

Approximately 14 percent of Coloradans (678,000 individuals) do not have health insurance.¹ Analysis of data from the 2008-09 Colorado Household Survey (COHS) shows that the reasons Coloradans cited for lacking health insurance varied by demographic and employment-related factors, but overwhelmingly the number one reason was cost. Not having access to employer-sponsored insurance was the second most frequently cited reason.

Nationally, cost is consistently the most common reason given for lack of insurance, despite income, age or health status.² The 2010 Employer Health Benefits Survey conducted by the Kaiser Family Foundation found that the average annual premium for family coverage was \$13,770, up 3 percent over 2009 and 114 percent higher than in 2000. Worker contributions have risen 147 percent in the past decade.³

The Colorado Health Institute (CHI) examined the reasons Coloradans reported for being uninsured at the time they were surveyed. This issue brief discusses CHI's findings and how recent state and federal health care reforms might mitigate these factors. All data reported in this issue brief have been weighted to represent the 2008 Colorado population of 5 million.⁴

HEALTH REFORM AND THE COSTS OF INSURANCE

In the year following administration of the COHS, both the Colorado Legislature and U.S. Congress passed legislation to increase the number of individuals with health insurance. Thus, the COHS provides important baseline information regarding Coloradans' health insurance status *prior* to implementation of health insurance reforms. As these state and federal policies are implemented, the baseline findings from the 2008-09 COHS provide an important lens through which to monitor the effectiveness of these coverage reforms in the future.

In 2009, the Colorado Legislature passed the *Colorado Health Care Affordability Act* (HB 09-1293), and in 2010 the U.S. Congress passed the *Patient Protection and Affordable Care Act* (ACA). While the insurance reforms contained in both laws are described in greater detail throughout this brief, some of the major health insurance provisions of the federal reforms include:

- Expanding Medicaid eligibility to children, parents and adults without children to 133% of the federal poverty level (FPL) (see Table I below);
- Requiring most citizens and legal residents to obtain health insurance coverage or pay a financial penalty;
- Providing subsidies to help low-to-moderate income individuals purchase private health insurance;
- Offering employers incentives to provide health insurance to their employees and imposing penalties for not doing so;

- Establishing temporary state-based high-risk pools until the requirement to allow consumers to purchase insurance regardless of health status is implemented in 2014;
- Allowing dependent children to stay on their parents' policy until age 26.

Table I. Federal Poverty Levels (FPL), 2008

| # in family or Household | 100% of FPL* | 133% of FPL | 200% of FPL | 250% of FPL | 400% of FPL |
|----------------------------------|--------------|-------------|-------------|-------------|-------------|
| 1 | \$10,400 | \$13,832 | \$20,800 | \$26,000 | \$41,600 |
| 2 | \$14,000 | \$18,620 | \$28,000 | \$35,000 | \$56,000 |
| 3 | \$17,600 | \$23,408 | \$35,200 | \$44,400 | \$70,400 |
| 4 | \$21,200 | \$28,196 | \$42,400 | \$53,000 | \$84,800 |
| For each additional person, add: | \$3,600 | \$4,788 | \$7,200 | \$9,000 | \$14,400 |

SOURCE: U.S. Department of Health and Human Services, *Federal Register*, Vol. 73, No. 15, January 23, 2008, pp. 3971-2

* 2008 figures are used to match the time period in which administration of the COHS survey began.

Under the federal reforms, most citizens and legal residents in the United States are required to have some form of health insurance or pay a penalty beginning in 2014. People who do not buy insurance will pay a phased-in penalty rising to the greater of \$695 or 2.5 percent of income by 2016.⁵

It is expected that some people will decide to pay the penalty rather than buy insurance if insurance costs are higher than the penalty. The Congressional Budget Office projects that four million Americans will pay the penalty in 2016.⁶

Low-to-moderate income individuals who are not eligible for the Medicaid⁷ expansions, whose household income is between 133-400 percent of the FPL, who purchase insurance in the individual market and who are not offered affordable health insurance through their employer will be able to purchase subsidized health insurance through a state-based health insurance exchange beginning in 2014.⁸ The subsidies will limit family expenditures for health insurance premiums to between 2 and 9.5 percent of household income and reduce out-of-pocket expenditures for deductibles, copayments and coinsurance as well.

