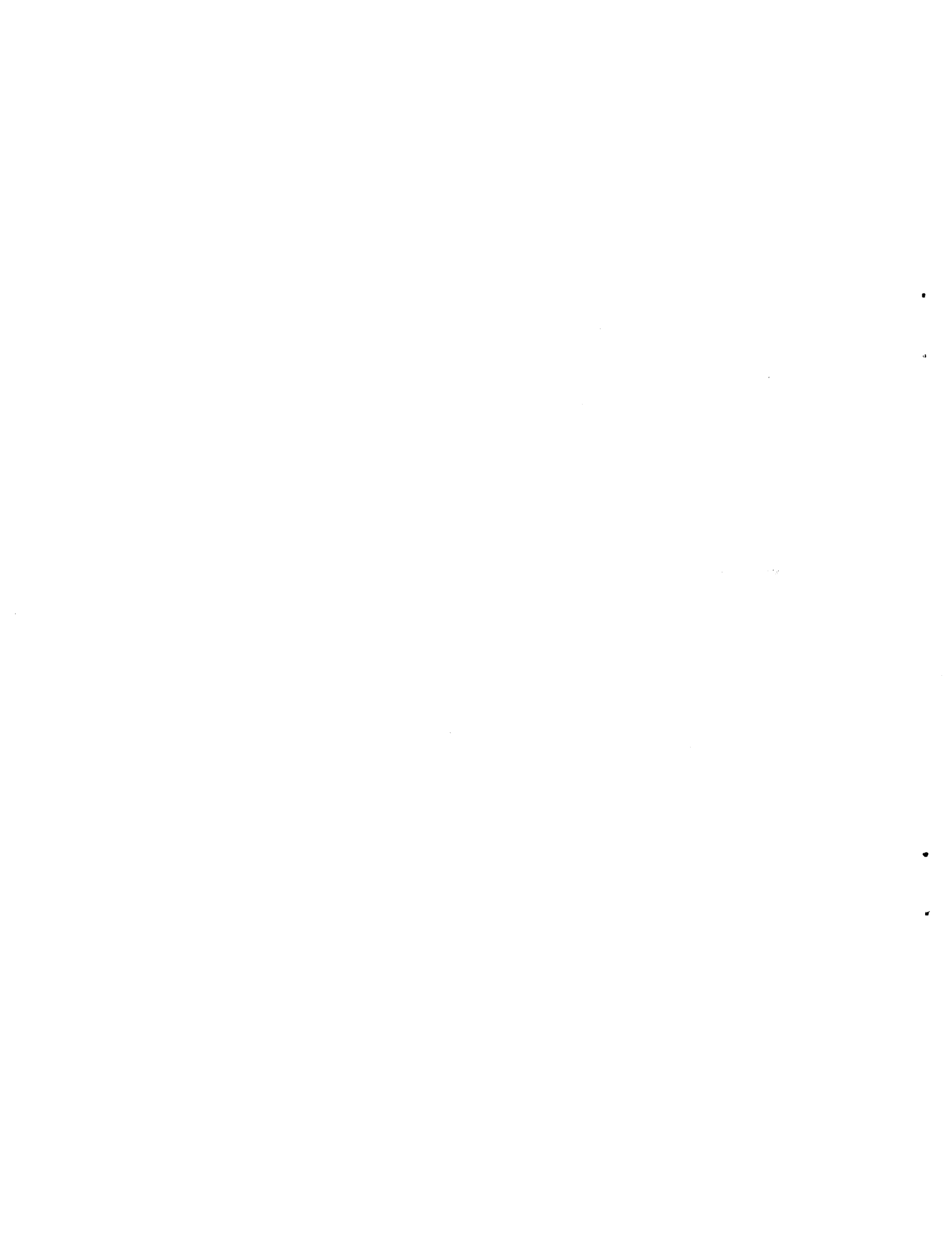


**NUMBER AND CHARACTERISTICS
OF THE
INDIVIDUALLY INSURED,
SMALL-GROUP INSURED,
AND UNINSURED
IN KENTUCKY**

RESEARCH MEMORANDUM NO. 474

LEGISLATIVE RESEARCH COMMISSION

MARCH, 1997



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IN KENTUCKY**

**Prepared by:
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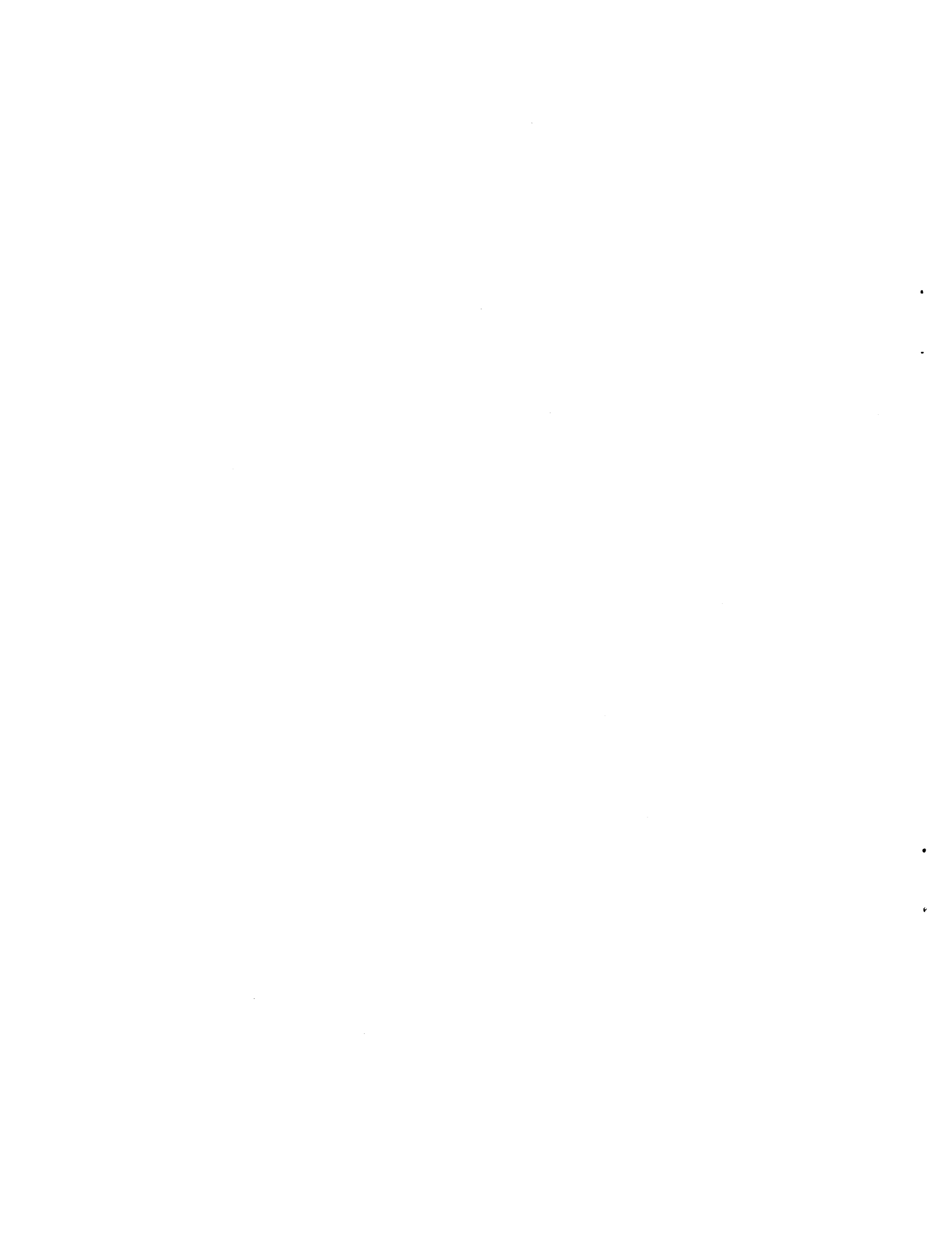
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MEMORANDUM

TO: Don Cetrulo, Director
Legislative Research Commission

FROM: Ginny Wilson, Ph.D.
LRC Chief Economist

SUBJECT: Report of Data on the Number and Characteristics of
Individually Insured, Small-Group Insured, and Uninsured

DATE: March 18, 1997

The purpose of this memo is to report staff analysis of newly available data on three segments of the Kentucky population — those who reported that they obtain health insurance policies in the individual segment of the health insurance market, those who reported that they obtain health insurance policies in the small group segment of the health insurance market, and those who reported that they have no health insurance, with particular attention given to those who reported being newly uninsured or having uninsured children in the household. Also included is a summary of an exploratory mail survey of small employers who offered health insurance. The data was obtained from three recent surveys of Kentucky households.



EXECUTIVE SUMMARY

Recent policy debates on health insurance reform were hampered by the fact that little reliable information was available on the numbers and characteristics of Kentuckians in the affected segments of the insurance market. The 1996 debate on revisions to reforms initially adopted in 1994 was also hampered by the fact that little reliable data existed on the characteristics of the individual and small-group health insurance markets before any reforms were adopted, and how those markets were changed when initial reform provisions were implemented.

Since it is likely that the policy debate on health insurance reform will continue in future General Assemblies, the Legislative Research Commission sponsored a telephone survey of Kentucky households to gather data on the three segments of the insurance market most affected by changes in insurance laws, along with an additional group in which there is particularly policy interest. These are:

- Adults covered under health insurance policies purchased directly from insurance companies;
- Adults covered under health insurance policies provided through employers with fewer than 50 employees;
- The uninsured, particularly those newly uninsured within the past 12 months;
- Households with uninsured children.

Responses to the Health Insurance Survey, and other available surveys, were used to estimate characteristics of Kentuckians in the four groups of interest at the particular time data was collected. Significant changes have occurred since the data was collected, particularly in the individual insurance market, as insurers withdrew from Kentucky and as it was determined that chambers of commerce and the Farm Bureau could take into account health status in setting the premium for an individual policy. The only reliable way to assess the on-going changes in these market segments is to repeat the data collection at some reasonable interval. *Thus, survey results presented in this memo represent a **baseline snapshot** of the individual and small-group markets after implementation of most of the provisions of HB 250 and before implementation of most of the provisions of SB 343. Unfortunately, there is no baseline of pre-HB 250 data for comparison. In order to determine how provisions of SB 343 are affecting these markets it would be necessary to repeat the survey, and see how characteristics of policies and covered adults had changed from the baseline snapshot presented here.*

INDIVIDUALLY INSURED

1. Number

It is estimated that 5.5% of the Kentucky population (or 6.3% of the population under 65) are covered under health insurance policies purchased directly from insurance companies. Based on the 1995 Kentucky population, this is about 210,000 individuals.

