

The Coming Health Care Crisis for New York Parents

by Niev Duffy

Young working families in New York are finding it increasingly hard to provide health care coverage for themselves and their families. While the decline in private coverage in the region reflects a much broader national trend, the drop in rates has been far sharper in New York, particularly among young workers.

Disturbingly, the loss of private health insurance since the early 1990s has been most rapid among dependentsⁱ, a reflection of the fact that young workers in their peak childbearing years have been hardest hit by declining access to employer-provided health insuranceⁱⁱ. By the late 1990s, the rate of coverage among young full-time year-round workers was substantially below 1989 levels, both in the U.S. and New York State. However, extraordinarily high rates of full-time year-round employment among parents, particularly working mothers, helped to offset strong declines in employer-provided coverage among parents already working full-time year-round.

Unfortunately, the recent economic recession has dashed hopes that a strong economy would lead to a solid recovery of employer-provided benefits. As employment levels slide with the current economic downturn, the full erosion of health care benefits experienced by working Americans will become clearer.

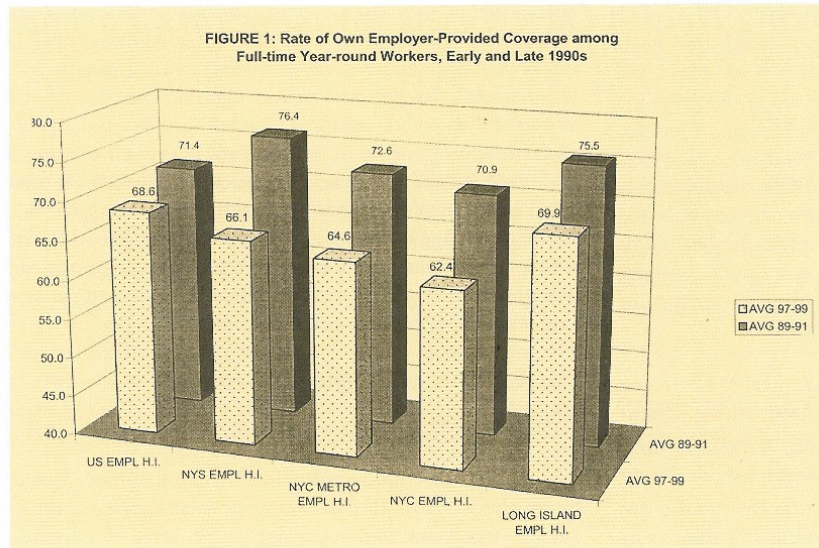
The dramatic loss of private health insurance coverage among young parents and their children is likely to help refuel support for universal health care, an issue that helped propel Bill Clinton to election success in 1992. In the mid-1990s concerns about government's role as gatekeeper for health care services, driven largely by media campaigns financed by the insurance industry, derailed the national move towards a single payor system. However, today the current economic climate is making government provision and/or financing of health care services more palatable for many.

This paper documents the erosion of employer provided health insurance among working Americans, as well as the growing gap in coverage between young workers in their peak childbearing years and their more senior counterparts. It then explores the impact of these trends on private insurance coverage among children.

The Erosion of Employer-Provided Health Insurance

Though employer-provided health insurance is still by far the most important source of health care coverage among Americans under the age of 64, rates of coverage have declined dramatically since 1989. The rate of employer-provided health insurance coverage has decreased more rapidly for young workers in their peak childbearing years, 19-29, than it has for older workers, 30-64, contributing to a growing gap in access to care between the two groups.

Since 1989, the health insurance that workers obtain through their employer or union, referred to as "own employer-provided" health care coverage, has declined dramatically for young working adults, particularly for those under the age of 25, with most of the decline occurring between 1989 and 1992. Though the decline in employer-provided coverage is often blamed on a rise in part-time and temporary employment, particularly among young people, the bulk of the decline in health insurance benefits among young adult workers has resulted from *declining coverage among full time year-round workers*. Figure 1 compares the rate of own employer-provided coverage among full-time year-round workers in the early 1990s with the rate of coverage in the late 1990sⁱⁱⁱ, demonstrating strong declines. Figure 2 compares the percent decline for young workers aged 19-29, with older workers 30-64. The percent decline is calculated as the percentage point drop in the rate of coverage between the early 1990s and the late 1990s, (as depicted in Figure 1), divided by the base rate (the average rate of coverage in the early 1990s).



