The Uninsured

Montana's Health Insurance Coverage Rates are Among the Worst in the Nation

by Steve Seninger, James T. Sylvester, Daphne Herling, and John Baldridge

Montana has always ranked near the bottom in cross-state and national comparisons of health insurance coverage. Current estimates suggest that anywhere from 14 percent to 19 percent of Montanans have no health insurance.

During the winter of 2003, the Montana Department of Health and Human Services and The University of Montana's Bureau of Business and Economic Research conducted two surveys designed to help fill major gaps in the state's knowledge of its uninsured population.

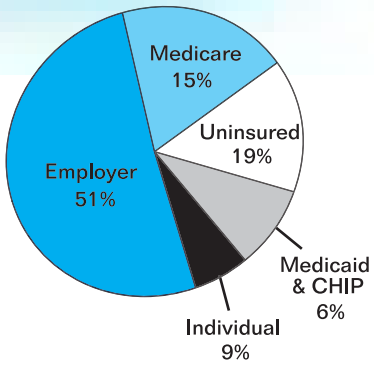
The Montana Household Survey and Montana Employer Survey were then bolstered by a series of 30 interviews with "key informants" statewide – health care providers, clinic and hospital administrators, private business people, farmers, ranchers, insurance executives, and community leaders and advocates who have contact with Montanans who are either uninsured or at high risk of becoming uninsured.

At the time of the surveys, 19 percent of Montanans, or about 173,000 people, were uninsured. Slightly more than half (51 percent) of those surveyed had employer-based health insurance. Individual health insurance policies covered 9 percent of the state's population. And Medicaid and the Children's Health Insurance Program (CHIP) covered 6 percent, a rate that was lowered somewhat by counting people who were dual-enrolled in Medicaid and Medicare.

Finally, 15 percent of Montanans were insured under Medicare. Uninsured rates for the non-elderly population are a more accurate measure of the health insurance gap in Montana, since nearly everyone 65 years of age and older has health insurance through Medicare (Figure 1).

Montana's uninsured rate is higher when the elderly who are covered by Medicare are taken out of the sample and population numbers. Twenty-two percent of Montana's non-elderly population has no health insurance – public or private. Employer-based insurance covers 58 percent of Montanans under age 65, compared to the national rate of 67 percent. Individual health insurance coverage is 10 percent in Montana, compared to a national rate of 7 percent. Medicaid and CHIP account for 10 percent of the state's non-elderly health coverage.

Figure 1
Insurance Coverage by Type, Montana, 2003, [n=2,941]



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

Health insurance rates by age show considerable differences between younger and older Montanans (Figure 2). Thirty-nine percent of young people between 19 and 25 years of age have no health insurance. Montanans 26 to 49 years of age have an uninsured rate of 24 percent, while 14 percent of older residents between 50 and 64 years of age have no coverage. Children – ages 18 and younger – have an uninsured rate of 17 percent, one of the highest such rates in the nation.

Sources of insurance vary by age. Fifty-seven percent of children 18 years of age and under have insurance coverage through employers, primarily based on their parents' employment. About 16 percent of Montana children 18 and under receive health coverage from Medicaid or CHIP, one of the highest coverage rates of any age group.

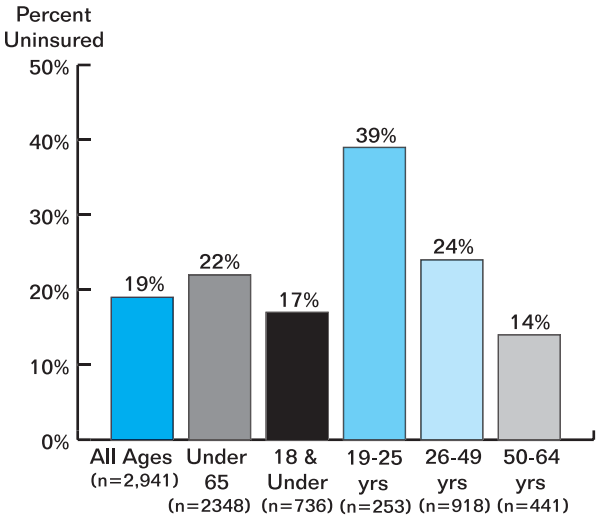
Household income levels are a major determinant of health coverage. As would be expected, lower-income households have higher rates of uninsurance. About 43 percent of Montanans in households with incomes below the 2002 federal poverty level ($18,100 for a family of four) have no health insurance. Alternately, Montanans who live in households with incomes more than twice the poverty level have a relatively low uninsured rate of 13 percent.

