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# EPI Issue Brief

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## **THE CHRONIC PROBLEM OF DECLINING HEALTH COVERAGE**

### **Employer-provided health insurance falls for third consecutive year**

*by Elise Gould*

The costs to working families of the recession and jobless recovery have been amply documented in terms of jobs, wages, and incomes (Mishel et al. 2004). Yet the persistently weak labor market in tandem with sharply increasing health costs have led to a related problem for working families: the loss of employer-provided health coverage. This report examines the erosion of employer-based coverage since 2000, with an emphasis on the characteristics—gender, race, education, and wage and income levels—of those who have lost coverage.

Although unemployment has increased and the labor market has shrunk over this period, the loss of jobs cannot explain all of the decline in employer health care coverage. Jobholders also experienced a drop in coverage from 58.9% to 56.4%, a change of 2.5 percentage points. This decline may be the result of a couple of trends: the slack in the labor market that has weakened workers' bargaining power or steep increases in health care costs that are being passed to employers and employees in the form of higher premiums and lower take-up rates.

But regardless of the causes, an examination of the recent data clearly reveals a widespread loss of coverage. Predictably, those with the least education or income lost ground, but so did those with college degrees and higher incomes. Children were particularly likely to lose employer-based coverage, although many of those from poorer families have been picked up by publicly provided insurance.

In essence, the direction of health care policy is being determined by employers, who are shifting the cost of health coverage for the least-advantaged children to the public sector. While such a shift in the source of coverage for these children may be desirable in that it ensures they have reliable, ongoing care that is less sensitive to fluctuating market forces, it also exposes them to the ups and downs of federal and state fiscal policy.

While the most recent data on employer-provided health coverage goes through 2003, data on employment trends and health costs through 2004 suggest that these negative trends persist in the current job market.

The central findings regarding the loss of employer-provided coverage are:

- The number of uninsured Americans rose by 1.4 million, from 43.6 million in 2002 to 45.0 million in 2003, and over five million people on net became uninsured between 2000 and 2003. This increase was due primarily to the precipitous decline in employer-provided health coverage for workers and their dependents.
- A significant part of this drop in employer health care coverage was due to the loss of jobs over the 2001 recession and jobless recovery. This drop is reflected in 3.8 million fewer Americans with employer-provided health coverage, or a decline from 63.6% to 60.4% of the U.S. population with employer-provided health coverage.
- While many Americans lost coverage because they or a family member lost their job, jobholders also experienced a significant decline in coverage. Between 2000 and 2003, 3.4 million fewer employed workers had health coverage from their own employer.
- Those workers in the bottom 20% of hourly wage earners were the least likely to have employer coverage; 24.9% of the bottom quintile was covered compared to 77.8% for workers in the highest wage quintile. Those in the second lowest wage quintile fared the worst from 2000 to 2003, with a decline in coverage of 4.0 percentage points.
- Children experienced the sharpest decline, with a net 2.4 million fewer children covered by employer-provided health insurance in 2003 than in 2000. The percentage of children under age 18 with employer coverage fell from 65.6% in 2000 to 61.2% in 2003. Fortunately, existing government insurance (i.e., Medicaid and State Children's Health Insurance Programs) increased coverage to children by 5.5 percentage points, enough to offset the sharp decline in employer coverage for this group.<sup>1</sup>
- The decline in employer coverage was pervasive and felt throughout the country. When comparing the 1999-2000 and 2002-03 periods, North Carolina, Arkansas, and Maine experienced the sharpest declines, with drops of 6.4, 6.2, and 5.4 percentage points, respectively.

## **Coverage for individual workers and their family members**

Nearly four million people—including both workers on their own policy and spouses or children on a family plan—lost employer-provided health coverage from 2000 to 2003. Between 2002 and 2003, 1.3 million people lost coverage.