2. Characteristics of Adults

- 47% were female, and 53% were male
- Average age was 43
- Median household income was between \$25,000 and \$35,000
- 55% worked outside the home
- 85% scored in the best two out of the four categories of a standard health status index
- 5% scored in the worst category of a standard health status index
- 27% smoked regularly in the past two years
- 60% reported 2 or fewer doctor visits in the previous year, while 12% reported 7 or more
- Nearly 30% were under age 40 and scored in the best category of the health status index.

3. Characteristics of Policies

| Characteristic | Percent of Individual Policies |
|--|--------------------------------|
| Issuing Company | |
| Blue Cross/Blue Shield | 48 |
| Humana | 5 |
| American Medical Security | 3 |
| Golden Rule | 3 |
| Kentucky Kare | 3 |
| Other | 33 |
| Unknown | 6 |
| Total | 100 |
| Purchased through KY Health Purchasing Alliance | 20 |
| Identified as a standard plan | 25 |
| Had managed care features | 46 |
| Had deductible greater than \$1,000 | 25 |

4. Knowledge of Changes in the Law

- 67% had heard of changes in the law
- 37% thought the changes would directly affect them
- 28% said they were familiar with standard plans
- Slightly less than 20% correctly knew that, under standard plans, anyone could buy a policy no matter how sick, and that individuals with similar characteristics would pay the same no matter whether they were healthy or sick

SMALL-GROUP INSURED

1. Number

It is estimated that 9.3% of the Kentucky population (or 10.7% of the population under 65) are covered under health insurance policies purchased through an employer with fewer than 50 employees. Based on the 1995 Kentucky population, this is about 360,000 individuals.

2. Characteristics of Adults

- Females and males each accounted for about half these respondents
- Average age was 39
- Median household income was between \$25,000 and \$35,000
- 62% worked outside the home
- 90% scored in the best two out of the four categories of a standard health status index
- 2% scored in the worst category of a standard health status index
- 29% smoked regularly in the past two years
- 67% reported 2 or fewer doctor visits in the previous year, while 9% reported 7 or more
- Nearly 40% were under 40 and scored in the best category of the health status index.

3. Characteristics of Policies

| Characteristic | Percent of Small-Group Policies |
|--|------------------------------------|
| Issuing Company | |
| Blue Cross/Blue Shield | 49 |
| Alternative Health Delivery Systems | 4 |
| Humana | 8 |
| Aetna | 2 |
| HealthWise | 2 |
| Other | 28 |
| Unknown | 7 |
| Total | 100 |
| Purchased through KY Health Purchasing Alliance | |
| | 17 |
| Identified as a standard plan | |
| | 18 |
| Had managed care features | |
| | 58 |
| Had deductible greater than \$1,000 | |
| | 9 |

4. Knowledge of Changes in the Law

- 65% had heard of changes in the law
- 24% thought the changes would directly affect them
- 21% said they were familiar with standard plans
- Approximately 13% correctly knew that, under standard plans, anyone could buy a policy no matter how sick, and that individuals with similar characteristics would pay the same no matter whether they were healthy or sick

UNINSURED

1. Number

- There has recently been some confusion about various estimates of the number of uninsured in Kentucky and whether different estimates can be used to gauge changes in the number of uninsured since new laws governing health insurance were enacted. Generally, differences in the estimates offer no reliable measure of changes in the number of uninsured in the state.
- The most recent point estimates of the percentage of uninsured in Kentucky by the Bureau of the Census from the CPS were 15.2% in 1994 and 14.6% in 1995. This gives a 1995 point estimate of about 560,000 uninsured in Kentucky.
- The standard error on either of the estimates is +/- 1.3 percent. Therefore, the Bureau did not find a statistically significant change in the state's percentage of uninsured from 1994 to 1995.
- This does not mean that it is safe to conclude that there was not a change in the number of uninsured in the state. It means that, if changes occurred, they were not large enough to be identifiable using the Bureau of the Census' current methodology for estimating the number of uninsured by state.

2. Characteristics

- Uninsured adults were significantly more likely to be younger, have less family income (median was \$10,000 - \$15,000), and not be currently employed than the privately insured.
- Uninsured adults were significantly more likely to have worse scores than insured adults on two items of a standard health index.
- 68% said they did not have health insurance because they could not afford it; 5% said a medical condition prevented them from getting coverage.
- 40% had been uninsured for a year or less, while 42% had been uninsured for 5 years or more. It is likely that effective policy proposals for the temporarily uninsured would be different than those for the chronically uninsured.
- Of those previously insured, 74% said coverage ended with a change in either employment or family status (such as divorce or reaching adulthood).
- 18% of the previously insured said they dropped coverage because the premium became too expensive.

3. Newly Uninsured within the Past 12 Months

- Average age was 37.
- Median household income was \$15,000 - \$25,000.
- 69% said previous coverage was through an employer; 24% had held an individual policy.
- 58% of the previous policies covered 1-2 adults, and no children.
- 66% said they dropped coverage because of a change in employment or family status.
- 18% of these households said they dropped coverage because they could no longer afford it. This response was given by 50% of those who had previously held an individual policy.
- 29% had heard of changes in the law but only 3% were familiar with standard plans.

UNINSURED CHILDREN

- 13% of Kentucky's children, or 125,000, are uninsured, based on an average of the estimates by the Census Bureau for 1991 - 1995.
- 43% of uninsured children live in families with incomes below 100% of the federal poverty level.
- 86% of uninsured children live in families with incomes below 250% of the federal poverty level.
- 25% of uninsured children are under 5, and 31% are between 13 and 17.
- 20% of uninsured children live with an adult who has insurance, usually through an employer.
- 82% of uninsured children live with 2 or more adults.
- The median amount adults in families with uninsured children said they would be willing to pay for one basic child's policy was \$30.
- There are approximately 600,000 children in Kentucky covered by private insurance.
- Although "only" 18% of privately insured children live in families with incomes below the federal poverty level, compared to 62% of uninsured children, there are approximately 108,000 insured children in this income class, compared to about 77,000 uninsured children.
- The cost of subsidizing insurance for currently uninsured children is likely to be significantly underestimated unless the estimate incorporates the large number of insured children in the income classes deemed eligible for a subsidy. Many families with currently insured children who meet income criteria would be expected to drop current coverage to avail themselves of an income-based subsidy.

INTRODUCTION

HB 250, enacted by the 1994 General Assembly, mandated that health insurance policies sold by insurers directly to individual policyholders (meaning they were not purchased through membership in any group), and group policies sold to employers with fewer than 100 employees be priced according to a modified community rating system.¹ The modified community rating structure enacted in HB 250 no longer allowed health status or gender to be considered in setting the price charged for health insurance policies sold in these segments of the market. The price considerations for age were limited by a provision that the oldest policy holder could be charged no more than 3 times the premium charged the youngest adult. The only other factors which could be considered were geographic location and, for small employers, type of industry. However, the effect of these last two factors on premiums was limited to 15% when comparing the highest to the lowest.

The 1996 General Assembly enacted SB 343, which made significant modifications to the insurance provisions of HB 250. First, policies sold to employers with 50 to 99 employees were no longer subject to the rating restrictions. Second, the bands allowed on premium rates were widened so that females of a specific age could be charged a premium 1.5 times as much as males of the same age, and the oldest policyholders could be charged a premium greater than that of the youngest adults, but the highest premium for a particular policy could be no more than 5 times the lowest premium, considering all demographic factors. Finally, insurance plans sold by associations of small employers and individuals were exempt from the restrictions set in the modified community rating structure.

The policy debate on both of these bills was hampered by the fact that little reliable information was available on the numbers and characteristics of Kentuckians in the affected segments of the insurance market. The debate on SB 343 was also hampered by the fact that little reliable data existed on the characteristics of the individual and small-group health insurance markets before the passage of HB 250, and how those markets were changed when its provisions were implemented.

Since it is likely that the policy debate on health insurance reform will continue in future General Assemblies, the Legislative Research Commission sponsored a telephone survey of Kentucky households to gather data on the three segments of the insurance market most affected by the changes in the insurance laws - policyholders in the individual market, policyholders in the small-group market, and the uninsured. Because legislators had expressed particular interest in the characteristics of uninsured children, information on this group was sought as well.

Responses to survey questions are used to estimate the characteristics of Kentuckians in the four groups of interest at the particular time the data was collected. Significant changes have occurred since the data was collected, particularly in the individual insurance market, as insurers withdrew from Kentucky, and as it was determined that chambers of commerce and the Farm Bureau could

¹ Provisions of the 1994 and 1996 legislation discussed here also applied to policies sold to various public employee groups. However, because relatively more data either was available at the time, or could be obtained in a fairly direct manner likely to be more reliable than these surveys, public employees are not discussed in this memo.

take into account health status in setting the premium for an individual policy. The only reliable way to assess on-going changes in these market segments is to repeat data collection at some reasonable interval. *Thus, the survey results presented in this memo represent a **baseline snapshot** of the individual and small-group markets **after** implementation of most of the provisions of HB 250 and **before** implementation of most of the provisions of SB 343. Unfortunately, there is no baseline of pre-HB 250 data for comparison. In order to determine how provisions of SB 343 are affecting these markets it would be necessary to repeat the survey, and see how characteristics of policies and covered adults had changed from the baseline snapshot presented here.*

The memo is organized in the following manner. First is a description of each of the surveys from which the data is drawn. Then analysis results are presented for policyholders in the individual market, policy holders in the small-group market and, finally, for the uninsured.

DATA SOURCES

Data on insurance status and demographic characteristics was collected in three separate random surveys of Kentucky households. These surveys were conducted at different times, asked different questions and have different strengths and limitations for the analysis. Therefore, the decision was made to draw on each data source as it was judged to provide a more reliable estimate of the characteristics of the population of interest. Results from the three sources are not always strictly comparable, and may even provide substantially different estimates because of their differences in timing, methodology, and content. The three surveys are denoted as

1. 1996 Health Insurance Survey,
2. Spring 1996 Kentucky Survey,
3. Current Population Survey for various years (CPS).

1996 HEALTH INSURANCE SURVEY

The 1996 Health Insurance Survey was targeted to Kentucky households with members who obtained health insurance in the individual market, or in the small-group market, or who became uninsured within the past 12 months, or who were uninsured children. The survey was conducted by the University of Kentucky Survey Research Center. Dr. Glenn Blomquist, Professor of Economics and Public Policy at the University of Kentucky, supervised the design and implementation of the survey. Between June 20, 1996 and August 22, 1996, the Survey Research Center (SRC) made 13,354 calls to Kentucky telephone numbers generated from a random digit dialing routine. Of these calls, 8,173 households were determined to be ineligible to participate in the survey because they had no members who fell into one of the groups of interest, or for other reasons, such as language problems or that no one was available who could answer questions about household insurance policies. Another 3,543 respondents refused to participate in the survey. Completed interviews were obtained from 1,638 respondents, for a response rate of 31.6%. The overall margin of error on the estimates from this survey is plus or minus 2.5%.