A number of uninsured rates show racial, geographic, and employment variations in health care coverage. American Indians under age 65 had an uninsured rate of 38 percent, compared to 20 percent of non-elderly whites and other races. Following Census Bureau methods, the Indian Health Service was not considered a source of health insurance since it is not available to all Indians or in all areas, and its availability and level of service is contingent on federal budget decisions.

Montana's uninsured rate of 21 percent in urban areas was slightly lower than the 23 percent rate in rural areas.

Uninsured rates varied over different employment categories. The uninsured rate for self-employed Montanans was 24 percent, compared to a 19 percent rate for other workers. Unemployed people had an uninsured rate of 41 percent. Full-time students had a 27 percent uninsured rate, while disabled and retired people had uninsured rates of 12 percent.

Figure 2
Montana Uninsured Rate by Age, 2003



Source: The Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

Montana's uninsured, then, are most likely to be:

- white (86 percent of the uninsured);
- adults over 25 years of age (67 percent between the ages of 26 and 64);
- high school graduates or better (92 percent);
- single or divorced/separated (31 percent + 15 percent for combined 46 percent);
- living in households with incomes more than twice the federal poverty level (45 percent of the uninsured);
- self-employed or employed by someone else (77 percent).

Survey Methodology

The 2003 Montana Household Survey was a stratified random digit dial telephone survey conducted by the Survey Research Center at The University of Montana's Bureau of Business and Economic Research during the winter of 2003.

One person in each household was randomly selected as a target for the survey; if the person was a child, then an adult was asked to respond on their behalf.

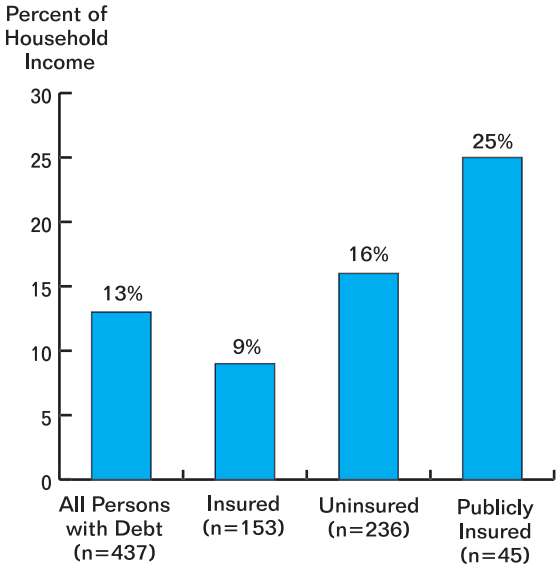
In order to fulfill the study goals of gaining better information on health insurance disparities by race, ethnic group and region, some geographic areas of the state were sampled with higher probability than were other areas.

In all, 5,074 interviews were completed. The overall response rate was 75 percent. The sample size included all age groups and was much larger than other samples used for estimating the state's uninsured rate – such as the Census population survey (of about 1,500 households) or the Behavioral Risk Factor Survey (3,100 Montana adults) conducted by the Centers for Disease Control.

The 2003 Montana Business Insurance Survey was also a stratified random digit dial telephone survey. Also conducted by the BBER, the survey contacted a representative sample of 539 Montana employers.