As Figure 2 clearly shows, this drop was far sharper for younger workers.

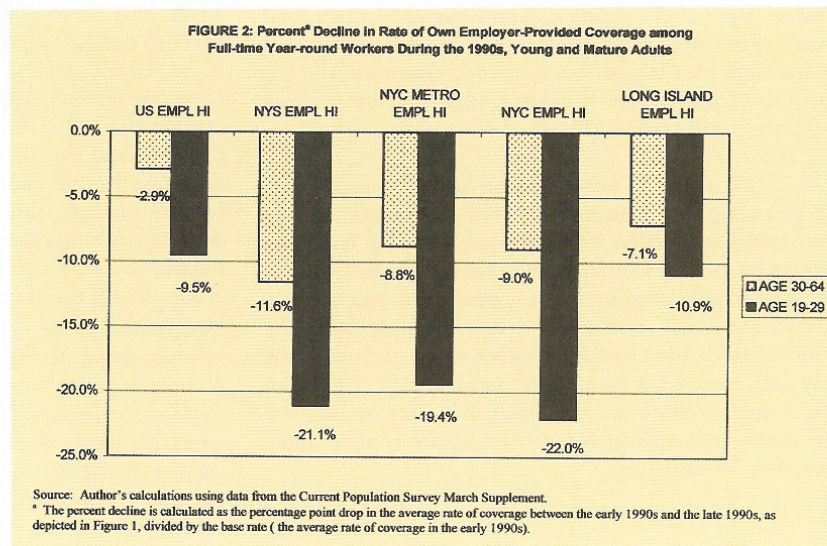
New York

New York has experienced similar trends, but the decline in coverage has been more dramatic, with a 14% decline in New York State compared to a 4% decline in the U.S. as a whole (see Figure 1). In the early 1990s, own employer-provided health insurance coverage among full-time year-round workers was significantly higher in New York State, at 76%, than in the nation as a whole, at 71%. By the end of the decade it was significantly lower, 66% compared to the national rate of 69%. In New York State, the 21% decline in coverage experienced by young workers was far greater than the 12% decline experienced by older workers, (see Figure 2).

In the New York Metropolitan area, including Long

Island, the decline in employer-provided coverage among mature adults has been somewhat slower, at 9%, than at the state level. However, young workers in the Metro area fared little better than at the state level, with a decline in coverage of 19% (see Figure 2).

While rates of employer-provided coverage on Long Island appear to have fallen at a rate faster than those at the national level, it appears that young workers living in Nassau and Suffolk counties fared far better than those in New York City and New York State overall. Though a relatively small sample size limits the extent of the analysis^{iv}, young workers on Long Island experienced an 11% decline in employer-provided health benefits between the early and late 1990s, while youth in New York City and New York State experienced a 22% and 21% decline, respectively, (see Figure 2).



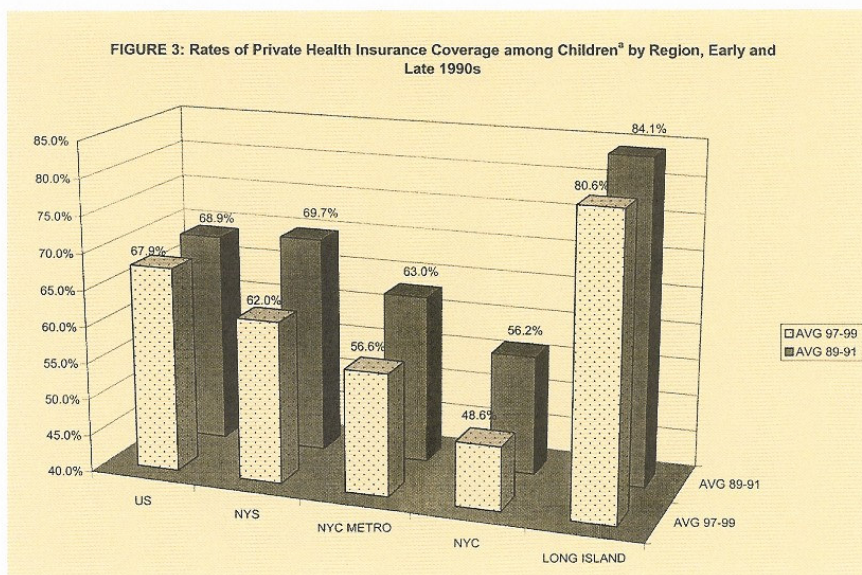
As a consequence, the gap in employer-provided health insurance coverage between young full-time year-round workers on the Island and in New York City widened substantially. And though young workers on Long Island started the decade with a lower rate of employer-provided coverage than their state counterparts, they ended the decade with a rate of coverage 10% higher.