As shown in **Table 1**, whites are more likely to be insured, and they experienced less of a decline in coverage than blacks. In 2003, those with a college degree were 34% more likely to have employer-

**TABLE 1**  
**Employer-provided health insurance, total population, 2000-03**

	Health insurance coverage (%)				Change
	2000	2001	2002	2003	2000-03
<b>Total population</b>	63.6%	62.6%	61.3%	60.4%	-3.3
<b>Gender</b>					
Male	64.9%	63.8%	62.2%	61.2%	-3.7
Female	62.4	61.4	60.4	59.5	-2.9
<b>Race</b>					
White	69.2%	68.4%	67.3%	66.3%	-2.9
Black	53.6	53.3	50.8	50.1	-3.5
Hispanic	44.0	42.6	42.4	41.5	-2.5
Other	61.4	58.2	58.3	58.1	-3.4
<b>Education</b>					
High school	60.1%	58.8%	56.8%	55.9%	-4.3
College	78.1	77.8	76.0	75.1	-3.0
<b>Family income fifth</b>					
Lowest	24.3%	22.5%	21.4%	20.3%	-4.0
Second	54.6	52.5	50.1	49.0	-5.6
Middle	71.4	71.6	70.1	69.2	-2.2
Fourth	82.5	81.3	80.6	79.7	-2.8
Highest	85.7	85.2	84.5	84.0	-1.6

Note: Race is defined as follows: "White"=white only; "Black"=black only; "Hispanic"=Hispanic only; and "Other"=all other races and race combinations.

Source: Analysis author's analysis of the March Current Population Survey, 2000-03.

provided coverage than those with only a high school degree. In addition, those with only a high school degree experienced a greater decline in coverage compared to those with a college degree (declines of 4.3 vs. 3.0 percentage points).

Only 20% of the American families with earnings in the lowest 20% of the income spectrum have employer coverage, compared to 84% for those families with incomes in the top 20%. These lowest-earning families also suffered the greatest declines in coverage. Those families in the bottom and second quintile (20-40%) of the wage scale experienced a loss of 4.0 and 5.6 percentage points, respectively, while those in both the fourth (60-80%) and top quintiles only declined 2.8 and 1.6 percentage points, respectively.

## Coverage for individual workers

The percent of individual workers with employer-provided health insurance coverage fell from 2002 to 2003, continuing the decline that began in 2000. As shown in **Table 2**, 56.4% of workers who worked at least 20 hours per week and 26 weeks per year received employer-provided health insurance from their

**TABLE 2**  
**Private-sector employer-provided health insurance coverage,**  
**2000-03 workers (age 18-64) — percent insured by own employer**

	Health insurance coverage (%)				Change 2000-03
	2000	2001	2002	2003	
<b>All workers*</b>	58.9%	58.2%	57.3%	56.4%	-2.5
<b>Gender</b>					
Male	63.2%	62.0%	61.1%	59.7%	-3.4
Female	53.6	53.5	52.8	52.3	-1.3
<b>Race**</b>					
White	62.7%	62.1%	61.2%	60.3%	-2.4
Black	55.4	55.7	54.4	54.3	-1.1
Hispanic	41.8	40.5	41.0	39.3	-2.5
Other	58.1	56.7	57.4	56.5	-1.6
<b>Education</b>					
High school	56.2%	55.1%	53.6%	52.9%	-3.3
College	71.3	71.8	70.4	68.8	-2.4
<b>Wage fifth</b>					
Lowest	27.4%	26.3%	26.6%	24.9%	-2.5
Second	50.9	49.2	48.8	46.9	-4.0
Middle	63.9	64.1	62.7	62.0	-1.9
Fourth	73.7	73.5	72.1	71.1	-2.5
Highest	79.9	78.2	78.5	77.8	-2.1

\* Private-sector, wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year. Worker received employer provided health insurance through their own job and the employer had to pay at least part of their insurance premiums to qualify as employer-provided insurance coverage.

\*\* Race is defined as follows: "White"=white only; "Black"=black only; "Hispanic"=Hispanic only; and "Other"=all other races and race combinations.

Source: Author's analysis of the March Current Population Survey, 1999-2003.

own employer, down from 57.3% the year before and down a total of 2.5 percentage points since 2000. This decline left about 3.4 million fewer workers with employer-provided coverage.