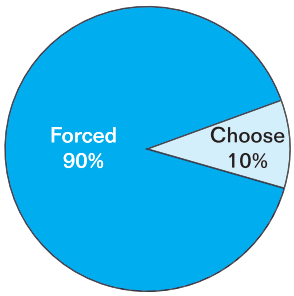
Links to these reports are available on the Montana Department of Public Health and Human Services Web site at http://www.dphhs.mt.gov.

Figure 3
Medical Debt as a Percent of Montana Household Income, 2003



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

Figure 4
Are Montana's Uninsured Forced Because of Cost or Do They Choose to be Uninsured? 2003, [n=1,227]



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

The majority of uninsured Montanans are employed. In the 2003 survey, 24 percent of the uninsured were self-employed and 51 percent worked for someone else. (For uninsured children, these statistics refer to the primary wage earner in the family.) A high percent of employed Montanans who were without insurance were in permanent jobs (84 percent) and were employed by small businesses with 10 or fewer employees (56 percent). Industries with high numbers of uninsured workers included agriculture, construction, government, hospitality services (motels, casinos, convenience stores, and gas stations), and other services such as repair businesses and retail trade.

Insurance Costs and Coverage

The high cost of health insurance and health care are pervasive themes in many of the responses from the interviews. Medical debt is one direct impact of high health insurance and health care costs. The household survey asked respondents about their unpaid medical bills during the past 12 months. Uninsured people were more than three times as likely to have medical debt (21 percent) compared to those with health insurance (7 percent). Average medical debt was $2,500 or higher and represented as much as 16 percent of household income for the uninsured.

Average debt was high for every insurance coverage category. Montanans with medical debt had, on average, $2,546 in unpaid medical bills over the past 12 months. Average debt was slightly less for those with health insurance ($2,506) and increased to $2,700 for uninsured people. Publicly insured individuals had the highest average medical debt: $2,828.

Medical debt attributed to out-of-pocket health care was 13 percent of household income statewide. The debt-household income ratio dropped to 9 percent for people with health insurance. The uninsured had medical debt equal to 16 percent of the household's income. Publicly insured individuals had medical debt representing 25 percent of their household income (Figure 3).

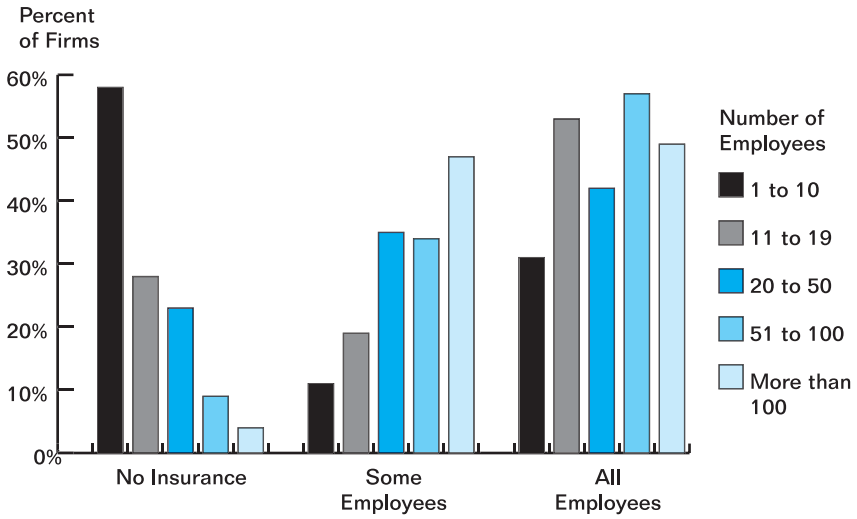
Health insurance premium costs can dramatically impact household budgets. How much choice uninsured persons have to buy or not buy health insurance coverage is an important behavioral aspect of the issue. Some uninsured people have to choose between spending their income on health insurance and paying for housing, groceries, and other basic necessities. However, advocates of the choice explanation argue that some uninsured people choose to spend their money on snowmobiles and other consumer luxuries rather than on health insurance.