Content

The survey questions addressed to each respondent depended on whether members of that household fell into one or more of the targeted groups. Those who reported having uninsured children were asked questions about the number and ages of those children, and the amount the respondent might be willing to pay to purchase a basic health insurance policy for each child. Uninsured adults were asked whether they had been covered within the past 12 months and, if they had, the characteristics of that coverage and why it had lapsed.

Respondents with household members insured under a policy obtained directly from an insurer or through an employer with fewer than 50 employees were asked a more detailed set of questions. First, respondents were questioned about the characteristics of each individually purchased or small-group health insurance policy held by members of the household. Information requested included the name of the insurer, the benefits covered by the policy, the cost-sharing provisions of the policy, and the amount of the premium paid for the policy. Those holding small-group policies were asked the amount, if any, the employer contributed to the premium. Respondents were also asked whether the policy was one of the standard plans mandated under the insurance reforms and whether the policy was obtained through the Kentucky Health Purchasing Alliance.

Next, respondents were questioned about characteristics of each adult in the household covered under each policy. The characteristics of interest were age, gender, occupation, number of physician visits in the last 12 months, and measures of health status. The respondent was also asked whether any individual (adult or child) covered under the policy had been previously refused health insurance, suffered from one of a list of serious medical conditions generally considered uninsurable (such as heart disease, diabetes, and cancer), or had been newly insured in the past 12 months.

Finally, respondents were questioned about their knowledge of the enacted changes in health insurance laws and how they thought their families would be affected by those changes. Information about total household income was also requested.

Limitations

In any research on the characteristics of a particular subset of the population, it is preferable to have information about how that subset compares to the larger group. In this instance it would have been preferable to collect comparable survey data on individuals insured through large employers, who comprise the majority of insureds. However, because the primary policy focus was on the individual and small-group segments of the market, and because these segments represent such a small percentage of the insured market, the decision was made to expend all available resources on increasing the sample size of the target groups rather than collecting data on other insured. Generally, the number of respondents insured by large employers is sufficient in other surveys, such as those discussed below, to allow adequate estimation of the characteristics of that group.

Just as resource limitations force priority-setting for sample selection, time constraints force restrictions on content. Survey participation was entirely voluntary on the part of respondents. To hold down the number of respondents who might refuse to participate, or who might drop out before the interview was completed, the time questions took to complete was restricted to about 20 minutes. Because the pricing of insurance policies is usually based on the characteristics of adults, but only on the presence and number of children (unless they have a high risk condition, which was captured in the survey), information about the characteristics of children insured in the individual and small-group markets was not sought in the survey.

In this survey, the RAND 5-Item Health Index was used as a measure of the health status of adults insured in the individual and small-group markets. The total score on the index was determined by asking respondents if they agree or disagree with several questions about their health, such as, "I seem to get sick a little easier than other people." Answers for each question were ranked from healthy to unhealthy and then all responses were summed to get the final index score.² Respondents with low scores had relatively good health, while those with high scores had relatively poor health. This is a widely used and well-validated index of self-reported health status that has been shown to be highly correlated with actual utilization of health services and with independent assessments of health status by health care professionals.³ The American Academy of Actuaries has even suggested the index as a possible method for calculating risk-adjustment factors for insurance carriers.⁴

However, it should be understood that, in this survey, the respondent who answered the survey questions was asked to answer the RAND Index questions not only about themselves, but also about any other adults in the house who were covered under the target policies. The methodology of having one respondent answer health status questions about other members of the household was used by the federal Agency for Health Care Policy Research in the National Medical Expenditure Panel Survey, and by the Bureau of the Census in the supplement to the March 1995 CPS.⁵ The health index scores based on reports by the respondent for other members of the household are thought to be generally reliable, as it is expected that respondents would be fairly well-informed about the health characteristics of other household members. The fact that the distribution of responses on the health status questions using the respondents' assessment of other household members does not differ significantly from the distribution that other recent SRC polls have obtained using only self-reported responses is an indication that the use of this approach is not a serious source of error.

Finally, due to an error in the structure of the data collection program, the total number of people in the household was not obtained for those with individual or small-group policies, and total household income was not obtained for those with uninsured children. Because federal poverty

² Aday, Lu Ann, *Designing and Conducting Health Surveys, Second Edition*. San Francisco: Jossey-Bass Publishers, 1996.

³ Hornbrook, M.C., and Goodman, M.J. Assessing Relative Health Plan Risk with the RAND-36 Health Survey. *Inquiry* 32:56-74, Spring, 1995.

⁴ American Academy of Actuaries, *Health Risk Assessment and Health Risk Adjustment: Crucial Elements in Health Care Reform*. Monograph Number One, May 1993.

⁵ Medical Expenditure Panel Survey, Family Medical Expenditure Survey, Programming Specifications, Rounds 1-3 Consolidated Instrument, Round 1 Main Study, Agency for Health Care Policy Research, March 22, 1996.

levels are determined by both household income and household size, it was not possible to use this data to determine the poverty characteristics of these groups. However, as noted below, data from other sources were used to make these estimates.

SPRING 1996 KENTUCKY SURVEY

The Survey Research Center at the University of Kentucky conducted a random telephone survey of Kentucky households from May 21 to June 11, 1996. Of the 1278 eligible respondents, 658 (52%) completed interviews. The margin of error on the survey results is +/- 4 percentage points. The number of respondents in this sample who fell into a target group of interest is generally small, which increases the error of the estimates regarding the characteristics of these population segments. Therefore, estimates from this data are used only if comparable data were not available in the 1996 Health Insurance Survey. This data is primarily used to develop comparisons of the target groups with other groups of Kentuckians, and to address limitations noted in that survey.

MARCH SUPPLEMENT TO THE CURRENT POPULATION SURVEY

In March of every year, the Census Bureau supplements the monthly current population survey (CPS) with an extensive set of questions regarding household income and benefits for the prior year. In some years, the Census will add or modify certain questions to better collect information on a particular policy issue of interest. The March 1995 Supplement to the CPS included questions designed to obtain more complete information on the source of health insurance coverage.

The March 1995 CPS sample was about 57,000 households nationwide. Since information was collected for each member of the household, the sample includes over 150,000 individuals. The sample was designed to be nationally representative of the civilian noninstitutional population of the United States. The March 1995 CPS sample includes 632 Kentucky households with 1,650 individuals. Results from other years of CPS data are reported as noted.

There are two reasons selected results from CPS data are reported here. First, the U.S. Governmental Accounting Office used this data source in a recently published report on those insured in the individual health insurance market. Since that is one of the targeted groups, the decision was made to address the results of that report. Second, where possible, data from this source was used to address a limitation of the 1996 Health Insurance Survey.

It was not possible to use the CPS data to describe the characteristics of those insured in the small-group market. The CPS categories for employer size include only one category for employers with 25 - 99 employees. Since SB 343 redefined the affected small employers as those with fewer than 50 employees, it was determined that the CPS data could not be used for estimating the characteristics of that group.

DESCRIPTION OF INSURANCE MARKET SEGMENTS

The market for health insurance in Kentucky can be separated into several distinct segments for the purposes of analysis. The first segment is comprised of those who obtain coverage for medical services through a government program, such as Medicare or Medicaid. Because that group was not affected by changes in the Kentucky law, it is not considered here. Also, since there is nearly universal coverage of those 65 and older under Medicare, estimates for relevant categories of the privately insured and uninsured are presented both as a percent of the total population and as a percent of the non-elderly population.

The individual segment of the market is composed of policyholders who do not obtain health insurance as a member of an employee group, but who purchase it directly from an insurance carrier. Information on that market segment is presented in the memo. Next is the segment of the market comprised of those who obtain health insurance as part of an employee group. In this segment of the market, the employer negotiates with an insurer for plans to offer eligible employees. Employers may or may not contribute to the employees' premiums, but the pricing of the policy is such that the premiums for the policies usually reflect the average health characteristics of the group, rather than the individual. SB 343 restricted the limits on the factors which can be used to price health insurance policies to employers with fewer than 50 employees, so only the small-employer segment of the market is discussed in this report. The final segment is the uninsured, also discussed here.

INDIVIDUAL MARKET

The individual health insurance market is comprised of those who purchase health insurance directly from an insurer, rather than purchasing it as a member of an insured group.

Number Covered Under Individual Policies

It is estimated that, in the summer of 1996, approximately 6.3% of the Kentucky non-elderly population (or 5.5% of the total population) was insured under a policy purchased directly from an insurer.⁶ The standard error on the estimate is +/- 0.4%, so there is a 95% probability that the actual percentage is between 5.9% and 6.7%. When these percentages are applied to the Bureau of the Census estimate of the 1995 non-elderly population for Kentucky, the estimate of the number of individuals is between 200,000 and 225,000, with the point estimate at 210,000. Estimates from the Spring 1996 Kentucky Survey were not significantly different from this.

In its report on those who purchase individual policies, the GAO estimated that, in 1994, 2.3% of the non-elderly population of Kentucky was exclusively covered under such policies during the year.⁷ This means that the policyholders only held an individually-purchased health insurance policy during 1994. However, the report also noted that the individual market is fluid. Individual

⁶ The U.S. GAO reports the number of individually insured as a percent of the non-elderly population to control for the effects of the provision of Medicare to most individuals 65 and older. This convention is followed in the discussion of the individually and small-group insured in this report as well.

⁷ U.S. General Accounting Office, *Private Health Insurance*, Washington, D.C., November, 1996.

coverage is often purchased for temporary periods when policyholders lose employment-based policies through layoffs or job changes. Early retirees may purchase policies until they are eligible for Medicare, while young adults may purchase individual policies as they exceed the age at which they can be covered under a parent's policy but have not obtained their own coverage. Also, insurance policies are not always sold on a calendar-year basis. A policyholder may have had an individually-purchased policy for the 12 months from August of 1993 to August of 1994, then switched to some other source of coverage (or dropped coverage) for the remainder of 1994. The CPS estimate would not have counted such a policyholder as being "exclusively" covered under such policies for the year. Thus, during any calendar year, many more individuals may be covered under an individual health insurance policy than are covered exclusively during the year. The 2.3% estimate by GAO reflects only those who reported having been covered exclusively by an individual policy during 1994.

Additional analysis of the March 1995 CPS data yields the estimate that approximately 7.2% of the 1994 non-elderly population was covered under an individual health insurance policy at some point during the year.⁸ This 7.2% figure is comparable to the 6.3% estimate derived from the Health Insurance Survey. Because the difference between the 1996 estimates and the 1994 estimate is within the margin of error for the CPS estimates, it is not possible to determine whether there was any change in the percentage of the non-elderly population covered by individually purchased policies from 1994 to 1996. It is believed that either the estimate of 6.3% from the targeted sample, or the estimate of 7.2% from the CPS is more relevant to state policy makers than GAO's published estimate of 2.3%, because the larger figures give a more complete estimate of the number of people who might be affected during any year by changes in the laws governing the individual health insurance market.