The loss of coverage was greater for men than women, as working men with employer coverage fell 3.4 percentage points compared to 1.3 points for women workers. Working men, however, still had higher coverage than women in 2003 (59.7% vs. 52.3%).

Only 52.9% of workers with a high school education were covered in 2003, whereas 68.8% of college-educated workers had employer-provided health coverage. This disparity reflects the fact that higher-skilled workers are likely to have higher-quality jobs that offer health benefits. That said, even college graduates have not been insulated from the decline in employer-provided health insurance. However, workers with only a high school education fared worse than those with a college degree (a decline of 3.3 vs. 2.4 percentage points).

**TABLE 3**  
**Employer-provided health insurance for children age 17 and under, 2000-03**

	Health insurance coverage (%)				Change
	2000	2001	2002	2003	2000-03
<b>All under 18</b>	65.6%	63.9%	63.0%	61.2%	-4.4
<b>Income quintile</b>					
Lowest	24.3%	22.0%	20.7%	18.6%	-5.7
Second	54.3	51.0	49.2	45.7	-8.6
Middle	74.5	74.0	72.7	71.4	-3.1
Fourth	86.1	84.3	84.5	83.2	-2.9
Highest	88.8	88.3	88.1	87.0	-1.8
<b>Race</b>					
White	76.0%	74.5%	73.8%	72.3%	-3.7
Black	50.8	50.6	48.4	45.3	-5.5
Hispanic	42.4	41.0	40.2	39.6	-2.8
Other	64.2	58.6	60.8	59.1	-5.1

Note: Income quintile refers to family income. Race is defined as follows: "White"=white only; "Black"=black only; "Hispanic"=Hispanic only; and "Other"=all other races and race combinations.

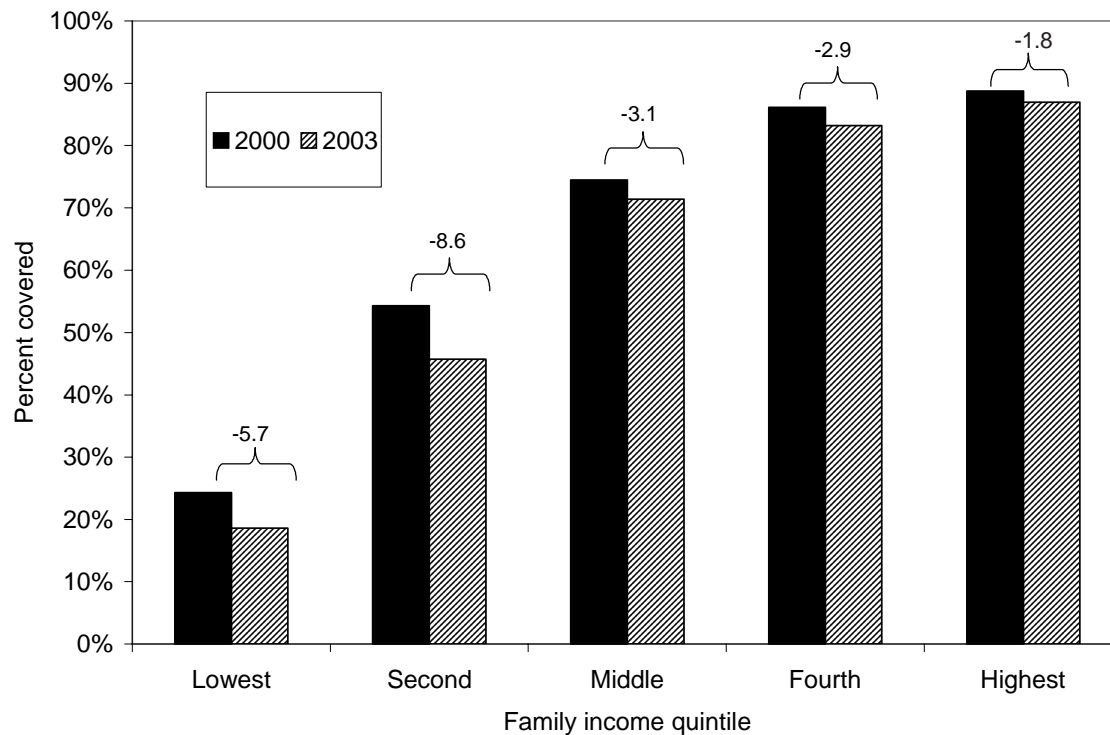
Source: Author's analysis of the March Current Population Survey, 2000-03.