The "snowmobile" hypothesis of discretionary choice and household spending was examined by asking respondents in the household survey which statement best applied to them: Do they choose not to buy insurance because they are healthy and would like to spend their money on other things that are not absolutely needed? Or must they use all of the money they have for absolutely necessary things like food, clothing, and housing instead of health insurance?

Ninety percent of the uninsured said their lack of insurance was either forced or the result of a lack of money after paying for basic life necessities such as food, clothing, and housing. This response pattern was reinforced by the comments of focus group participants who said high premiums were beyond their monthly income (Figure 4).

The impact of health insurance costs on household budgets was explored through several other questions in the household survey. Montanans were asked if they could afford a monthly premium – and how much they could afford to

Figure 5
Montana Employers Offering Insurance by Number of Employees, 2003 (n=520)



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

pay. Eighty-one percent indicated that they could afford a monthly premium, with $96 the amount considered affordable.

Individual Health Insurance Coverage

Individual health insurance policies covered 10 percent of non-elderly Montanans in 2003. Here's the breakdown: 57 percent of those policies covered an entire family, 18 percent were individual policies, and another 25 percent were individual policies provided by someone outside the immediate household.

Nearly all of the individual insurance policies required a deductible. Slightly more than 40 percent of the policies included prescription drug benefits. About 10 percent had a dental benefit, and 10 percent reported having a partner who got their insurance through work.

Premiums varied greatly. The average monthly premium was $265 for a single individual policy. The average for family coverage in the individual insurance market was $418. Average deductibles were $3,283 for a single individual policy and $3,136 for a family policy.

Employer Survey

Many Montanans get their health insurance through an employer, so the private employment-based health insurance system is of key importance in studies of health insurance coverage. With health insurance premiums rising at or near double-digit rates for the past several years, it is important to monitor the impact that premium increases have on the availability and affordability of employer-based coverage.

Table 1
Montana Firms Offering Health Insurance, 2003 (n=520)

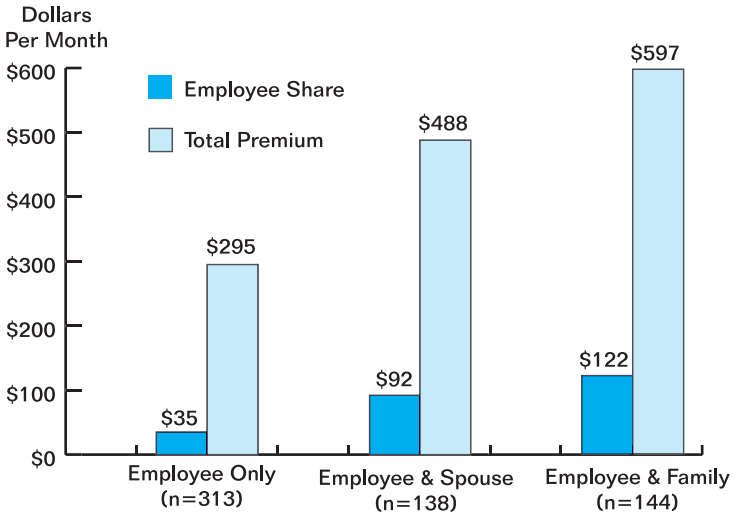
Firm Size No. of Employees	No Insurance	Certain Employees	All Employees
1 to 5	63.0%	9.4%	27.5%
6 to 10	47.7%	15.4%	36.9%
11 to 19	28.1%	18.8%	53.1%
20 to 100	20.1%	34.4%	45.5%
More than 100	3.9%	47.4%	48.7%

Source: Bureau of Business and Economic Research, The University of Montana-Missoula.

With this in mind, the BBER conducted a stratified random digit dial telephone survey of 539 Montana employers. The survey was designed to determine how cost increases have affected private coverage and what other factors affect Montana employers' ability to provide health insurance for their workers.