In a November, 1996 report, The Employee Benefit Research Institute, using the March 1996 CPS, estimated that roughly 200,000 individuals in Kentucky, or 5.9% of the non-elderly population, were covered under individual policies during 1995.⁹ After adjusting for differences in degree of rounding, these estimates were very similar to those obtained from the Health Insurance Survey.

⁸ In its analysis of the CPS data, LRC staff obtained the result that 2.8% of the Kentucky sample was covered exclusively by an individual policy during 1994. In consultation with John Dicken of the GAO, LRC staff determined that the analysis procedure was similar to that used by GAO to generate its estimate. Mr. Dicken believes that the small difference in the estimates is due to the fact that GAO used a preliminary version of the data, while LRC analyzed the final dataset that was made available to the public. The 7.2% figure is the sum of the LRC result that 2.8% of the non-elderly Kentucky sample in the Supplement to the March 1995 CPS exclusively had individual policies in 1994, and the finding that 4.4% had individual policies along with some other form of coverage during the year. Because of the small sample size for the Kentucky estimates, the difference between the LRC and GAO estimates is well within the fairly large margin of error for the GAO estimate.

⁹ Employee Benefit Research Institute, *Sources of Health Insurance and Characteristics of the Uninsured*, EBRI Issue Brief Number 179, November 1996.

Characteristics of Adults Covered Under Individual Policies

The GAO report also included a description of the characteristics of those who were covered under individual insurance policies. GAO reported that, nationally:

Most adults who purchase individual insurance are employed and often work in particular industries. For example, about 17 percent of farm workers and 7 percent of construction workers rely on this market for coverage. In contrast, less than 2 percent of workers in the durable goods manufacturing and public administration sectors purchase individual plans....Those with individual health insurance tend to be older than those with employment-based coverage but are similar in their self-reported health status. People between 60 and 64 years of age are nearly three times as likely to have individual insurance as those 20 to 29 years old. Also, a disproportionate share of early retirees and people who have been widowed participate in the individual market....Because of the often transient nature of this market, some of these people may have held individual insurance temporarily and then had another source of coverage during the remainder of the year...¹⁰

Characteristics of adults covered under individual health insurance policies in Kentucky are shown in Table 1. Approximately 47% of this group was female. Respondents were fairly evenly distributed among the relevant age categories. The average age of individually insured adults was 43. The median household income category for the group is \$25,000 - \$35,000 per year. Approximately two thirds of the CPS sample had family incomes less than 250% of the federal poverty level. In the Spring 1996 Kentucky Survey, just over half reported working outside the home and, of those, about a fourth worked part-time.

Scores on the 5 items of the RAND Health Index were summed, then the total scores were divided into four categories, with category I indicating the best overall health score and category IV indicating the worst overall health score (Table 2). Approximately 5% of the individually insured adults in this sample had overall health scores in the worst category, while 85% had scores in the two best categories. Twenty-seven percent of the sample smoked regularly in the last 2 years. Sixty percent of the adults in the sample went to the doctor no more than twice in the last year, while 12% went 7 or more times.

One of the major unanswered questions during the policy debate on SB 343 was the distribution of individual policyholders by age, gender, and health status. While there was data on the age and gender distribution of the Kentucky population, there was no data which coupled age and gender information with that on source of insurance and a measure of health status. One of the major goals of the Health Insurance Survey was to capture such data. Table 3 shows the percentage of the total sample of individually insured adults which fell into the various age, gender and health status categories. While the percentage for any particular cell may have substantial error, the

¹⁰U.S. General Accounting Office, *Private Health Insurance*, Page 3.

Table 1

Demographic Characteristics of Individually Insured Adults

| Characteristic | Percent | Characteristic | Percent |
|---|---------|--|---------|
| 1. Gender | | 6. Occupation | |
| Female | 47% | Managers & professionals | 30% |
| Male | 53% | Technical, sales, & administrative support | 5% |
| 2. Age | | Service | 6% |
| Less than 30 | 23% | Agricultural | 7% |
| 30 to 39 | 20% | Precision production, craft & repair | 5% |
| 40 to 49 | 23% | Operators, fabricators & laborers | 5% |
| 50 to 59 | 22% | Unemployed | 4% |
| 60 to 64 | 11% | Other | 38% |
| 3. Annual Household Income | | 7. Health in General | |
| Less than \$10,000 | 8% | Excellent | 33% |
| \$10,000-\$15,000 | 6% | Very Good | 30% |
| \$15,000-\$25,000 | 19% | Good | 21% |
| \$25,000-\$35,000 | 24% | Fair | 10% |
| \$35,000-\$45,000 | 13% | Poor | 6% |
| \$45,000-\$55,000 | 9% | 8. Smoked regularly in last 2 years. | 27% |
| More than \$55,000 | 21% | 9. Number Dr. visits within last year | |
| 4. Family Income as a Percent of the Federal Poverty Level (FPL) | | 0 | 20% |
| Less than 100% of FPL | 10% | 1 to 2 | 40% |
| 100% to 149% of FPL | 10% | 3 to 4 | 21% |
| 150% to 249% of FPL | 44% | 5 to 6 | 7% |
| 250% or more of FPL | 36% | More than 6 | 12% |
| 5. Work Status | | | |
| Work outside home | 55% | | |
| If yes, work part-time | 23% | | |

Source: 1996 Health Insurance Survey, with 609 individually insured adults, except for work status, which was taken from the Spring 1996 Kentucky Survey, with 56 individually insured respondents.

Table 2

Health Status of Individually Insured Adults

| Response | Gets Sick Easier | Healthy as Anyone | Health Expected to Worsen | In Excellent Health | Overall Health Index Score | Percent |
|------------------|------------------|-------------------|---------------------------|---------------------|----------------------------|---------|
| Definitely True | 4% | 56% | 5% | 47% | I (best health) | 57% |
| Mostly True | 8% | 26% | 17% | 35% | II | 28% |
| Mostly False | 20% | 11% | 25% | 11% | III | 10% |
| Definitely False | 68% | 7% | 53% | 7% | IV (worst health) | 5% |

Source: 1996 Health Insurance Survey, with 609 individually insured adults.

Table 3

**Distribution of Individually Insured Adults by
Age, Gender, and Health Status**

Percent of Total

(* denotes less than 1/2 of one percent)

| MALES | Health Status Category | | | | Total |
|-----------------------|-------------------------------|------------|------------|------------------------------|--------------|
| | I (best health) | II | III | IV (worst health) | |
| Age | | | | | |
| Under 30 | 8% | 3% | 1% | 1% | 12% |
| 30 - 39 | 7% | 3% | 1% | * | 11% |
| 40 - 49 | 7% | 3% | 2% | * | 13% |
| 50 - 59 | 4% | 4% | 1% | 1% | 11% |
| 60 - 64 | 2% | 3% | 1% | * | 6% |
| Male Totals | 28% | 16% | 6% | 3% | 53% |
| | | | | | |
| FEMALES | | | | | |
| Age | | | | | |
| Under 30 | 7% | 2% | * | * | 10% |
| 30 - 39 | 7% | 2% | 1% | * | 10% |
| 40 - 49 | 8% | 2% | 1% | * | 11% |
| 50 - 59 | 5% | 4% | 1% | 1% | 11% |
| 60 - 64 | 2% | 1% | 1% | 1% | 5% |
| Female Totals | 29% | 11% | 4% | 3% | 47% |
| | | | | | |
| Overall Totals | 57% | 27% | 10% | 6% | 100% |

Note: Column and row totals may not exactly equal summary figures shown in other tables due to rounding.

Source: 1996 Health Insurance Survey, with 609 individually insured adults.

overall distribution of percentages should be a fairly accurate depiction of the distribution of adults covered under individual policies by age, gender, and health status.

Characteristics of Individual Policies

Blue Cross/Blue Shield accounted for 48% of the individual policies held in these households, while Humana accounted for about 5%. American Medical Security, Golden Rule, and Kentucky Kare each issued about 3% of the policies (Table 4). In 6% of the cases, survey respondents could not name the issuing company. The remaining 33% of the policies held were distributed among about 75 other issuing companies.

Respondents reported that 20% of the individual policies discussed had been obtained through the Kentucky Health Purchasing Alliance. They were also asked whether a policy was one of the standard plans. However, because there was substantial concern that respondents not familiar with changes in the law might not understand what a “standard” plan was, a follow-up question asked which standard plan (such as economy or enhanced-high) they had. Of the plans discussed, respondents identified 25% as being one of the specific standard plan types.

About one-fourth of the households with individual policies reported that an insured member had suffered from a serious illness (such as heart disease, diabetes, or cancer) in the past 10 years and 8% reported that an insured member of the household had previously been refused health insurance coverage. Approximately one third reported that a member was newly insured in the last 12 months. The distribution of policies by company among households who answered yes to one of these three questions is largely similar to the distribution of policies by company among all households with individual coverage. The only differences large enough to be statistically significant (given the number of respondents for each question) is that Blue Cross/Blue Shield was given as the issuing company for significantly more of the policies sold to households with a newly insured member than it was for all policies, while companies in the “other” category were given as the issuing company significantly less often. Similarly, significantly more of the households with newly insured members reported obtaining a policy through the Kentucky Health Purchasing Alliance than did all individually insured households.

Of the individual policies sold to these households, 54% allowed the same payment for any physician selected by the policyholder (Table 5). This is taken as an indication that non-managed care plans comprise a slight majority of the individual health insurance market. One-fourth of the policies permitted a reduced payment to physicians not on the plan’s approved list, and about one fifth would only pay for physicians on the approved list. Of the approximately 80% of the individual policies with a deductible, somewhat less than half had an annual deductible of \$400 or less, while one fourth had an annual deductible greater than \$1,000. This indicates that high-deductible, or “catastrophic” plans accounted for a non-trivial share of the individual market at the time the survey was conducted.

Nearly all of the plans paid at least 80% of the allowable cost for approved medical services, once any applicable deductible had been met. Forty-four percent of the plans imposed a fixed copayment for doctor visits. Of these plans, 70% had copayments of \$10 or less. In-patient hospital services were covered by virtually all individual policies, while out-patient doctor visits were covered by most. Prescription drugs and at least some mental health services were covered by approximately two-thirds of the policies. Vision and dental services were included in 20% and 14% of the policies, respectively.

The average monthly premium for all of the individual policies in the sample was \$173. The median monthly premium was \$142.¹¹ While an overall measure of premium amount for these policies offers some information about rates in the individual market, it should be understood that

¹¹ The median premium amount is that amount at which half of the premiums in the sample are above that amount, and half are below. The median is a useful measure because it is not affected by a few very high or very low amounts, as is the average premium.

the significance of that information is severely limited by the complexity of factors which determine the premium for any single policy. Even for a single insurer in a stable insurance market, the premium charged for any particular policy is affected by the age, gender, location, occupation, and (when allowed) health status of the individuals covered under the policy. The premium also reflects the scope of the medical services covered, the amount of co-insurance paid by the insured, and the size of the deductible. In the individual insurance market in Kentucky in 1996, premiums were also likely affected by whether the policy was a standard or non-standard plan, whether it was purchased inside or outside the Kentucky Health Purchasing Alliance, and whether it was a new policy or a renewal. Increase this complexity by the business strategy particular to each insurer, and the fact that the overall market was undergoing considerable change, and the limited usefulness of a measure of the "average" premium should become apparent.