Workers earning lower hourly wages are significantly less likely to have employer-provided health coverage than those earning higher wages. In 2003, workers in the highest wage quintile were more than three times as likely to have employer-provided health insurance as those workers in the lowest quintile (77.8% vs. 24.9%). The decline in employer-provided health insurance from 2000 to 2003 pervaded all wage quintiles; however, the number of insured workers with wages in the second quintile (20-40%) fell the most (a drop of 4.0 percentage points).

## Coverage for children

Employer-provided coverage fell further for children than for any other age group (see **Table 3**). While overall employer coverage fell from 63.6% to 60.4%, the decline in employer coverage for children fell from 65.6% to 61.2%.

Ranking children by their family's income is particularly revealing of the unequal distribution of employer-provided health care (**Figure 1**). Only 18.6% of children in the lowest income quintile were found to have employer-provided health insurance compared with 87.0% of the children in the highest income quintile. In other words, children whose family incomes were in the top 20% were more than four-and-a-half times more likely to have employer-provided health insurance than children in the lowest 20%. At the same time, the drop in coverage for those in the lowest income quintile was over three times that for children in the highest income quintile. The group hurt the worst, however, was children in the second lowest quintile; their coverage rates declined by 8.6 percentage points from 54.3% to 45.7%. Un-

**FIGURE 1****Employer-provided health coverage for children by family income quintile, 2000-03**

Source: Author's analysis of the March Current Population Survey, 2000-03.

like the children in the lowest quintile, these children are less likely to be eligible for government health insurance programs, and thus their lack of employer coverage makes them more likely to be uninsured.

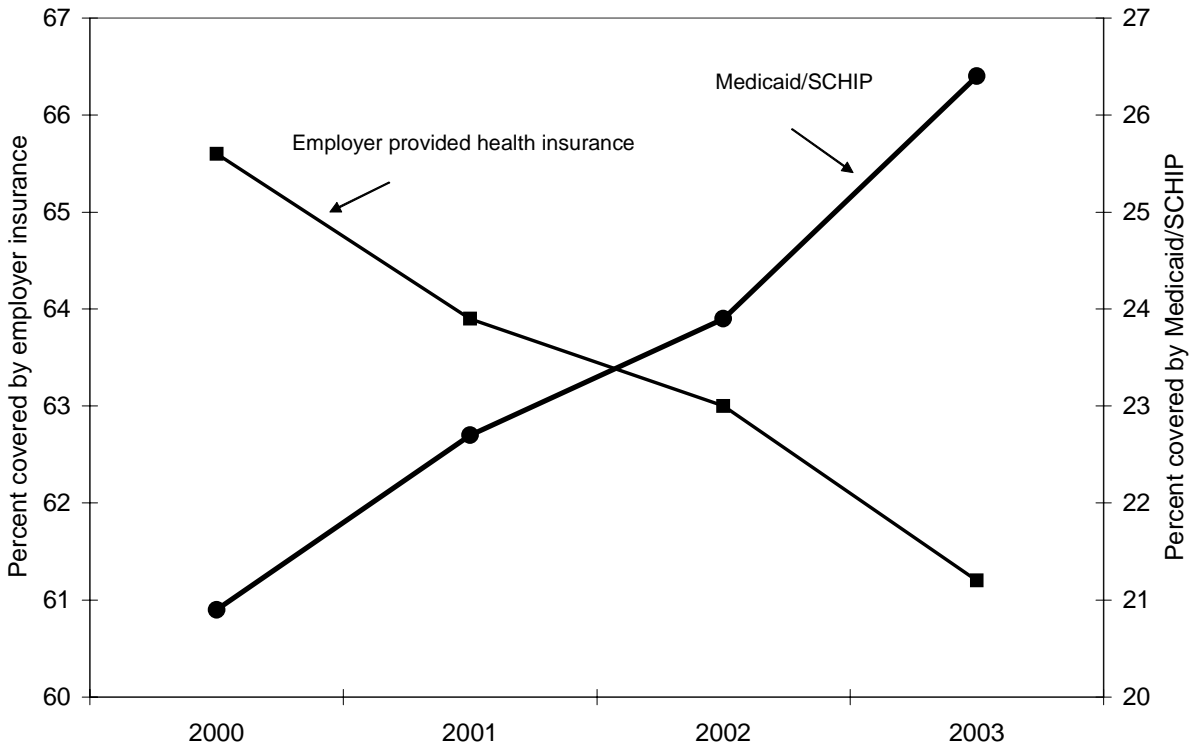
In many ways, children fared the worst of any group in terms of employer-provided health coverage, but the strength of government programs aimed at children kept many from falling into the ranks of the uninsured. As shown in **Figure 2**, growth in enrollment in both Medicaid and the State Children's Health Insurance Program (SCHIP) increased the percent of children covered from 20.9% to 26.4%. Overall, 4.3 million more children were covered by these programs in 2003 than in 2000. This increase more than compensated for the 2.4 million decline of employer coverage among American youth, who experienced a slight decline in the number of uninsured during this period.