Firm size by number of employees was the major determinant of job-based health insurance in Montana. Fifty-nine percent of Montana firms with 10 or fewer employees did not offer health insurance (Figure 5 and Table 1). There was some difference in insurance-offer rates when the small firm cutoff of 10 or fewer employees was subdivided. Sixty-three percent of the firms with five or fewer employees did not offer insurance, compared to 48 percent of firms with six to 10 employees.

Figure 6
Average Monthly Health Insurance Premiums, Montana Employers, 2003, (n=218)



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

The percentage of firms not offering insurance decreased to 29 percent for those with 11 to 19 employees, and continued to drop as firm size increased. More than 95 percent of firms with more than 100 employees offered health insurance and 100 percent of very large employers of 500 or more workers offered health insurance.

No matter how large the firm, though, some workers were not offered insurance. Large firms typically offered insurance to a higher proportion of their workforce than did small firms. On average, businesses required workers to put in at least 30 hours per week to qualify for health coverage. The average waiting period before becoming eligible for the employer's health coverage plan was four months.

Thirty percent of firms with 10 or fewer employees offered insurance to all employees, a rate that increased to 53 percent for firms with 11 to 20 employees. The proportion of firms offering insurance to all employees remained at about 50 percent for firms up through those with more than 100 employees. Even large firms with 500 or more employees did not extend insurance benefits to all.

Monthly health insurance premiums for employer-based health insurance include both the employer's share and the employee's share. These shares in dollar amounts for

Montana workers and employers were measured by insurance premiums for the employee only, for employee and spouse, and for employee and family. Average monthly premium for employee-only coverage was $35 for the employee, with the balance of $295 paid by the employer. The monthly premium of $488 for employee and spouse coverage included an average $92 contribution by the worker. Family coverage was $597, of which about 21 percent – or $122 – was paid by the employee.

The high cost of premiums were cited as the major reason that businesses did not offer or thought other firms did not offer health insurance (Figure 7). Eighty-one percent of the firms responding to this question thought premiums were too high and prevented businesses from offering insurance. Six percent thought high turnover was a major reason Montana firms do not offer health insurance coverage, and another 9 percent thought employees were covered by another plan, perhaps that of their spouse or partner, and therefore did not need insurance.

Montana employers were asked reasons why their eligible employees did not use the health insurance coverage offered (Figure 8). Sixty-four percent thought or knew that their employees were covered by another plan. Five percent said employees who did not use the firm's coverage did not need insurance. Twenty-eight percent of the employers responding to this question cited high premium costs and the affordability of insurance as the major reason some workers did not use the firm's health insurance plan.

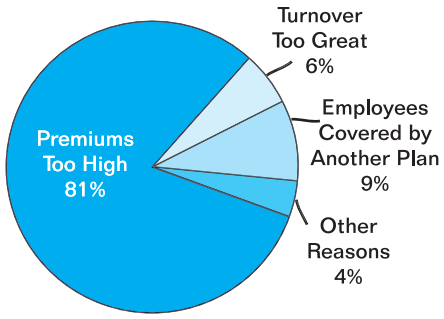
Employer Views on Costs and Policy Options

Montana business managers blamed the high cost of health insurance premiums on the increasing cost of basic medical services such as hospital care, prescription drugs, and physician care. Malpractice insurance costs were another factor thought to be driving insurance premiums higher. Better medical technology, higher insurance company profits and higher health care utilization by consumers were three factors also cited, although with a lower frequency, by employers.

Policy options for increasing employer-based insurance coverage were examined in the employer survey. Firms that do not offer health insurance (n=302) were asked for their reaction to the possibility of tax credits offsetting a portion of health insurance premiums for workers. They were also questioned about attitudes and reaction to buy-ins into large, public health insurance plans like the state employees' plan, with eligibility confined to low-income employees. In addition, employers were asked about purchasing pool policies that would allow small businesses to join together to purchase insurance at rates similar to those found in large group plans. More detailed analysis of policy options will be conducted by the State Health Access Data Assistance Center at the University of Minnesota School of Public Health (www.shdac.org).