Table 4

Market Share of Companies Offering Individual Policies

| Company | Percent of All Policies | Percent of Policies Sold to Respondents Reporting that an Insured Member...* | | |
|-------------------------------|-------------------------|--|--|---|
| | | Had A Serious Health Problem | Had Previously Been Refused Health Insurance | Was Newly Insured within Past 12 Months |
| Blue Cross-Blue Shield | 48% | 41% | 50% | 63% |
| Humana | 5% | 8% | 3% | 5% |
| American Medical Security | 3% | 5% | 8% | 4% |
| Golden Rule | 3% | 1% | 3% | 1% |
| Kentucky Kare | 3% | 4% | 3% | 1% |
| Other | 33% | 35% | 31% | 18% |
| Unknown | 6% | 7% | 3% | 6% |
| KY Health Purchasing Alliance | 20% | 22% | 32% | 29% |

*The only percentages in these three categories that were statistically significantly different from the distribution of companies for all policies at the .01 level were the 63% for BCBS and 18% for other companies among the newly insured, and the 29% for the Kentucky Health Purchasing Alliance in the same category.

Source: 1996 Health Insurance Survey, with 439 individual policies.

Even with the relatively large sample size obtained in the 1996 Health Insurance Survey, it was not possible to control for all of the factors which affect the amount of premium charged for a particular policy. For example, this sample did not contain enough higher-deductible, basic-coverage, non-standard policies covering single males under age 30 who scored in the best half of the health index, to reliably estimate what the average premium for that group might actually be in the overall individual market. Because the sample would have to be divided into so many small pieces to estimate the average premium for any particular group of policies, none of the groups was large enough to allow reliable estimation of the average premium. The implication is that

collection of survey data, while valuable for describing and tracking many aspects of the health insurance market, is unlikely to be a reliable method for gauging and monitoring market premiums unless the sample size is significantly increased, the same households are surveyed repeatedly, or the number of factors used to set premiums on individual policies is reduced.

Table 5

Characteristics of Individual Policies

| <u>Characteristic</u> | <u>Percent</u> | <u>Characteristic</u> | <u>Percent</u> |
|---|----------------|---------------------------------------|----------------|
| 1. Physician Choice | | 4. Copayment for Doctor Visits | |
| Same amount paid all physicians | 54% | Yes | 44% |
| Smaller amount paid physicians not on plan list | 25% | If Copayment Assessed: | |
| Only paid physicians on plan list | 21% | Amount of Copayment | |
| 2. Annual Deductible Included in Plan | | \$5 to \$9 | 18% |
| | Yes 79% | \$10 | 52% |
| If Deductible Assessed: | | \$15 | 15% |
| Amount of Deductible | | More than \$15 | 15% |
| Less than \$200 | 21% | 5. Services Covered by Plan | |
| \$201-\$400 | 23% | Hospital stay | 98% |
| \$401-\$800 | 22% | Outpatient doctor visits | 89% |
| \$801-\$1,000 | 8% | Prescriptions | 70% |
| \$1,001-\$2,500 | 19% | Mental health | 66% |
| More than \$2,500 | 6% | Vision | 20% |
| 3. Percent of Medical Costs Paid by Plan | | Dental | 14% |
| Less than 80% | 4% | | |
| 80% | 79% | | |
| More than 80% | 17% | | |

Source: 1996 Health Insurance Survey, with 439 individual policies.

Ignoring the myriad factors which determine individual premiums, one question which can be addressed is what percentage of household income the premium paid represents. It is estimated that premiums for individual policies range from a high of 26% of the midpoint of the household's income range, for households reporting an income under \$10,000, to a low of 3% or less, for households reporting an income over \$55,000.¹² The weighted average percentage for all households with individual policies was approximately 8%. Two points should be made about this estimate. First, 8% is not an estimate of what percentage of income households spend for all insurance coverage, but only for coverage obtained under individual policies. Many households

¹² To increase willingness to respond to the question, the Survey Research Center does not usually ask respondents for their exact household income, but whether the household income falls within some range, such as \$25,000 to \$35,000. In order to estimate premium as a percent of household income, the midpoint of the household's income range was used. For households reporting incomes above \$55,000, the figure \$75,000 was arbitrarily selected to represent the midpoint.

with some members covered under individual policies also had other members covered under an employment-based policy from either a large or small employer. While the 1996 Health Insurance Survey obtained information on coverage in the household obtained through small employers, no information was obtained for coverage obtained through large employers. Also, it may seem inconceivable that households with less than \$10,000 in gross income dedicate approximately 26 percent of that amount to health insurance premiums. It should be remembered that measures of income do not capture the amount of wealth available to the household. Many of the individually insured are likely to be early retirees who have lower-than-average incomes but who are drawing on accumulated wealth to pay for on-going living expenses. This is not to say that there are no poor households who are dedicating a significant share of their incomes to insurance premiums, but that not all households with low incomes are without financial resources.

Knowledge of Changes in the Law

In the Spring 1996 Kentucky Survey, respondents were asked to list the three most important problems facing Kentucky. Ten percent of all respondents mentioned health care or its cost as an important problem, compared to 20% of the individually insured. When asked if they had heard about the changes in the health insurance laws in Kentucky, 67% of individually insured respondents in the 1996 Health Insurance Survey indicated that they had (Table 6). Of those, 74% heard about the changes through the media, while 45% said they received a letter from their insurance carrier.

Among respondents who had heard about the changes in the law, only 62% (or 37% of the total) believed those changes would directly affect their family. In actuality, when fully implemented, the changes in the law would have some type of effect on every holder of an individually purchased insurance policy. It is clear that about half of these households either did not know about the changes, or did not understand that they would be affected in some way. Of those who did think that they would be affected, the most frequent expectation was that premiums would increase. It should be understood that the fact that people had the expectation that their premiums would increase is not a reliable indication that their premiums actually did (or will) increase. Their expectations may have been formed by factors such as biased media ads, incomplete information, or the typical cynicism of many citizens that any government or industry change is likely to cost them more money. It is also important to note that, while they were a large share of those who believed their family would be affected by the changes in the law, the number who said they expected a premium increase comprised only one-fourth of the total households with an individual health insurance policy.

That the affected population was not fully informed about the changes in the law affecting their insurance coverage in the summer of 1996 is evidenced by the fact that, although 67% had heard of changes in the law, fewer than one-fifth knew that the reforms meant that a person in good health would pay the same premium for insurance as someone with a serious health condition or that a person who could afford the premium could buy a health insurance policy, no matter how sick they were.

Table 6

**Knowledge of Changes in Kentucky Insurance Laws
Individual Policyholders**

| | Percent | | Percent |
|--|---------|---|---------|
| 1. Heard about changes in the law | 67% | 2. Familiar with standard plans | 28% |
| Of those who said yes: | | | |
| Source of Information | | | |
| Letter from insurance company | 45% | 3. Correctly knew features of standard plan: | |
| Newspaper or television ads | 69% | Healthy and sick people pay the same | 17% |
| News reports | 74% | Can buy a policy no matter how sick | 18% |
| Friends/family | 29% | Family could purchase standard plan | 25% |
| 2. Believe changes directly affect family | 37% | | |

Source: 1996 Health Insurance Survey, with 513 households with individual policies.

SMALL-GROUP MARKET

The small-group market consists of those who obtain a health insurance policy through an employer with fewer than 50 employees. In this segment of the market, the employer negotiates with an insurer for plans to offer eligible employees. Employers may or may not contribute to the employees' premiums, but the pricing of the policy is such that the premium for the policies generally reflects the average health characteristics of the group, rather than the individual.

Number Covered Under Small-Group Policies

Based on the Health Insurance Survey, it is estimated that 10.7% of the non-elderly population in Kentucky (or 9.3% of the total population) were covered under a health insurance policy obtained through a small employer, in the summer of 1996. The standard error of the estimate is +/- 0.5%, meaning that there is a 95% probability that the actual percentage is between 10.2% and 11.2%. If these percentages are applied to the Bureau of the Census estimate of the 1995 non-elderly population in Kentucky, the estimate is that between 340,000 and 380,000 non-elderly residents were covered in the small-group market at the time the survey was conducted. The point estimate is 360,000. Estimates from the Spring 1996 Kentucky Survey were not significantly different from these. Because the CPS aggregates employers with 25-99 employees into one category, it was not possible to use that data to estimate the number of Kentuckians with policies obtained through employers with fewer than 50 employees.

Characteristics of Adults Covered Under Small-Group Policies

Adults insured in the small-group market tended to be concentrated in the below-50 age categories (Table 7). The average age of this group of adults was 39. Males and females were distributed about equally. Approximately half of the households with small-group insureds had incomes below \$35,000 and half had incomes above.¹³ Sixty-two percent of small-group insureds in the Spring 1996 Kentucky Survey reported being employed, 15% of those part-time.

Ninety percent of this group scored in the two best categories of the health index, while 2% scored in the worst health category. Two thirds of the group visited a doctor no more than twice in the previous year, and 9% had 7 or more doctor visits. Twenty nine percent smoked regularly in the last two years. Table 9 shows the distribution of adults insured under small-group policies by age, gender, and health status category.

Characteristics of Small-Group Policies

The small employers offering these policies were predominantly private firms, with public and non-profit organizations accounting for 20% of the total. Blue Cross/Blue Shield issued 49% of these policies, while Alternative Health Delivery Systems, an independent licensee of Blue Cross, issued 4% (Table 10). Eight percent of the policies were issued by Humana and 2% each by Aetna and Healthwise. Issuers of 7% of the policies could not be identified. The remaining 28% of the policies were distributed among more than 100 other insurers. Respondents indicated that 17% of the small-group policies discussed had been obtained through the Kentucky Health Purchasing Alliance, and could identify 18% as one of the standard plans.

Twenty-three percent of the households with a small-group policy contained an insured member who had had a serious health problem in the last 10 years, and 3% an insured member who had previously been refused health insurance. A third of the households had members who were newly insured within the last 12 months. There were no statistically significant differences in the distributions of insurers for these three categories of households and the distribution for all households with small-group policies.

The majority of small-group policies contained some form of restriction on the payment of physicians not on an approved list (Table 11). Of the policies in which a deductible was imposed, 9% had a deductible greater than \$1,000. Virtually all of the small-group policies covered at least 80% of allowable medical services. Slightly more than one-half imposed a fixed copayment for each doctor visit and, of those, nearly 80% were \$10 or less. Nearly all small-group policies covered a hospital stay and out-patient doctor visits, over 80% covered prescription drugs and some mental health services, and approximately 30% covered vision and dental services.