### Coverage by state

While nearly all states experienced a decline in employer-provided coverage in the 1999-2000 and 2002-03 periods, the level and extent of coverage loss varied by state, as shown in **Table 4**. The states with the highest employer-provided coverage rates between 2002 and 2003 were New Hampshire (72.9%), Minnesota (70.6%), and Delaware (70.1%). The lowest coverage rates were found in Montana (49.9%), New Mexico (50.0%), and Arkansas (50.4%). Delaware, Georgia, New Hampshire, New York, and North Da-

**FIGURE 2**

**Employer-based health insurance and government health insurance, children under 18**



Source: Author's analysis of the March Current Population Survey, 2000-03.

kota were the only states to experience increases in employer-provided coverage. At the same time, Arkansas, Maine, and North Carolina all experienced losses in excess of 5.0 percentage points.

Among the working population, the average loss in employer-provided coverage was 2.2% between combined years 1999/2000 and 2002/2003. As shown in **Table 5**, some states fared better than others. Workers in Maryland, Missouri, New Jersey, New Mexico, Oregon, Texas, Virginia, and Wyoming experienced declines of greater than 4.5 percentage points. This was particularly bad for workers in New Mexico, Texas, and Wyoming, who already had lower-than-average coverage rates.

## Conclusion

Over 3.8 million fewer Americans had employer-provided health insurance in 2003 than in 2000. Employer-provided health coverage fell for both primary policy holders and their dependents. The percentage of workers who received employer-provided coverage from their own job fell 2.5 percentage points. At the same time, over 2.4 million fewer children had employment-based health insurance in 2003 than in 2000. Medicaid expansions in the 1990s and the creation of SCHIP in 1997 significantly aided children who lost employer-provided coverage. Despite the lack of any significant legislative expansion of eligibil-

