

Overview of U.S. Health Coverage

History of the U.S. Health Insurance System

In the first half of the 20th century, the increasing effectiveness and rising costs of hospital care drove the development of private insurance. During the World War II labor shortage, companies began competing for workers by offering health insurance as a fringe benefit. Employer-based insurance grew rapidly in the 1950s, becoming the dominant form of health coverage in the United States. However, the elderly and the poor were left without access to affordable coverage. To improve health care accessibility for these populations, Medicare and Medicaid were enacted in 1965. Today, the majority (65%) of the population has private insurance, while more than 30 percent of the population has public insurance, and an increasing number of Americans are uninsured.¹

Distribution and Trends in Health Coverage

Private Insurance

Employer-sponsored insurance is the most common source of health coverage for Americans under age 65. An employer may cover the entire cost or only part of the employee's health insurance premiums. The employer may or may not offer coverage for the employee's entire family.

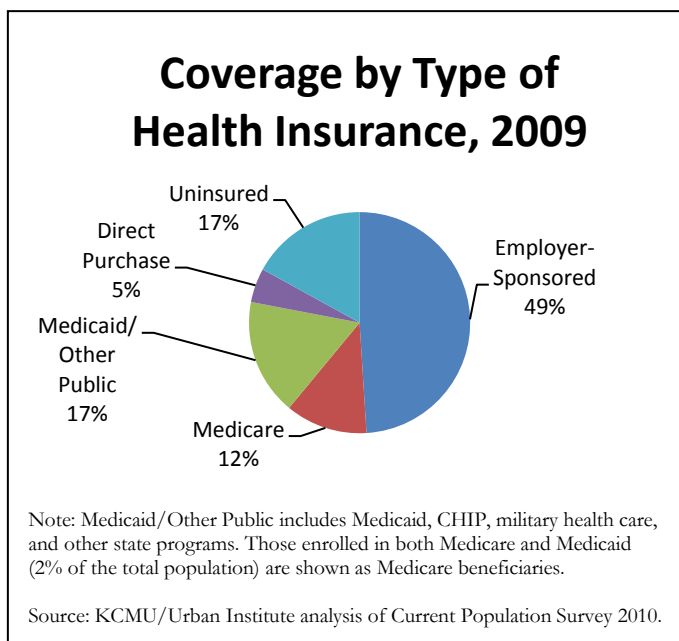
- **Funding:** For single coverage, the employee contributes an average of \$921 while the employer contributes an average of \$4,508. For family coverage, the employee contributes an average of \$4,129 while the employer contributes an average of \$10,944.²
- **Trends:** Coverage rates for employer-sponsored insurance have been falling (from 65% in 2001 to 58% in 2011). Since 2001, premiums for family coverage have increased 113 percent, while wages have not kept pace.³ In addition, the share of the insurance premium paid by the employer continues to shrink.⁴

Direct Purchase/Individual Insurance is a form of private insurance in which the individual pays a premium directly to the insurance company. This type of coverage tends to be expensive and covers 9.8 percent of the population.⁵

Public Insurance

Medicare refers to the federal health coverage program for seniors (age 65 and older) and people with permanent disabilities, end-stage renal disease, and Lou Gehrig's disease. Medicare covers basic health care services, including hospitalizations, physician services, and prescription drugs. Because of gaps in the Medicare benefit package, many beneficiaries have some type of supplemental insurance, such as employer-sponsored insurance, Medicaid, Medigap policies, and/or Medicare Advantage plans.

- **Funding:** Funding for Medicare comes primarily from payroll tax revenues, general revenues, and premiums paid by beneficiaries. In 2011, spending on Medicare was estimated to be 15 percent of



federal spending with \$555 billion spent on benefit payments. Medicare spending is expected to increase to \$903 billion in 2020.⁶

- Trends: Medicare covers 49 million people (15.9% of the population). The number of Medicare beneficiaries is expected to increase, while the number of workers to support beneficiaries is expected to decline. Spending per person is highly skewed, with 10 percent of beneficiaries accounting for nearly 60 percent of expenditures and a disproportionate share of spending occurring in the last year of life.⁷

Medicaid refers to the health coverage program for low-income individuals who fit into certain eligibility groups such as children, parents, pregnant women, and people with disabilities. Each state sets its own guidelines and determines eligibility and services by income, assets, and medical need. Through the Children's Health Insurance Program (CHIP), each state provides health insurance for uninsured children in families with incomes too high to qualify for Medicaid but too low to afford private insurance. Through either Medicaid or CHIP, most states cover children up to 200 percent of the federal poverty level (or \$44,600 for a family of four).

- Funding: Medicaid is financed jointly by the state and federal governments and administered by the states. In 2009, Medicaid spending grew 8 percent, totaling \$366.5 billion.⁸ The federal match or federal medical assistance percentage (FMAP) for Medicaid ranges from 50 to 75 percent in each state.⁹
- Trends: Medicaid covers nearly 50 million people (16% of the population).¹⁰ More than one in four children in the U.S. received coverage through Medicaid.¹¹ Medicaid accounts for nearly half of national long-term care spending with most being spent on nursing home care.¹²

Military and veterans health care is provided through one of three sources: Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), Civilian Health and Medical Program of the Uniformed Services (TRICARE/CHAMPUS), or the Department of Veterans Affairs.

State-specific plans refer to state health insurance programs for low-income uninsured individuals, which may be known by different names in different states.

The Uninsured

The majority of the uninsured are low-income adults in working families for whom coverage is unaffordable. Sixty-seven percent of the uninsured have income levels below 200 percent of the poverty level (or \$44,600 for a family of four). More than 65 percent are from families with one or more full time workers.¹³

- Funding: When the uninsured receive care, costs are shifted to those who can pay through insurance premiums and taxes.
- Trends: In 2010, close to 50 million people (16.3% of the population) were uninsured. This number reflects an increase of 13.3 million since 2000.¹⁴ The dominant factor during this time was a decline in employer-sponsored insurance.

Endnotes

¹ U.S. Census Bureau (Census), *Income, Poverty, and Health Insurance Coverage in the United States: 2010*, Current Population Reports.

² Kaiser Family Foundation (KFF) and Health Research and Educational Trust (HRET), *Employer Health Benefits: 2011 Annual Survey*, KFF, 2011.

³ Ibid.

⁴ KFF/HRET, *Employer Health Benefits: 2011 Summary of Findings*, KFF, 2011.

⁵ Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2010*, Current Population Reports.

⁶ KFF, *Medicare: Medicare Spending and Financing*, KFF, September 2011.

⁷ Ibid.

⁸ KFF, *Kaiser Fast Facts: Medical Expenditures by Service*, 2009.

⁹ KFF, *FMAP for Medicaid and Multiplier*, KFF, 2011.

¹⁰ Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2010*, Current Population Reports, P60-239.

¹¹ Kaiser Commission on Medicaid and the Uninsured (KCMU), *Medicaid: A Primer*, KFF, June 2010.

¹² Administration on Aging, National Clearinghouse for Long-Term Care Information, U.S. Department of Health and Human Services, May 2010.

¹³ KCMU, *The Uninsured: A Primer*, KFF, October 2009.

¹⁴ Census, "Table HI05. Coverage Status and Type of Coverage by State and Age for All People 2010," Current Population Survey 2011.