¹³ Estimates of family income as a percent of the federal poverty level for the individually insured were derived from the CPS data. However, because the CPS data on employer size aggregates employers with 25 to 99 employees, it was not possible to use that data to make similar estimates for those insured through an employer with fewer than 50 employees.

Table 7

Demographic Characteristics of Adults Insured Under Small-Group Policies

| Characteristic | Percent | Characteristic | Percent |
|-------------------------|---------|--|---------|
| 1. Gender | | 5. Occupation | |
| Female | 50% | Managers & professionals | 45% |
| Male | 50% | Technical, sales, administrative support | 8% |
| 2. Age | | Service | 4% |
| Less than 30 | 23% | Agricultural | 2% |
| 30 to 39 | 32% | Precision production, craft & repair | 9% |
| 40 to 49 | 26% | Operators, fabricators & laborers | 9% |
| 50 to 59 | 14% | Unemployed | 1% |
| 60 to 64 | 4% | Other | 23% |
| 3. Annual Income | | 6. Health in General | |
| Less than \$10,000 | 2% | Excellent | 39% |
| \$10,000-\$15,000 | 6% | Very Good | 32% |
| \$15,000-\$25,000 | 15% | Good | 21% |
| \$25,000-\$35,000 | 22% | Fair | 6% |
| \$35,000-\$45,000 | 18% | Poor | 2% |
| \$45,000-\$55,000 | 12% | 7. Smoked Regularly within Last 2 Yrs. | |
| More than \$55,000 | 26% | Yes | 29% |
| 4. Work Status | | 8. Number of Visits to Doctor within Last 12 Mos. | |
| Work outside home | 62% | 0 | 21% |
| If work, part-time | 15% | 1 to 2 | 46% |
| | | 3 to 4 | 17% |
| | | 5 to 6 | 8% |
| | | More than 6 | 9% |

Source: 1996 Health Insurance Survey, with 1,231 adults covered under small-group policies, except work status which was from the Spring 1996 Kentucky Survey.

Table 8

Health Status of Adults Insured Under Small-Group Policies

| Response | Gets Sick Easier | Healthy as Anyone | Health Expected to Worsen | Excellent Health | Overall Health Index Score | Percent |
|------------------|------------------|-------------------|---------------------------|------------------|----------------------------|---------|
| Definitely True | 3% | 59% | 5% | 55% | I (best health) | 64% |
| Mostly True | 6% | 30% | 14% | 33% | II | 26% |
| Mostly False | 23% | 7% | 22% | 9% | III | 8% |
| Definitely False | 69% | 4% | 59% | 4% | IV (worst health) | 2% |

Source: 1996 Health Insurance Survey, with 1,231 adults covered under small-group policies.

Table 9

**Distribution of Small-Group Insured Adults by
Age, Gender, and Health Status**

Percent of Total
(* denotes less than 1/2 of one percent)

| | Health Status Category | | | | |
|-----------------------|----------------------------|------------|------------|------------------------------|--------------|
| MALES | | | | | |
| Age | I (best health) | II | III | IV (worst health) | Total |
| Under 30 | 8% | 2% | 1% | * | 11% |
| 30 - 39 | 11% | 4% | 1% | 1% | 17% |
| 40 - 49 | 7% | 4% | 2% | * | 13% |
| 50 - 59 | 4% | 2% | 1% | * | 7% |
| 60 - 64 | 1% | 1% | * | * | 2% |
| Male Totals | 31% | 13% | 5% | 1% | 50% |
| | | | | | |
| FEMALES | | | | | |
| Age | | | | | |
| Under 30 | 10% | 2% | * | * | 12% |
| 30 - 39 | 11% | 4% | * | * | 15% |
| 40 - 49 | 8% | 5% | 1% | * | 14% |
| 50 - 59 | 4% | 2% | 1% | * | 7% |
| 60 - 64 | 1% | * | * | * | 2% |
| Female Totals | 34% | 13% | 2% | 1% | 50% |
| | | | | | |
| Overall Totals | 65% | 26% | 7% | 2% | 100% |

Note: Column and row totals may not exactly equal summary figures shown in other tables, due to rounding.

Source: 1996 Health Insurance Survey, with 1,307 adults covered under small-group policies.

The average monthly premium for the small-group policies, not including any employer contribution, was \$77 per month, and the median premium was \$24 per month. The premium paid as a percent of the mid-point of the household's income category ranged from 0% for those with incomes above \$55,000 to 5% for those with incomes below \$10,000. While households with incomes below \$10,000 allocated a larger share of their income to health insurance than other households, they actually contributed less than most other income categories, in terms of actual dollars. The median contribution for households with incomes below \$10,000 was \$240 annually, while the median contribution for households with incomes between \$45,000 and \$55,000 was \$312. The weighted average premium as a percent of the mid-point of the household's income category was 1% for all the households with small-group policies.

Table 10

Market Share of Companies Offering Small-Group Policies

| Company | Percent of All Policies | Percent of Policies Sold to Respondents Reporting that an Insured Member.... | | |
|-------------------------------|-------------------------|--|--|---|
| | | Had A Serious Health Problem | Had Previously Been Refused Health Insurance | Was Newly Insured within Past 12 Months |
| Blue Cross-Blue Shield | 49% | 51% | 60% | 46% |
| Humana | 8% | 7% | 5% | 9% |
| Alternative Health | 4% | 5% | 10% | 3% |
| Aetna | 2% | 2% | 0% | 2% |
| HealthWise | 2% | 2% | 5% | 1% |
| Other | 28% | 26% | 20% | 30% |
| Unknown | 7% | 6% | 0% | 9% |
| KY Health Purchasing Alliance | 17% | 18% | 27% | 23% |

Source: 1996 Health Insurance Survey, with 786 small-group policies.

Knowledge of Changes in the Law

In the Spring 1996 Kentucky Survey, 15% of the respondents insured through a small employer mentioned health care or its cost as an important problem facing Kentucky. In the 1996 Health Insurance Survey, 65% of respondents with small-group policies said they had heard of changes in the health insurance laws in Kentucky. Most of these learned of the changes through the media, while 29% said they had received a letter from their insurance carrier. Twenty-four percent thought the changes would directly affect their family. Half of those who expected their family to be affected (13% of all respondents with a small-group policy) thought the effect would be an increase in premiums. Only one-fifth of these respondents said they were familiar with standard plans and 13% correctly answered that a person's health status would not affect whether an individual would be allowed to purchase a policy or how much that policy would cost. As with the previous group, this group of insureds was not generally knowledgeable about recent changes in the laws governing their health insurance policies.

Employer Mail Survey

Respondents who said they had health insurance coverage through an employer with fewer than 50 employees were also asked if they would provide the name and address of that employer, on the condition that their participation in the survey would remain confidential. Employer names were provided by 393 of the respondents. Of these 393 identified employers, 106 were found to employ more than 49 persons, 33 were out-of-state, 5 did not provide insurance, 16 were

duplicate listings, and 53 could not be reached by phone to determine the name and address of an individual who would best be able to answer questions about insurance coverage. A mail survey was sent to the remaining 180 employers, who were contacted by phone and determined to be eligible to participate in the survey. Responses were received from 70 of them, for a response rate of 39%.¹⁴

Table 11
Characteristics of Small-Group Policies

| Characteristic | Percent | Characteristic | Percent |
|---|---------|---------------------------------------|---------|
| 1. Physician Choice | | 4. Copayment for Doctor Visits | |
| Same amount paid all physicians | 42% | Yes | 56% |
| Smaller amount paid physicians not on plan list | 31% | If Copayment Assessed: | |
| Only paid physicians on plan list | 27% | Amount of Copayment | |
| 2. Annual Deductible Included in Plan | | \$5 to \$9 | 24% |
| Yes | 81% | \$10 | 54% |
| If Deductible Assessed: | | \$15 | 13% |
| Amount of Deductible | | More than \$15 | 9% |
| Less than \$200 | 26% | 5. Services Covered by Plan | |
| \$201-\$400 | 33% | Hospital stay | 100% |
| \$401-\$800 | 27% | Outpatient doctor visits | 96% |
| \$801-\$1,000 | 5% | Prescriptions | 88% |
| \$1,001-\$2,500 | 8% | Mental health | 84% |
| More than \$2,500 | 1% | Vision | 31% |
| 3. Percent of Medical Costs Paid by Plan | | Dental | 28% |
| Less than 80% | 2% | 6. Type of Employer | |
| 80% | 80% | Private | 79% |
| More than 80% | 19% | Non-profit | 8% |
| | | Public | 12% |
| | | Other/unknown | 2% |

Source: 1996 Health Insurance Survey, with 835 small-group policies.

Because of the small size of the employer sample, and the fact that the sample was generated from the telephone survey of insureds rather than a direct random sample of small employers, it is not appropriate to conclude that responses from these firms are representative of all Kentucky small firms which offer insurance.¹⁵ Basic descriptive results from the sample are presented as an initial

¹⁴ If it was determined that the employer had more than 49 employees, no further information was obtained from that employer and the individual respondent who had provided that employer's name was removed from the analysis of the small-group insured.

¹⁵ The federal Agency for Health Care Policy Research uses a similar methodology to identify employers for the National Health Insurance Study; the major difference is that their household survey is conducted in person, and they obtain a written release from the respondent allowing them to get detailed information from both the respondent's employer and insurance company. The attempt here was to see whether a similar methodology could

exploratory investigation of this population. For results that are generalizable to all small firms, it is recommended that a much larger direct random sample of small employers be used.

Table 12

**Knowledge of Changes in Kentucky Insurance Laws
Small-Group Policyholders**

| | Percent | | Percent |
|--|---------|--|---------|
| 1. Heard about changes in the law | 65% | 3. Familiar with standard plans | 21% |
| If answered yes: | | | |
| Source of Information | | 4. Correctly knew features of | |
| Letter from insurance company | 29% | standard plan: | |
| Newspaper or television ads | 62% | Healthy and sick people pay the same | 13% |
| News reports | 75% | Can buy a policy no matter how sick | 12% |
| Friends/family | 25% | Family could purchase standard plan | 19% |
| 2. Believe changes directly affect family | 24% | | |

Source: 1996 Health Insurance Survey, with 841 households with small-group policies.

The majority of the firms responding to the mail survey had 15 or fewer full-time employees, with the average number at 15 (Table 13). More than half the firms were classified as either services and trade, while manufacturing and construction together accounted for about one-fourth. On average, it was reported that 82% of eligible employees actually enrolled in the offered plans. All but two of the respondents reported that they contributed some amount to the employee premium.

Conventional indemnity plans and preferred-provider plans (PPO) were the types offered most often by these firms. Only three respondents indicated that they offered employees a choice of more than one plan. Nearly one-third of the firms said they obtained health insurance coverage through a trade association, while only two said they were self-insured. One-fourth reported that the plan they offered was one of the standard plans, while 5 respondents said they had a policy which allowed the insurer to refuse to cover an employee on the basis of the individual's health status. Blue Cross/Blue Shield was the insurer for 52 of the firms.

be used in a telephone survey, without the benefit of having the respondent's social security number or a signed form authorizing release of more detailed information. The approach is judged to have been inadequate in this attempt.