**TABLE 4**  
**Employer-provided health insurance coverage by state, 1999-2000 and 2002-03**

State	Coverage (%)			Coverage (in 1,000s)		
	1999-2000	2002-03	Percentage-point change	1999-2000	2002-03	Change
Alabama	62.8%	62.1%	-0.8	2,755	2,751	-4
Alaska	59.8	57.3	-2.6	376	367	-9
Arizona	57.4	54.8	-2.6	2,949	3,018	68
Arkansas	56.6	50.4	-6.2	1,492	1,351	-141
California	56.7	56.2	-0.6	19,236	19,812	576
Colorado	65.8	61.9	-3.9	2,854	2,773	-81
Connecticut	71.7	68.9	-2.8	2,438	2,344	-94
DC	59.2	58.6	-0.6	325	330	5
Delaware	70.0	70.1	0.2	543	567	25
Florida	55.6	53.8	-1.8	8,786	8,974	188
Georgia	62.7	63.9	1.2	5,024	5,434	410
Hawaii	70.0	67.7	-2.3	851	839	-11
Idaho	62.0	58.5	-3.6	785	778	-8
Illinois	67.2	64.7	-2.5	8,260	8,133	-127
Indiana	70.2	66.6	-3.7	4,195	4,077	-119
Iowa	69.4	65.4	-4.0	1,987	1,905	-82
Kansas	64.2	64.1	-0.2	1,690	1,719	29
Kentucky	63.2	60.5	-2.7	2,489	2,467	-22
Louisiana	56.0	53.0	-3.0	2,423	2,352	-71
Maine	64.1	58.6	-5.4	811	748	-63
Maryland	73.2	69.5	-3.7	3,775	3,804	29
Massachusetts	66.5	66.2	-0.3	4,181	4,250	69
Michigan	71.8	69.0	-2.8	7,144	6,837	-307
Minnesota	71.5	70.6	-0.9	3,493	3,574	81
Mississippi	57.6	53.7	-4.0	1,602	1,513	-88
Missouri	69.3	65.5	-3.8	3,825	3,670	-155
Montana	54.4	49.9	-4.5	486	455	-31
Nebraska	62.6	61.3	-1.3	1,055	1,051	-4
Nevada	62.4	61.9	-0.6	1,277	1,352	75
New Hampshire	72.1	72.9	0.8	899	922	23
New Jersey	69.8	67.7	-2.1	5,806	5,820	14
New Mexico	50.3	50.0	-0.3	915	928	14
New York	59.6	59.6	0.1	11,217	11,402	185
North Carolina	62.9	56.5	-6.4	4,959	4,637	-322
North Dakota	58.7	59.0	0.4	365	373	8
Ohio	70.6	69.2	-1.4	7,913	7,798	-115
Oklahoma	56.1	55.0	-1.1	1,877	1,901	23
Oregon	63.2	59.4	-3.8	2,165	2,102	-63
Pennsylvania	68.5	65.7	-2.8	8,231	7,992	-239
Rhode Island	67.5	64.2	-3.4	699	677	-22
South Carolina	63.4	59.7	-3.7	2,469	2,406	-63
South Dakota	59.9	59.6	-0.4	434	446	11
Tennessee	61.4	58.2	-3.2	3,448	3,371	-77
Texas	56.6	52.5	-4.1	11,582	11,389	-193
Utah	71.9	67.7	-4.2	1,597	1,579	-18
Vermont	62.6	62.5	-0.1	376	384	8
Virginia	66.5	65.1	-1.4	4,603	4,725	121
Washington	61.7	60.5	-1.1	3,569	3,659	90
West Virginia	60.5	55.7	-4.8	1,062	986	-77
Wisconsin	71.5	66.7	-4.8	3,845	3,637	-208
Wyoming	60.4	57.5	-2.9	294	281	-13

Note: All percentage-point changes are significant at the 5% level.

Source: Author's analysis of the March Current Population Survey, 1999-2003.

**TABLE 5**  
**Employer-provided health insurance coverage by state, 1999-2000 to 2002-03,**  
**private-sector wage-and-salary workers (at least 20 hours/week, 26 weeks/year)**