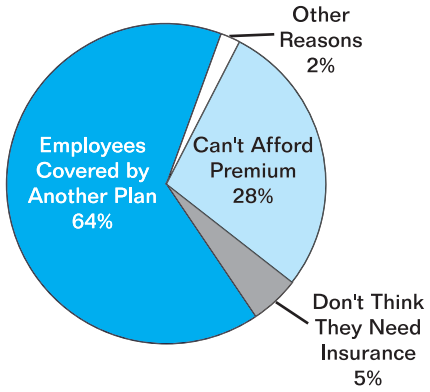
Employer reactions to tax credits for health insurance premiums were qualified by credits with a sunset provision whereby tax credits would be in effect for five years versus an unlimited time (no sunset). They were offered several possible responses. Fifteen percent of the firms not offering insurance said they would not offer health insurance even if the tax credit policy option were available. Eighteen percent said they did not know what their reaction would be to a tax credit. Nineteen percent said they would offer health insurance if the tax credit were 40 percent, and another 48 percent said they would offer it at a tax credit rate of 50 percent or higher.

Figure 7
Why Montana Firms Do Not Offer Health Insurance Coverage, 2003, (n=302)



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

Figure 8
Montana Employers' Views of Why Eligible Employees Do Not Use Firm's Health Insurance Coverage, 2003, (n= 347)



Source: Bureau of Business and Economic Research, The University of Montana-Missoula, 2003 Household Survey on Health Insurance.

Reactions to the two purchasing pool options were varied. A small percentage of firms not offering health insurance would still not offer insurance under either of the pool alternatives. Other responses were conditional on learning more about the alternatives and on the cost arrangements. The strongest, unequivocal response of "absolute" participation was for the small business purchasing pool – with 40 percent of the firms indicating they would participate. Nineteen percent expressed a willingness to participate via a buy-in to a state employee insurance program.

Conclusions

Some population groups in Montana experience significantly higher rates of uninsurance than the statewide average, notably young adults, American Indians, and people with lower incomes.

There are many different reasons why a person may lack health insurance. Qualitative research conducted through focus groups and key informant interviews as a complement to the 2003 Montana Household Survey and the Employer Survey showed that some of the main reasons for disparities in health insurance coverage are cost and affordability to consumers and to employers. Many small employers were barely able to afford insurance for themselves and their families. Differential access to employer-based and private health coverage was also a major factor in explaining why some people had health insurance.

Many jobs, especially in small business, were with employers who either did not offer health insurance to any workers or to only a select group. Therefore, it is likely that no single strategy will succeed in reducing uninsurance rates for all of the population groups that experience higher rates than the statewide average. Instead, strategies must be tailored to particular groups of people, taking into consideration the wide variety of reasons for being uninsured.

Strategies for reducing the rate of uninsurance should be evaluated in terms of their potential to reach a large number of uninsured, as well as their potential to reduce disparities in uninsurance rates among different population groups. Montana also faces the challenge of increasing insurance coverage in the face of rapidly rising health care costs. Private health insurance premiums have been growing at or near double digit rates, in Montana and nationally.

It is difficult to know how these rapid increases in the price of insurance will affect rates of private health insurance coverage. Anecdotal evidence suggests that while businesses were experiencing strong economic growth and low unemployment, they were reluctant to increase the offer of health insurance to workers. With a slowdown in the Montana economy and increased unemployment, there may be more resistance to employer-based health insurance. If employers discontinue health insurance benefits or pass on a higher share of the premium cost to employees, it is possible that more Montanans (particularly those with low incomes) could lose private health insurance coverage. Further research and monitoring will be needed to determine the impacts of rising health care costs and an economic slowdown on health insurance coverage in Montana.❑

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