

# Uninsured Project

## 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 on the uninsured analyzed by the University of Hawai'i Social Science Research Institute reveals that:

- Gains have been made in coverage of children, primarily through the expansion of the State Children's Health Insurance Program;
- 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.

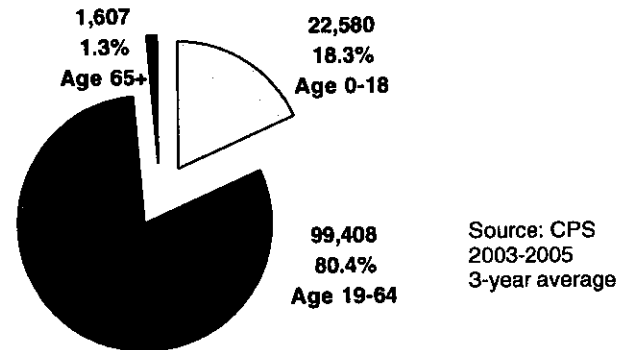
The data used in the development of these findings includes U.S. Census Current Population Survey (CPS) and U.S. Bureau of Labor Statistics data analyzed over a three to five-year period between 2001 and 2005.

### HAWAII'S UNINSURED POPULATION

Based on a three-year average, it is estimated that 123,595 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.

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



### MORE CHILDREN COVERED IN 2005

With the implementation of the SCHIP program in 2000, additional children in families with incomes up to 200% federal poverty level (FPL), became eligible for enrollment in state government insurance programs. In response, the Department of Human Services in partnership with Hawai'i Covering Kids, developed a simplified MedQUEST 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          |

Continued progress could be supported through the following proposals.

**Outreach and Education.** 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.** Leverage SCHIP funds to expand eligibility to children in families 201-300% FPL. The federal government currently contributes up to 71 cents for every coverage dollar under SCHIP. Expansion to be incremental based on availability of state and federal funds. **Target group: 3,725 uninsured children 0-18 (201-300% FPL).**

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## 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.

| 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.

| 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.

| 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.

| 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          | 8.6                            |
| 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.

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**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: 56,667 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.

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