State	Coverage (%)			Coverage (in 1,000s)		
	1999-2000	2002-03	Percentage-point change	1999-2000	2002-03	Change
Alabama	59.9%	58.7%	-1.2	887	818	-69
Alaska	54.0	52.5	-1.5	92	88	-4
Arizona	53.1	53.4	0.3	904	908	4
Arkansas	57.1	53.4	-3.7	463	430	-34
California	55.6	55.3	-0.3	6,263	6,225	-38
Colorado	59.0	55.9	-3.1	929	885	-44
Connecticut	64.4	60.9	-3.5	751	694	-57
DC	62.3	65.2	2.9	111	118	7
Delaware	63.9	62.0	-1.9	181	182	1
Florida	52.8	53.5	0.7	2,829	2,842	13
Georgia	58.8	58.3	-0.5	1,691	1,703	12
Hawaii	70.7	69.6	-1.1	271	264	-7
Idaho	54.3	52.7	-1.6	219	215	-4
Illinois	60.9	60.1	-0.8	2,799	2,608	-192
Indiana	64.0	60.7	-3.4	1,376	1,321	-55
Iowa	61.2	58.3	-2.9	630	586	-45
Kansas	60.9	60.1	-0.8	542	521	-21
Kentucky	58.0	59.5	1.5	781	763	-18
Louisiana	51.3	51.5	0.2	661	679	18
Maine	60.2	57.8	-2.4	255	243	-12
Maryland	62.3	55.6	-6.7	1,023	1,006	-17
Massachusetts	62.2	59.1	-3.1	1,447	1,361	-86
Michigan	63.5	62.2	-1.3	2,229	2,089	-140
Minnesota	63.3	62.6	-0.7	1,195	1,198	3
Mississippi	54.8	53.5	-1.2	462	430	-32
Missouri	65.7	58.8	-6.9	1,373	1,147	-226
Montana	50.0	51.2	1.2	128	127	-1
Nebraska	57.5	56.3	-1.2	345	342	-3
Nevada	62.4	60.6	-1.9	472	479	6
New Hampshire	61.1	62.1	1.0	279	291	12
New Jersey	63.1	58.6	-4.5	1,875	1,710	-166
New Mexico	48.4	43.7	-4.7	241	224	-18
New York	55.2	55.0	-0.2	3,269	3,276	7
North Carolina	59.7	58.0	-1.7	1,687	1,607	-81
North Dakota	54.9	54.2	-0.7	108	109	2
Ohio	63.2	60.2	-3.0	2,487	2,402	-85
Oklahoma	53.3	49.4	-3.9	531	516	-15
Oregon	62.0	56.3	-5.8	746	672	-74
Pennsylvania	64.9	61.7	-3.2	2,711	2,550	-162
Rhode Island	59.8	55.8	-4.0	219	210	-9
South Carolina	57.6	57.7	0.1	735	725	-10
South Dakota	55.2	55.4	0.3	131	140	8
Tennessee	56.6	57.7	1.2	1,118	1,091	-27
Texas	54.7	49.9	-4.9	3,758	3,518	-239
Utah	55.3	51.6	-3.7	388	376	-13
Vermont	55.9	55.5	-0.4	119	116	-3
Virginia	62.5	57.5	-5.0	1,458	1,371	-88
Washington	61.4	60.8	-0.6	1,255	1,224	-31
West Virginia	54.5	52.7	-1.8	296	253	-43
Wisconsin	59.9	56.9	-3.0	1,187	1,190	2
Wyoming	54.2	49.7	-4.5	81	75	-6

\* To qualify as covered, workers received insurance through their job and the employer had to pay at least part of the premium.

Note: All percentage-point changes are significant at the 5% level except for Louisiana and South Carolina.

Source: Author's analysis of the March Current Population Survey, 1999-2003.

ity since 2000, many more children were covered by government insurance because they no longer qualified for or could afford employer-provided health coverage.

Across the board, Americans in the second-lowest wage quintile experienced the greatest declines in employer coverage. People in the second quintile of family income had a 5.6 percentage point decline in coverage. Workers in the second-lowest wage quintile saw employer-provided insurance rates drop 4.0 percentage points, and children in the second-lowest family income quintile experienced a decline in coverage of 8.6 percentage points. While significant declines in coverage occurred for people in the lowest wage quintile, those in the second-lowest wage quintile have fewer government health insurance programs to fall back on and thus more likely to fall into the ranks of the uninsured when they lose employer coverage.

Data released last week from the Kaiser Family Foundation (2004) suggest the downward trend in employer coverage will continue into 2004. The Foundation found an increase in premiums of 11.2% between 2003 and 2004, the fourth straight year of double-digit increases. Given these increases, small employers in particular are less likely to offer health benefits. In addition, because premiums continued to rise over four times faster than wage gains, families are less able to afford the premiums associated with employer coverage. All of these data point toward a further drop in the number of Americans with employer-provided health coverage in the coming year.

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## Endnote

1. Eligibility rules did not change significantly over this period, but rather the demand for public insurance increased as children were no longer being covered by their parents' plan, either due to job loss or the growing inability to afford family plan premiums.

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