WHY UNINSURED COLORADANS LACK HEALTH INSURANCE

The reasons why Coloradans are uninsured are important to consider as Colorado policymakers implement state and federal health reforms. For example, nearly nine in 10 Coloradans who were uninsured at the time of the survey cited the high cost of health insurance as a reason why they lacked health insurance (see Table 2). Thus, the extent to which health insurance is affordable, and not just available, after reforms are implemented should affect whether or not people purchase health insurance.

Uninsured Coloradans cited the lack of access to employer-sponsored insurance coverage as the second most common reason for being uninsured. In fact, more than 40 percent of uninsured Coloradans were employed (or had an employed family member) but were not offered or eligible for employer-sponsored insurance coverage. Federal reforms enacted in the ACA are designed to increase the number of companies offering health insurance through providing incentives to small employers that offer affordable health insurance and imposing financial penalties on large employers that do not.

Some critics of these provisions of the federal health reform legislation contend that employer incentives and penalties are not sufficient to change employer behavior with regard to offering of health insurance to their workers. Thus, their success at modifying employer behavior will be important to monitor over time.

Table 2. Reasons uninsured Coloradans reported for lacking health insurance, 2008-09*

| Reasons reported | % of uninsured citing reason | Number citing reason |
|---|------------------------------|----------------------|
| Cost of health insurance is too high | 88.4% | 585,697 |
| Employed family member depended on for health insurance was not offered or eligible for employer's coverage | 41.0% | 271,432 |
| Employed family member depended on for health insurance lost job or changed employers | 36.7% | 241,691 |
| Lost eligibility for Medicaid or CHP+** | 18.9% | 122,837 |
| Have pre-existing medical condition and cannot obtain health insurance | 14.2% | 93,445 |
| Do not know how to get health insurance | 13.8% | 91,643 |
| Do not need health insurance | 11.1% | 73,599 |
| Family member who had health insurance is no longer part of family | 8.5% | 56,218 |
| Other | 9.9% | 65,763 |

