

## HEALTH CARE COVERAGE UPDATE

February 2006

At 9.6%, Hawai'i has one of the lowest rates of uninsured in the country and has a substantially higher percentage of employers offering health insurance because of the Prepaid Health Care Act (PHCA). However, recent analysis of national and state data<sup>1</sup> on the uninsured analyzed by the University of Hawai'i Social Science Research Institute reveals that:

- ✦ Gains have been made in coverage of children;
- ✦ One-half of Hawai'i's uninsured adults have family incomes below 200% of the Federal Poverty Level;
- ✦ Individuals ages 19-34 comprise one-half of the adults without health insurance;
- ✦ Native Hawaiians residing in Hawai'i and on the U.S. mainland have a higher rate of uninsurance than other ethnic groups;
- ✦ Gaps in coverage exist for the self-employed, part-time workers, and certain government employees;
- ✦ More than one-third of uninsured adults are working full-time (20+ hours per week); and
- ✦ A large percentage of the working uninsured are employed in small business with less than ten employees.

### HAWAII'S UNINSURED POPULATION

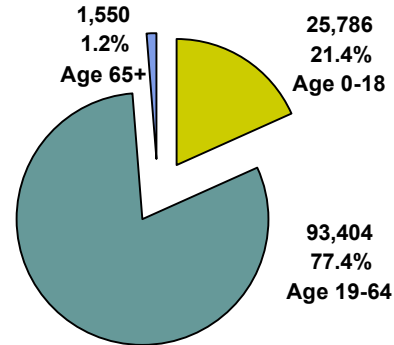
Based on a five-year average, it is estimated that 120,740 persons in Hawai'i are without health care coverage. Of these uninsured, almost 100,000 are adults age 19-64.

**Native Hawaiians and Pacific Islanders.** With the release of more detailed racial and ethnicity information available from the U.S. Census Bureau, it is now possible to tabulate coverage rates for Native Hawaiians and Pacific Islanders using the CPS. Uninsured self-identified Native Hawaiians and Pacific Islanders residing in Hawai'i represent a disproportionate share of the uninsured, totaling approximately 16,000 persons--an uninsured rate of 14.5%, compared to 9.5% for all other Hawai'i residents.

**Less Coverage on the Neighbor Islands.** An analysis of data from the Department of Health's Hawai'i Health Survey indicates that the percentage of uninsured individuals in the neighbor island counties of Hawai'i, Kaua'i and Maui is about twice that of the City and County of Honolulu.

<sup>1</sup> U.S. Census Current Population Survey (CPS), Annual Social and Economic Supplement and U.S. Bureau of Labor Statistics data analyzed over a five-year period between 2001 and 2005.

### Age Distribution of Hawai'i's Uninsured



Source: CPS  
2001-2005  
5-yr average

### MORE CHILDREN COVERED IN 2005

With the implementation of the SCHIP and Immigrant Children's programs in 2000, additional children in families with incomes up to 200% federal poverty level (FPL) became eligible for enrollment in government insurance programs. In response, Hawai'i Covering Kids, in partnership with the Department of Human Services, developed a simplified Med-QUEST application, a passive renewal process, and conducted extensive outreach to enroll additional children, and thereby reduced the number of uninsured children.

HAWAII'S UNINSURED CHILDREN (Age 0-18)				
Year	0-200% FPL	201-300% FPL	301+ FPL	Total Uninsured
2001	22,651	2,549	4,658	29,857
2002	21,207	5,413	4,711	31,332
2003	15,257	7,672	3,068	25,996
2004	15,208	3,934	5,917	25,069
2005	9,426	3,725	3,534	16,685

Source: University of Hawai'i Weighted Tabulation CPS 2001-2005.

Continued progress could be supported through the following proposals.

**Identification and Outreach.** Use state and federal funds to support the outreach and education efforts of Hawai'i Covering Kids and the Department of Human Services to enroll and retain eligible children. **Target group: 9,426 uninsured children 0-18 (0-200% FPL).**

**Incremental Expansion of SCHIP.** The federal government currently contributes about 71 cents of every coverage dollar under SCHIP, although the federal commitment to this program is currently under debate. Incremental expansion of SCHIP to children in families at 201-300% FPL supports HUP's goal of coverage for all Hawai'i's children. **Target group: 3,725 uninsured children 0-18 (201-300% FPL).**

**NUMBERS OF UNINSURED ADULTS GROWING**

Analysis by the University of Hawai'i indicates that approximately **93,000 adults** ages 19-64 are without health insurance. This group represents 75% of Hawai'i's total uninsured. The following tables provide a profile of uninsured adults in Hawai'i:

**The Young Invincibles.** Individuals between the ages of 19-34 comprise nearly one-half of the total number of uninsured adults. There is anecdotal evidence that many of these "young invincibles" are students and young professionals who are no longer covered by their parents' insurance plans, and often forego insurance because they are healthy and don't see health insurance as a priority.

HAWAII'S UNINSURED ADULTS BY AGE	
Age	No. Uninsured
19-34	45,214
35-54	36,736
55-64	11,454
Total	93,404

Source: University of Hawai'i Weighted Tabulation CPS 2001-2005, Five-year average.

**Low-Income Adults Without Coverage.** It is estimated that approximately 25,000 uninsured adults are at or below 100% of the federal poverty level and should qualify for enrollment in the state's Medicaid and QUEST programs. The Department of Human Services recently received approval from the federal government to expand insurance coverage to low-income families and provide compensation to hospitals to help defray the costs of treating uninsured patients.