UNINSURED

Three groups of uninsured were investigated. These groups included all of the uninsured, those who were newly uninsured in the last 12 months, and households with uninsured children.

Number of Uninsured

There has recently been some confusion about various estimates of the number of uninsured in Kentucky and whether they can be used to gauge changes in the number of uninsured since revisions were made in the laws governing health insurance. A brief summary of the source and timing of the various estimates may serve to clarify the differences in the numbers commonly quoted, and the implications of those differences for evaluating the effect of changes in the law on the number of uninsured.

On June 17, 1993, Professors Berger, Black, and Scott appeared before the Task Force on Health Care Reform and presented an estimate that 429,000 Kentuckians were uninsured. They based the estimate on the 1991 and 1992 Health Surveys and the 1992 Spring Poll conducted by the UK Survey Research Center. Their point estimate was that 11.6% of the state's population was uninsured and they applied that to the 1991 population estimate for the state.¹⁶ However, they noted that the margin of error on the estimate meant that the range on the estimate was from a low of 382,000 to a high of 537,000.

A March 1996 memo by LRC staff gave a point estimate of the number of uninsured as 530,000. This estimate was generated using a rounded average of the 1992-1993 estimates of the uninsured in the state from the Census Bureau (13.6%) and the most recent estimate from the Employee Benefits Research Institute (14.7%). This average estimate of 14% of the population uninsured was applied to the Bureau of the Census estimate of the 1993 Kentucky population to derive the point estimate of 530,000.

The most recent point estimates of the percentage of uninsured in Kentucky by the Bureau of the Census from the CPS were 15.2% in 1994 and 14.6% in 1995.¹⁷ Taken at face value this would indicate that the percentage of Kentuckians who are uninsured declined from 1994 to 1995. However, because the percentages represent estimates of the characteristics of the state's population based on a sample of about 650 respondents, the standard error on either of the estimates is 1.3 percent. This means there is a 90 percent chance that the 1995 rate of uninsured could range from 13.3% to 15.9%. Based on the estimated 1995 Kentucky population, this means that there is a 90% probability that the actual number of uninsured in the state is between 510,000 and 610,000 people, with the 1995 point estimate at 560,000. (This represents 16.7% of the non-elderly population.)

¹⁶ Because the SRC surveys were conducted by phone, households without phones were not included. Approximately 10% of Kentucky's households do not have phones. Because these are likely to be low income households, estimates of the number of uninsured based on such surveys may be lower than those based on in-person interviews, such as those used by the Bureau of the Census in the CPS.

¹⁷ The 1994 estimate is from the 1995 CPS, and the 1995 estimate is from the 1996 CPS.

Table 13

**Characteristics of a Non-Random Sample of 70 Small Employers
Who Offer Health Insurance**

| | | | |
|---|----------------|--|----------------|
| 1. Type of Business | Percent | 6. Number of Plans Offered to Employees | Percent |
| For profit | 86% | One | 96% |
| Not for profit or government | 14% | More than One | 4% |
| 2. Industrial Classification | | 7. Plan(s) Offered Is a Standard Plan | |
| Service | 30% | Yes | 27% |
| Trade | 24% | 8. Insurance Company | |
| Manufacturing | 11% | Blue Cross/Blue Shield* | 74% |
| Construction | 11% | Other or Unknown | 26% |
| Public administration | 6% | 9. Plan Can Refuse an Individual Employee Based on Health Status | |
| Transport, communications, & utilities | 1% | Yes | 7% |
| Agriculture | 1% | 10. Type of Plan | |
| Unknown | 14% | HMO | 16% |
| 3. Number of Full-Time Employees | | PPO | 43% |
| 1 to 9 | 40% | POS | 10% |
| 10 to 15 | 23% | Indemnity | 30% |
| 16 to 25 | 17% | Unknown | 1% |
| 26 to 49 | 14% | 11. Employer Contributes Some Amount to Employee Premium | |
| Unknown | 6% | Yes | 97% |
| Average | 15 | No | 3% |
| 4. Self-insured | | 12. Average Percentage of Eligible Employees Enrolled in the Plan | 82% |
| Yes | 3% | | |
| 5. Insured Through a Trade Association | 31% | | |

* Includes Alternative Health Delivery Systems policies.

Source: Results from a mail survey of 70 small employers who offer insurance. Because of the small sample size and the fact that the sample was not a directly selected random sample, results may not be generalizable to the whole population of small employers who offer health insurance.

Thus, there are three factors which can cause point estimates of the number of uninsured to be different when the estimates are made at different times and are based on different sources of data. First, the size of the population changes over time, so number estimates like 429,000, from 1991, aren't valid for 1997, even if the estimate of the percent of the population which is uninsured does not change. Second, the margins of error on the estimates are relatively large, so that it is not

possible to tell whether small variations from year-to-year are the result of real changes or the result of random sample variations. Third, it was estimated above that 5.5% of the population in the state was covered under an individual policy, while 9.3% was covered in the small-group market. This means that less than 15% of the population had insurance in the segments of the health insurance market most affected by changes in the insurance laws. Nearly 10% of the individuals covered in those two segments of the insurance market would have to drop coverage before the change in the number of uninsured would be large enough for the methods used by the Bureau of the Census to show a statistically significant change. The Bureau did not find a statistically significant change in the state's percentage of uninsured from 1994 to 1995.

This does not mean that it is safe to conclude that changes in the law had no effect on the number of uninsured in the state. It means that the changes would have to be very large before they would be identifiable using the current standard methodology for estimating the number of uninsured. If there is great policy interest in tracking the number of uninsured more closely, there would need to be additional resources devoted to increasing the size of the Kentucky sample on which such estimates are based. A major problem, even with that approach, is that, to our knowledge, there is no large pre-1994 sample of Kentuckians which captures insurance status. Without baseline data from a period prior to initial changes in the law, it would be difficult to estimate how changes in the law might have affected insurance status. About the only method available would be to ask individuals now about their insurance status in 1993 and every year since, and to ask why changes in their status had occurred. Such information would be expected to be significantly less accurate than if it had been collected at each point in time.

Characteristics of the Uninsured

Three topics are addressed in regard to characteristics of the uninsured - how they compared to the privately insured, questions of how long and why they lacked insurance; and the particular characteristics of uninsured children. Based on data from the Spring 1996 Kentucky Survey (Table 14), non-elderly uninsured adults were significantly more likely to be younger, have less family income, and not be currently employed than were the privately insured. They were also significantly more likely to have worse scores on the two items included in the poll from the RAND 5-Item Health Index.

Most uninsured respondents said they did not have coverage because they could not afford it, while 5% said a medical condition prevented them from getting a policy. Two-thirds of the uninsured reported that they had previously been covered under a private health insurance policy. Of those, nearly three-fourths had either been uninsured for less than a year, or for 5 years or more. This means that the uninsured is largely comprised of two groups, the chronically uninsured and those who temporarily lack coverage. It is likely that differences in the characteristics of these two groups of uninsured would affect the success of any single policy developed to address the plight of all uninsured.

Of respondents who had previously been privately insured, 74% reported that their previous coverage ended with a change in either employment situation or family status, (such as divorce or no longer a covered child). Eighteen percent reported having dropped coverage because the

premium became too expensive, while 7% said increases in other expenses caused them to drop coverage. Two percent of the respondents said they lost coverage because of a health condition. When asked the maximum premium per month they would be willing to pay for health insurance, 10% said zero, 35% said less than \$100, and 33% said they didn't know.

Characteristics of the Newly Uninsured

One of the groups captured in the 1996 Health Insurance Survey was the uninsured who had dropped their health insurance coverage within the past 12 months. The attempt was to examine the characteristics of the newly uninsured, the type of coverage they had had, and why that coverage was dropped.

The newly uninsured generally reported higher family incomes than did the uninsured in general. While 44% of all uninsured reported family incomes below \$10,000, only 13% of the newly uninsured fell into that income category. The majority of the newly uninsured reported incomes of \$15,000 to \$35,000. The newly uninsured were more likely to be under 40 and less likely to be over 50 than all uninsured. The average age of the newly uninsured was 37. The distribution of genders was not significantly different for the two groups.

Sixty-nine percent of the newly uninsured indicated that their last health insurance coverage had been obtained through an employer, while 24% said the policy had been purchased directly from an insurance carrier. Forty-four percent of the previously held policies were for single adult coverage, 14% for couple, 7% for one adult plus child(ren), and 35% for family coverage. Blue Cross/Blue Shield had issued 30% of the lapsed policies, with Humana, Aetna, and Time accounting for 8%, 5% and 3% respectively. Nearly half of the policies were distributed in very small percentages among a large number of insurers.

When asked why they no longer had that insurance policy, 54% of newly uninsured respondents said it was because they no longer worked for the employer through which the coverage had been obtained. Four percent said they still worked for the same employer, but that the employer had stopped providing coverage. A change in life situation, such as divorce, widowhood, or becoming ineligible for coverage under a parent's policy, was the reason given by 12%. Dissatisfaction with the coverage delivered for the premium was mentioned by 6%, while 4% said they lost coverage when their insurer stopped doing business in the Commonwealth. Slightly less than one fifth of the newly uninsured said they dropped coverage because they could no longer afford the premium.

There was a significant difference in the reason given for no longer having a policy depending on whether the previous policy was obtained through an employer or directly from an insurance company. Nearly three-fourths of the households with previous coverage through an employer said coverage was dropped because of a change in employment, while 6% said it was because they could no longer afford the premium and 20% gave other reasons. In contrast, half of households with individual policies said they dropped coverage because they could no longer afford the premium, while only 5% reported dropping because of a change in employment situation, and 45% gave other reasons.