*Respondents could answer "yes" to more than one reason

**Child Health Plan Plus program

SOURCE: 2008-09 Colorado Household Survey

Correlates of being uninsured

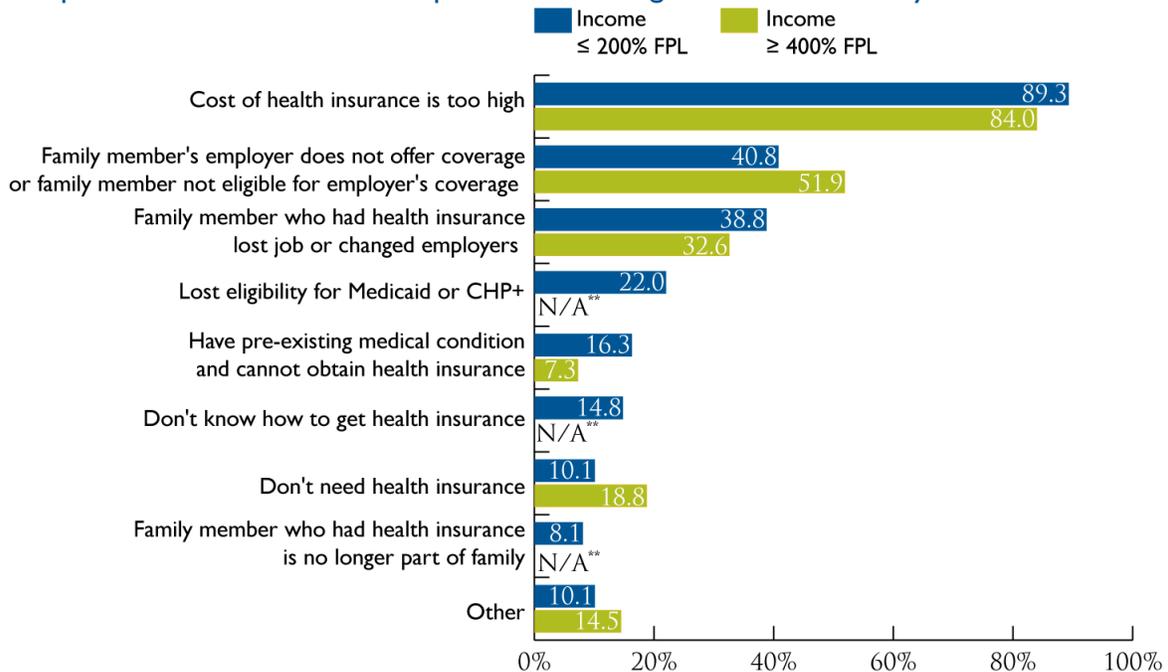
INCOME

Being uninsured is highly correlated with low-income status. Twenty-three percent of Coloradans living in families with incomes at or below 200 percent of the FPL were uninsured, compared to only four percent whose family income was above 400 percent of FPL (see Table I). Many low-income Coloradans, mostly children, qualify for publicly financed health insurance coverage either through the Medicaid or CHP+ program.

The percentage of uninsured Coloradans who reported a pre-existing condition as a reason for being uninsured was double for low-income individuals relative to those with higher incomes. Similarly, the percentage of low-income uninsured Coloradans who reported they didn't need health insurance was much lower than that of higher-income Coloradans.

One surprising finding was the percentage of low-income uninsured Coloradans who reported not knowing how to get insurance—15 percent. This finding suggests that the outreach, information and benefits counseling functions of the state health insurance exchange will be important in reaching these uninsured Coloradans and helping them obtain health coverage.

Graph 1. Reasons Coloradans reported for lacking health insurance, by income, 2008-09*



*Respondents could answer “yes” to more than one reason.

**N/A=Sample size too small to generate stable estimates

SOURCE: CHI analysis of 2008-09 Colorado Household Survey

Of the uninsured Coloradans who said the cost of health insurance was too high, almost one-quarter spent more than 10 percent of their income on out-of-pocket health care expenditures.⁹ The average out-of-pocket expenditure reported by uninsured Coloradans was \$4,037 for a 12-month period, compared to \$1,762 for insured Coloradans.

The large number of uninsured low-income adults in Colorado was previously addressed, in part, by the implementation of the *Colorado Health Care Affordability Act* (HB 09-1293). This act expanded Medicaid eligibility for low-income parents from 60 to 100 percent of FPL and Child Health Plan Plus (CHP+) eligibility for low-income children and pregnant women from 205 to 250 percent of the FPL.¹⁰ Further, beginning in 2012, adults without dependent children whose

income is at or below 100 percent of the FPL will become eligible for Medicaid coverage, phased in over a three-year period.

In 2014, federal health reform will further expand eligibility for Colorado’s Medicaid program to low-income citizens and legal residents with incomes at or below 133 percent of FPL. CHI estimates that 51,000 parents and 148,000 adults without dependent children will become eligible for Medicaid, and 12,000 additional children will become eligible for CHP+.

AGE

Analysis of the COHS data found, consistent with national and state estimates, that 19-34-year-olds had the highest rate of uninsurance. Nearly one in four Colorado adults in this age group reported they lacked health insurance, although most said they were offered health insurance by their employer. This group is often termed the “young invincibles” because the conventional wisdom is that younger working-age adults do not think they need health insurance. Only 14 percent of the uninsured in this age group, however, cited not needing health insurance as a reason they were uninsured.

Uninsured Coloradans ages 35-64 years reported that issues related to employer-sponsored coverage were an important reason they were uninsured. More than 45 percent reported that the insured family member on whom they depended for health insurance had lost or changed jobs, and 38 percent reported that this family member was not offered or not eligible for employer-sponsored insurance. One in five, however, cited a pre-existing condition as a reason for not having health insurance, almost three times the rate of younger uninsured adults.