HAWAII'S UNINSURED ADULTS BY INCOME	
Income Level (FPL*)	No. Uninsured
0-62.5% (TANF)	15,399
62.5-100% (Med-QUEST)	10,420
101-200%	21,640
201-300%	17,459
301+%	28,486
Total	93-404

Source: University of Hawai'i Weighted Tabulation CPS 2001-2005, Five-year average.  
\* U.S. Dept. of Health & Human Services federal poverty guidelines for Hawai'i.

**Working But Uninsured.** Although Hawai'i's Prepaid Health Care Act mandates that employers provide health insurance coverage to employees working 20 hours or more per week, the CPS data consistently shows that a significant percentage of full-time workers are uninsured. The Department of Labor and Industrial Relations initiated a Compliance Assistance Program in March 2005 that involved site visits of randomly selected employers throughout the State to determine whether eligible employees were denied health insurance coverage and to educate employers about their responsibilities under the law. As of December 2005, 282 employers with a total of 2,500 employees were visited, and 59 employees were found to be eligible but not covered.

HAWAII'S UNINSURED ADULTS BY EMPLOYMENT STATUS	
Employment Status	No. Uninsured
Full-time (20+ hrs/week)	36,726
Part-time (1-19 hrs/week)	3,944
Sole Proprietors	11,986
Unemployed, Not in Labor Force, 0 or Variable Hours	40,747
Total	93,404

Source: University of Hawai'i Weighted Tabulation CPS 2001-2005, Five-year average.

**Small Business Employees.** The largest numbers of uninsured workers are employed by small businesses with less than ten employees, and these businesses spent the largest percentage of their payroll expenses for health insurance premiums.

PRIVATE SECTOR COVERAGE BY FIRM SIZE		
Firm Size	No. Uninsured*	Premiums Paid (% of Payroll)**
Less than 10 employees	12,448	13.9
10-24 employees	7,067	12.5
25-99 employees	8,474	9.7
100-499 employees	6,726	8.6
500-999 employees	3,183	
1000+ employees	10,530	10.0
Total	48,428	10.1

\*Source: University of Hawai'i Weighted Tabulation CPS 2001-2005, Five-year average.

\*\* Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, Medical Expenditure Panel Survey-Insurance Component, Hawai'i 2003.

# the HAWAII Uninsured Project

**Coverage Options.** The circumstances and needs of the uninsured adult population vary greatly, creating a necessity to develop a number of different solutions. Given that the PHCA is the basis for Hawaii's system of health care coverage for adults, the following incremental approaches are suggested.

**Enhanced Education and Enforcement of PHCA.** Continue efforts to educate employers and employees about the requirements of the PHCA; increase compliance through monitoring and auditing. Support additional funding to DLIR for enhanced education and enforcement. **Target group: 36,726 uninsured full-time workers (20 hours per week).**

**Health Savings Accounts (HSAs).** Encourage sole proprietors, part-time employees, exempt government employees, uncompensated workers, and those not in the work force to establish a health savings account with a high deductible health plan. **Target group: 56,677 sole proprietors, part-time employees, and those not in the work force.**

**Expand Eligibility to PHCA-Exempt Government Employees.** Amend Hawai'i law to expand health insurance eligibility to state and county employees currently exempt from the PHCA. **Target group: Approximately 1,000 employees.**

**Remove QUEST Enrollment Cap.** Remove the current cap of 125,000 to allow enrollment of adults eligible for QUEST benefits. **Target group: 25,819 uninsured adults (0-100% FPL).**

**Purchasing Pools.** Create a purchasing pool for PHCA exempt groups – sole proprietors, part-time employees, family businesses – and employees of targeted small businesses currently required to provide coverage. PHCA exempt groups would receive either a tax credit or premium subsidy based upon their income. For small businesses, the pool would require that all employees participate to protect against adverse selection and would offer a tax credit to the employer. To enhance the buying power of the pool and reduce administrative expenses to individuals and businesses, the purchasing pool should be administratively attached to a large government pool, with sufficient resources provided to the government pool to manage the affiliate pool.

**Target group: 31,501 uninsured sole proprietors; full-time and part-time employees in businesses with less than 25 employees.**

It is well-documented that the uninsured suffer from poor health status and many die prematurely. Further, uninsured children lose the opportunity for normal development and educational achievement when preventable health conditions go untreated. Therefore, the adverse social and financial impacts of having uninsured in our society can be both far-reaching and have long-term consequences. The long-term benefit of "Coverage for All," including a strong safety net, is the opportunity to manage people's care, which ultimately leads to a healthier society. However, while "Coverage for All" is the focus of our efforts, related issues must be considered.

- ✦ Even a system that provides universal health insurance will have some individuals who "opt out," and there are others who may be "uninsurable." A stable source of government financial support for Hawaii's safety net providers is critical to providing for the health needs of those who are not able to or will not participate in public or private insurance programs.
- ✦ There are dual challenges to attracting and retaining health care providers and health care plans willing to care for government insurance patients due to reimbursement levels and administrative issues. For any government expansion program to be successful, there must be enough health care providers and health care plans available to serve an additional consumers of government insurance.

For more information, please contact:  
Laurel Johnston, Executive Director  
The Hawai'i Uninsured Project  
1001 Bishop St., ASB Tower, Suite 1132  
Honolulu, HI 96813  
(808) 585-7931 x102

[www.healthcoveragehawaii.org](http://www.healthcoveragehawaii.org)



A project of the  
Hawaii Institute for Public Affairs  
Robert Wood Johnson Foundation  
U.S. Department of Health & Human Services