Table 14

Comparison of Characteristics of Uninsured and Privately Insured Adults*

| Characteristic | Percent of Uninsured | Percent of Privately Insured | Characteristic | Percent of Uninsured | Percent of Privately Insured |
|-----------------------------|----------------------|------------------------------|---|----------------------|------------------------------|
| 1. Gender | | | 6. Number of Employees | | |
| Female | 51% | 48% | Less than 50 | 56% | 19% |
| Male | 49% | 52% | 50 to 99 | 11% | 12% |
| 2. Age | | | More than 100 | 33% | 69% |
| Less than 30 | 34% | 20% | 7. If not working, currently looking for a job | | |
| 30 to 39 | 22% | 27% | No | 68% | 87% |
| 40 to 49 | 24% | 26% | If not, why not: | | |
| 50 to 64 | 21% | 26% | Student | 4% | 4% |
| 3. Marital Status | | | Homemaker | 33% | 36% |
| Married | 34% | 68% | Disabled | 46% | 14% |
| Single | 66% | 32% | Retired | 4% | 30% |
| 4. Household Income | | | Home business | 8% | 12% |
| Less than \$10,000 | 44% | 5% | Other | 6% | 4% |
| \$10,000 to \$15,000 | 14% | 7% | 8. General Health Status | | |
| \$15,000 to \$25,000 | 19% | 17% | Excellent | 19% | 27% |
| \$25,000 to \$40,000 | 15% | 30% | Very good | 22% | 33% |
| \$40,000 to \$50,000 | 4% | 10% | Good | 22% | 28% |
| More than \$50,000 | 4% | 31% | Fair | 20% | 7% |
| 5. Employment Status | | | Poor | 16% | 5% |
| Employed | 47% | 77% | 9. Am As Healthy as Anyone | | |
| Unemployed | 53% | 23% | Definitely true | 28% | 35% |
| If working: | | | Mostly true | 38% | 48% |
| full-time | 77% | 90% | Mostly False | 11% | 6% |
| part-time | 23% | 10% | Definitely False | 18% | 6% |
| | | | Not sure | 6% | 5% |

* Except for gender, the distributions on all these characteristics were different by a statistically significant amount at the .01 level.

Source: LRC staff analysis of the Spring 1996 Kentucky Survey, with 149 uninsured respondents and 390 privately insured respondents.

The newly uninsured were generally unfamiliar with changes in laws governing health insurance. Only 29% were aware that any changes had taken place. Seventeen percent of newly uninsured respondents thought their family might be directly affected by the changes, while only 3% were familiar with the features of standard plans.

Table 15

Duration and Reasons for Periods of Uninsured Status

| 1. Reason Not Insured | Percent | 3. Length of Time without Insurance | Percent |
|--|----------------|--|----------------|
| Medical condition | 5% | Less than 1 year | 30% |
| Could not afford premium | 68% | 1 year | 10% |
| Other | 27% | 2 years | 7% |
| | | 3 years | 7% |
| | | 4 years | 4% |
| | | 5 years or more | 42% |
| 2. Previously Had Private Insurance | 66% | | |
| If answered yes: | | | |
| Reason Coverage Dropped | | 4. Maximum Monthly Premium | |
| Change in employment status | 41% | Willing to Pay for Coverage | |
| Change in family status | 33% | \$0 | 10% |
| Could not afford premium | 18% | \$1 to \$50 | 20% |
| Other expenses too costly | 7% | \$51 to \$100 | 15% |
| Health condition | 2% | \$101 to \$150 | 11% |
| | | More than \$150 | 11% |
| | | Don't know | 33% |

Source: LRC staff analysis of the Spring 1996 Kentucky Survey, with 149 uninsured respondents.

Uninsured Children

Except where otherwise noted, data for this section comes from the 1996 Health Insurance Survey. Of the 7,400 Kentucky households who were asked the question, 7.4 % reported having uninsured children. Based on an average of figures reported in the 1991 - 1996 CPS, it is estimated that roughly 13 percent, or 125,000, of Kentucky's children are uninsured. The Governmental Accounting Office estimated that, in the U.S. as a whole, 30 percent of uninsured children are actually Medicaid eligible.¹⁸ If the Kentucky percentage is similar to that of the U.S., then about 38,000 uninsured children could potentially be covered by Medicaid, leaving about 87,000 children uninsured.

The estimate is that roughly 43% of uninsured children in Kentucky live in families with incomes below 100% of the federal poverty level, and 73% live in families with incomes below 200% of the federal poverty level (Table 17). Most families (86%) with uninsured children have incomes below 250% of the federal poverty level.

About 75% of survey respondents with uninsured children who answered the question said they would be willing to pay some amount for a basic insurance policy for one uninsured child. The mean amount they said they would be willing to pay was \$48; however this amount is skewed by large amounts given by very few respondents. The median was \$30, meaning that half said they would be willing to pay less than \$30 and half said they would be willing to pay more. Seventy-

¹⁸ "Health Insurance for Children: Many Remain Uninsured Despite Medicaid Expansion," Governmental Accounting Office, July 19, 1995. (GAO/HEHS-95-175, July 19, 1995).

five percent of the respondents indicated an amount \$50 or less, and 23% said they would (or could) pay nothing for such a policy.

Table 18 shows a comparison of estimates of the family incomes, represented as a percent of the federal poverty level (FPL) for children in Kentucky who are either uninsured or are covered under a private insurance policy, whether employer-provided or purchased directly from an insurer. Children covered by any government-provided medical coverage, such as Medicaid, are excluded from the table. This table shows the different information which can be obtained by examination of rates, or percentages, compared to actual numbers of children. For example, nearly two-thirds of uninsured children were estimated to live in families with incomes below 150% of the FPL, compared with "only" 18% of insured children. However, because there are about 5 times as many insured children as uninsured children in Kentucky, taking the smaller percentage of a much larger number means that there are actually more insured children in the lowest family income categories than there are uninsured children.

Table 16
Characteristics of Newly Uninsured Adults

| Characteristic | Percent | Characteristic | Percent |
|-------------------------------------|---------|---|---------|
| 1. Gender | | 6. Previous Insurance Company | |
| Female | 52% | Blue Cross-Blue Shield | 30% |
| Male | 48% | Humana | 8% |
| 2. Age | | Aetna | 5% |
| Less than 30 | 30% | Time | 3% |
| 30 to 39 | 33% | Other | 48% |
| 40 to 49 | 22% | Don't know | 16% |
| 50 to 59 | 11% | 7. Reason No Longer Insured | |
| 60 to 64 | 5% | Change in employment status | 54% |
| 3. Annual Income | | Change in life situation | 12% |
| Less than \$10,000 | 13% | Employer dropped coverage | 4% |
| \$10,000-\$15,000 | 17% | Could not afford premium | 18% |
| \$15,000-\$25,000 | 29% | Dissatisfied with coverage | 6% |
| \$25,000-\$35,000 | 24% | Company left state | 4% |
| \$35,000-\$45,000 | 6% | Other/unknown | 2% |
| More than \$45,000 | 10% | 8. Knowledge of Changes in Law | |
| 4. Source of Last Insurance | | Yes | 29% |
| Provided by employer | 69% | Of those reporting yes: | |
| Purchased from insurance company | 24% | Source of information: | |
| Other | 7% | Letter from insurance company | 20% |
| 5. Type of Previous Coverage | | Newspaper or television ads | 51% |
| Single | 44% | News reports | 70% |
| Couple | 14% | Friends/family | 18% |
| Parent Plus | 7% | 9. Believe changes affect family | 17% |
| Family | 35% | 10. Familiar with standard plans | 3% |

Source: 1996 Health Insurance Survey, with 265 uninsured adults.

Table 17

DEMOGRAPHIC CHARACTERISTICS OF UNINSURED CHILDREN

| Characteristic | Estimate | Source |
|---|--------------------------------|---------------------------|
| 1. Number of uninsured children in Kentucky | 125,000 | A |
| 2. Percent of children uninsured in Kentucky | 13% | A |
| 3. Percent of KY households with uninsured children | 7.4% | B |
| 4. Number of uninsured children in household: | | B |
| 1 | 51% | |
| 2 | 31% | |
| 3 | 14% | |
| 4+ | 4% | |
| 5. Number of adults in households with uninsured children: | | B |
| 1 | 18% | |
| 2 | 64% | |
| 3 | 11% | |
| 4+ | 7% | |
| 6. Ages of uninsured children: | | B |
| 0 to 4 | 25% | |
| 5 to 8 | 23% | |
| 9 to 12 | 21% | |
| 13 to 17 | 31% | |
| 7. Insurance status of adults with uninsured children: | | B |
| No adult family members insured | 80% | |
| One or more adult family members insured | 20% (mostly employer-provided) | |
| 8. Family income as a percent of poverty level: Families with uninsured children | Category Percent | Cumulative Percent |
| 0 to 99% | 43% | 43% |
| 100 to 149% | 19% | 62% |
| 150 to 199% | 11% | 73% |
| 200 to 249% | 13% | 86% |
| 250 to 299% | 6% | 92% |
| 300% or more | 8% | 100% |
| 9. Amount adult respondents with uninsured children would be willing to pay per month for a basic health insurance policy for one child: | | B |
| Number of respondents answering question | 340 respondents | |
| Mean amount (affected by a few very large responses) | \$48 | |
| Median amount (half would pay more and half would pay less) | \$30 | |
| Amount greater than 75% of responses | \$50 | |
| Percent of respondents who would (or could) not pay any amount | 23% | |

Sources: A A rounded average of the Bureau of the Census estimates made from the 1991 - 1996 March Current Population Surveys. Family income as a percent of FPL from 1993-1995 CPS.
 B 1996 Health Insurance Survey, with 548 households with uninsured children.

The implication is that estimates of the cost of policy proposals to subsidize the purchase of health insurance policies by low-income families with uninsured children are likely to significantly err on the low side unless they take account of the large number of insured children in the same income class whose families might drop current coverage to avail themselves of an income-based subsidy. According to estimates from the CPS, there are nearly 2.5 times as many children privately insured and living in families with incomes below 250% of the FPL as there are uninsured children. Although data on the topic is sparse, figures from the Census Bureau indicate that the majority of privately insured children are covered under policies obtained through a family member's employer.¹⁹ No data could be identified which would allow an estimate of what percentage of the costs of child insurance are currently subsidized by employers.

Table 18

**Family Incomes as a Percent of the Federal Poverty Level
Uninsured and Insured Children**

| Percent of the FPL | Uninsured Children | | | | Privately Insured Children | | | |
|--------------------|--------------------|--------------------|----------------|-------------------|----------------------------|--------------------|----------------|-------------------|
| | Percent | Cumulative Percent | Number | Cumulative Number | Percent | Cumulative Percent | Number | Cumulative Number |
| less than 100 | 43% | 43% | 53,750 | 53,750 | 7% | 7% | 42,000 | 42,000 |
| 100 - 149 | 19% | 62% | 23,750 | 77,500 | 11% | 18% | 66,000 | 108,000 |
| 150 - 199 | 11% | 73% | 13,750 | 91,250 | 13% | 31% | 78,000 | 186,000 |
| 200 - 249 | 13% | 86% | 16,250 | 107,500 | 13% | 44% | 78,000 | 264,000 |
| 250 - 299 | 6% | 92% | 7,500 | 115,000 | 8% | 52% | 48,000 | 312,000 |
| 300+ | 8% | 100% | 10,000 | 125,000 | 48% | 100% | 288,000 | 600,000 |
| Totals | 100% | | 125,000 | | 100% | | 600,000 | |

Source: LRC staff estimates from the March 1991 - 1995 Current Population Surveys of Kentucky households conducted by the U.S. Bureau of the Census. Each annual survey includes approximately 630 Kentucky households.

¹⁹ Census Bureau, "Health Insurance Coverage Status by State: Number and Percent of Persons Under 18 Years Old by Type of Coverage: 1987 to 1995."