Table 3. Reasons Coloradans reported for lacking health insurance, by age, 2008-09*

| Reasons reported | 0-18 years old | 19-34 years old | 35-64 years old |
|---|----------------|-----------------|-----------------|
| Cost of health insurance is too high | 83.2% | 91.4% | 87.6% |
| Employed family member depended on for health insurance was not offered or eligible for employer’s coverage | 39.2% | 46.8% | 37.5% |
| Employed family member depended on for health insurance lost job or changed employers | 27.4% | 30.0% | 45.5% |
| Lost eligibility for Medicaid or CHP+ | 30.0% | 20.4% | 14.3% |
| Have pre-existing medical condition and cannot obtain health insurance | 11.8% | 7.3% | 19.9% |
| Don’t know how to get health insurance | 13.4% | 14.3% | 13.6% |
| Don’t need health insurance | 3.4% | 14.2% | 11.4% |
| Family member who had health insurance is no longer part of family | 12.4% | 6.2% | 9.1% |
| Other | 17.3% | 9.8% | 7.5% |

*Respondents could answer “yes” to more than one reason.

SOURCE: CHI analysis of 2008-09 Colorado Household Survey

Young adults stand to benefit from several provisions of the ACA, including one that requires private insurers to allow dependents up to age 26 to stay on their parents' health insurance policy. Effective September 2010, this requirement was enacted for all family policies in Colorado. CHI has estimated that approximately 54,000 young adults in Colorado could benefit from this federal mandate.

Many younger workers are employed at minimum wage and often work in small firms that don't offer insurance. Under the ACA, as of 2014, these employees may become eligible for a tax credit or subsidy to help them purchase insurance through the state-based health insurance exchange.

ETHNICITY

The percentage of uninsured Coloradans of Hispanic background that reported losing eligibility for Medicaid or CHP+ was more than double that of non-Hispanics, (29% versus 13%). In addition, one-quarter of Hispanics said they did not know how to get health insurance, compared to only 8 percent of non-Hispanics. A considerably larger percentage of uninsured Hispanic Coloradans (16%) reported they did not need health insurance when compared to non-Hispanics (9%). These findings suggest that focused efforts may be needed to reach Hispanic Coloradans who are eligible for coverage.

HEALTH STATUS AND PRE-EXISTING HEALTH CONDITIONS

More than one-quarter of Coloradans who noted their health status was fair or poor reported not knowing how to get health insurance, compared to 10 percent in good health. Likewise, more than one-fourth of the uninsured who reported having fair or poor health status also reported a pre-existing condition as a reason for being uninsured, compared to 10 percent of those who reported their health status as good, very good or excellent.

Table 4. Reasons Coloradans reported for lacking health insurance, by health status, 2008-09*

| Reasons reported | Good , very good or excellent health | Fair or poor health |
|---|--------------------------------------|---------------------|
| Cost of health insurance is too high | 87.4% | 91.9% |
| Employed family member depended on for health insurance was not offered or eligible for employer’s coverage | 39.3% | 46.4% |
| Employed family member depended on for health insurance lost job or changed employers | 34.6% | 43.6% |
| Lost eligibility for Medicaid or CHP+ | 17.3% | 24.0% |
| Have pre-existing medical condition and cannot obtain health insurance | 9.9% | 27.3% |
| Don’t know how to get health insurance | 9.6% | 26.5% |
| Don’t need health insurance | 11.3% | 10.7% |
| Family member who had health insurance is no longer part of family | 8.7% | 7.9% |
| Other | 11.1% | 6.3% |

*Respondents could answer “yes” to more than one reason.

SOURCE: CHI analysis of 2008-09 Colorado Household Survey

Overall, 14 percent of all uninsured Coloradans reported that a pre-existing health condition prevented them from obtaining health insurance coverage. One market reform provision of the ACA prohibits insurance companies from denying coverage based on a pre-existing health condition. Currently, individuals in this situation who are ineligible for public or employer-sponsored health insurance generally are unable to purchase insurance in the individual market. CoverColorado, the state’s high-risk health insurance pool, has historically offered coverage to individuals denied coverage for a pre-existing health condition.

