

The Kentucky Health Insurance Research Project

Inadequate Income Key Obstacle to Health Insurance

Is not having health insurance a matter of choice or circumstance? Data from a statewide household survey, national consumer expenditure surveys, and health insurance cost surveys suggest that low incomes and the high cost of health insurance are the main obstacles to coverage in Kentucky. Specifically, the Kentucky Health Insurance Research Project's 2005 survey of households found that the pretax incomes of the average uninsured Kentucky household (2.6 people) ranged from \$15,000 to \$25,000. Overall, 75% of uninsured, working-age Kentuckians had household incomes below 200% of the federal poverty level (FPL), a widely recognized barometer of economic struggle. In 2005, \$12,830 was 100% of the FPL for a family of two and \$16,090 for a family of three.

National expenditure data¹ for households with incomes at the midpoint of the range for Kentucky's average uninsured household (\$20,000) show that basic *pretax* expenses leave little or no disposable income for other expenses, such as education, child care, out-of-pocket health care costs, or entertainment. As shown, the average uninsured household spent \$17,893 on basic household expenditures: food, clothing, housing, pensions and Social Security, and transportation, leaving about \$2,100 in pretax income to meet all other expenses. In contrast, when we look at the midpoint income for insured households (\$45,000) and expenditure patterns within that income range, these households spent, on average, about \$11,800 more on basic expenditures and had about \$15,300 left in pretax income for other expenses.

When uninsured Kentuckians were asked why they did not have health insurance, nearly two thirds (63%) said it costs too much, 15% were unemployed, and 9% either worked for an employer that did not offer it or were ineligible for the coverage offered. About 13 percent gave other reasons, including disability, divorce, and having been denied health insurance coverage, a likely proxy for preexisting health conditions. Only 2 people said they were healthy and did not need health insurance.

Most uninsured Kentuckians do not have access to employer-based health insurance, so they must turn to the individual market. The average 2003 annual premium in the South Central region of the nation was \$1,479 for single coverage and \$2,730 for family coverage.² But many expenses are not covered until after a deductible is met. In 2003, 40% of these policies had deductibles of \$2,000 and higher. The average cost of health insurance for just one person nearly consumes the remaining pretax income available to the average uninsured Kentucky household.

Caveats: This analysis relies on available data for estimates of expenditures and health insurance costs which do not reflect recent increases in the cost of health insurance or other goods and services. Likewise, this analysis does not reflect changes in health insurance product design (e.g., deductibles, copayments, and health savings accounts) and their effects on the overall cost of health insurance and health care. Finally, national expenditure data do not provide information about specific consumer choices of goods and services.

Average US Annual Pretax Household Expenditures, by Income Levels of Uninsured and Insured Kentuckians		
Average Income Level*	Expenditures for Average* Uninsured Income Level	Expenditures for Average* Insured Income Level
\$20,000	\$20,000	\$45,000
Average Expenditures		
Food	3,753	5,452
Clothing	963	1,490
Housing	8,834	12,383
Pensions and Social Security	1,186	3,340
Transportation	3,156	7,031
Total Basic Expenditures	\$17,893	\$29,696
Income Minus Expenditures	\$ 2,107	\$15,304

Average Cost of Health Insurance Purchased on the Individual Market in the South Central Region, 2003		
Single Policy	\$ 1,479	
Family Policy	\$ 2,729	

*The average income level is a midpoint approximation of the income ranges provided in the surveys and not an actual average.
 Source: Consumer Expenditure Survey, 2004; Kaiser Family Foundation and eHealthInsurance, Update on Individual Health Insurance Market, 2004

¹ U.S. Bureau of the Census, Consumer Expenditure Survey, 2004.

² Kaiser Family Foundation and eHealthInsurance, Update on Individual Health Insurance, August 2004.



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About the Project and the Data

The Kentucky Health Insurance Research Project is funded by a federal state planning grant from the Health Resources and Services Administration (HRSA). HRSA facilitates state-level responses to the problems of the uninsured by providing resources for identifying root causes and strategies for change. The University of Kentucky Center for Rural Health, based in Hazard, Kentucky, is the lead agency on the grant, working in partnership with the Kentucky Long-Term Policy Research Center, a state agency, and the University of Louisville. A multidisciplinary team from these institutions examined the problems of under- and uninsured Kentuckians through large- and small-group meetings; statewide surveys of the general population and small businesses; and an analysis of the social and economic costs of uninsurance. Additionally, the project has analyzed policy options available to the state and will propose strategies for increasing access to health insurance, based on the characteristics of Kentucky's uninsured population and transferable models from other states.

The data presented here are from a 2005 telephone survey conducted by the University of Kentucky Survey Research Center between May 27 and September 12. Households were selected using random-digit dialing, which gives each telephone line in Kentucky an equal probability of being called. A total of 2,068 surveys were completed for a response rate of 38.3%. (The CASRO response rate was 51.5%.) The margin of error is approximately $\pm 2.16\%$ at the 95% confidence level.

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