GettingUSCovered, a federally financed high-risk pool authorized by the ACA, is now available to Coloradans with pre-existing conditions who have had no insurance coverage for at least six months. The pool was designed as a transitional program until 2014 when insurers will no longer be able to deny coverage to adults for pre-existing conditions. As of September 2010, the ACA prohibits health plans from excluding children with pre-existing health conditions from the individual insurance market.

Conclusion

The ACA includes insurance market provisions intended to make health insurance more accessible and affordable for low- and moderate-income individuals. A large number of uninsured Coloradans currently have access to employer-sponsored insurance, but decline participation due to affordability issues. To that end, as policymakers monitor the efficacy of market reforms, it is critical that they continue to examine the affordability of insurance products within the state. In addition, a large proportion of uninsured Coloradans indicate that

they do not know how to obtain health insurance. This reinforces the importance of structuring and marketing a health insurance exchange in Colorado that is easily accessible and provides transparent information to individuals seeking coverage.

Methods

The telephone-administered COHS included 10,000 randomly selected households surveyed between November 2008 and March 2009. The survey collected comprehensive information about the health insurance status of all members of the household. Sponsored by the Colorado Department of Health Care Policy and Financing and funded by The Colorado Trust, the COHS was designed to provide real-time information about the factors that contribute to the likelihood of having health insurance as well as baseline information about coverage, access and affordability in anticipation of state and national health reforms. CHI served as the survey administrator. Estimates of the uninsured are based on the individual being uninsured at the time of the survey. The COHS did not determine citizenship status.

This issue brief is part of a series of CHI publications on findings from the Colorado Household Survey. For more COHS issue briefs, maps, regional profiles and analyses, visit <http://www.coloradohealthinstitute.org/Projects/2008-09-Colorado-Household-Survey.aspx>.

¹ Colorado Health Institute. (2010). Analysis of data from the 2008-09 Colorado Household Survey as reported in *A Profile of Colorado's Uninsured Population*. Available at: <http://www.coloradohealthinstitute.org/Publications/2009/12/COHS-Uninsured-Brief.aspx>.

² Graves, J, and SK Long. (2006). *Why Do People Lack Health Insurance?* The Urban Institute. Cover the Uninsured Week. (Retrieved June 2, 2010, from http://www.urban.org/UploadedPDF/411317_lack_health_ins.pdf).

³ Kaiser Family Foundation and Health Research & Educational Trust (2010). *Employer Health Benefits 2010 Summary of Findings*. (Retrieved September 1, 2010, from <http://ehbs.kff.org/pdf/2010/8086.pdf>).

⁴ For more information about the methods used in the 2008-09 Colorado Household Survey, see *A Profile of Colorado's Uninsured Population*. Available at: <http://www.coloradohealthinstitute.org/Publications/2009/12/COHS-Uninsured-Brief.aspx>.

⁵ Congressional Budget Office. (2010). "Payment of penalties for being uninsured under the Patient Protection and Affordable Care Act." (Retrieved 8/11/10 from http://www.cbo.gov/ftpdocs/113xx/doc11355/Individual_Mandate_Penalties-04-22.pdf).

⁶ Congressional Budget Office. (2010). "Payment of penalties for being uninsured."

⁷ Medicaid is a state-federal partnership providing health care coverage to low-income children, parents, pregnant women, elders and individuals with disabilities. Coverage is being expanded through Colorado's HB09 1293 law and the ACA.

⁸ The American Health Benefit Exchanges are state-based marketplaces where individuals who are uninsured or cannot afford to buy insurance in the individual market can buy insurance at competitive rates. The exchanges will also be available to small businesses that cannot afford small group health insurance.

⁹ Out-of-pocket expenditures include co-pays, prescription medications and other medical expenses, but not health insurance premium costs.

¹⁰ Child Health Plan Plus (CHP+) is a low-cost public health insurance program for children and pregnant women who earn too much to qualify for Medicaid but cannot afford private health insurance.

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The Colorado Health Institute (CHI) serves as the primary source of independent data and analysis on health policy issues affecting Colorado. CHI's mission is to help improve the health of Coloradans by providing impartial and relevant data for informed decisionmaking.