Despite its local advantage, rates of employer-provided health insurance coverage on the Island fell more rapidly than they did on the national level. As a result, the lead that Long Island workers had over workers in the U.S. as a whole has all but disappeared for both young and mature workers. In the early 1990s, mature full-time year-round workers on Long Island had a 4.2 percentage point lead in employer-provided coverage over their national counterparts. By the late 1990s that lead had diminished to less than one percentage point. Among young workers a 2.8 percentage point lead diminished to 1.5 percentage points.

Children's Private Health Insurance

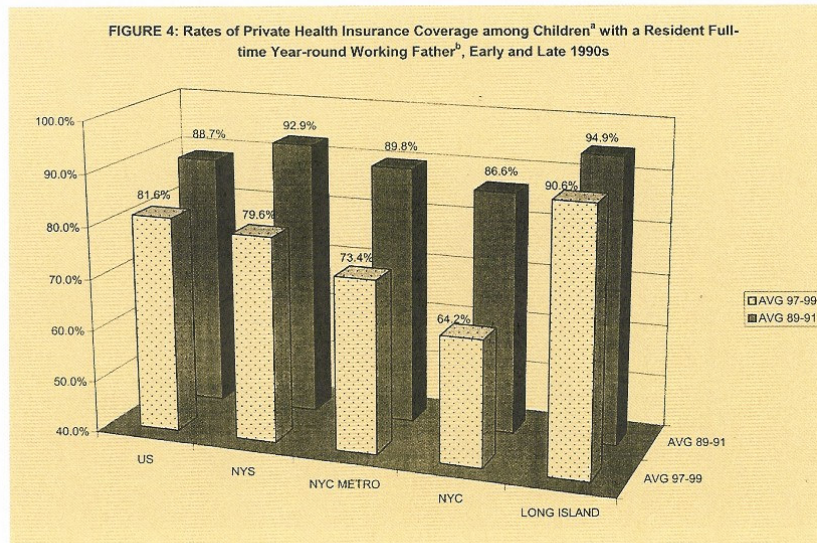
Trends in worker compensation have a tremendous impact on rates of private health insurance coverage among children. Declining rates of private coverage among children since 1989 in New York and the U.S. have largely been a reflection of the erosion in employer-provided health insurance benefits among young working parents.

During the recession of the early 1990s, rates of private health insurance coverage among children fell sharply in the United States. The economic upswing that followed fueled only a partial recovery of coverage among children, as labor force participation and the share of families with two working parents rose rapidly. However, from Figure 3 it is clear that, despite the longest period of economic growth in the history of the United States, rates of private health insurance coverage among children never



regained their 1989 levels^v. The recovery in New York State was particularly lackluster, and as a consequence, the decline in health insurance coverage at the state level over the last decade was sharper than the decline for the nation as a whole. And though at the beginning of the 1990s children in New York State were more likely to have insurance than their national counterparts, by the end of the decade they were far less likely to have coverage. The picture is particularly bleak for children in New York City, where the precipitous fall in private health insurance among children started from a level already far below that for the state.

Though the scenario illustrated by Figure 3 is a disturbing one, it does not fully reflect the erosion of health insurance coverage over the last decade. The rise in labor force participation of parents hides the diminishing access of working parents to private family coverage for their children. For this reason, the erosion of private health insurance coverage is better demonstrated by looking at coverage among children whose parents already work full-time year-round. Figure 4 shows the more rapid decline in coverage among children with a resident full-time year-round working father^{vi}. Though the probability of having health insurance is higher, on average, among this group, their rate of coverage fell far faster than it did for children overall (with the exception of Long Island). Figure 5 directly compares the rate of decline in coverage among all chil-



dren, with the rate of decline among children with a full-time year-round working father. The fact that the fastest declines in coverage have occurred among children with working parents undermines hopes that any future strengthening of the economy will reverse recent declines in private health insurance coverage among children.

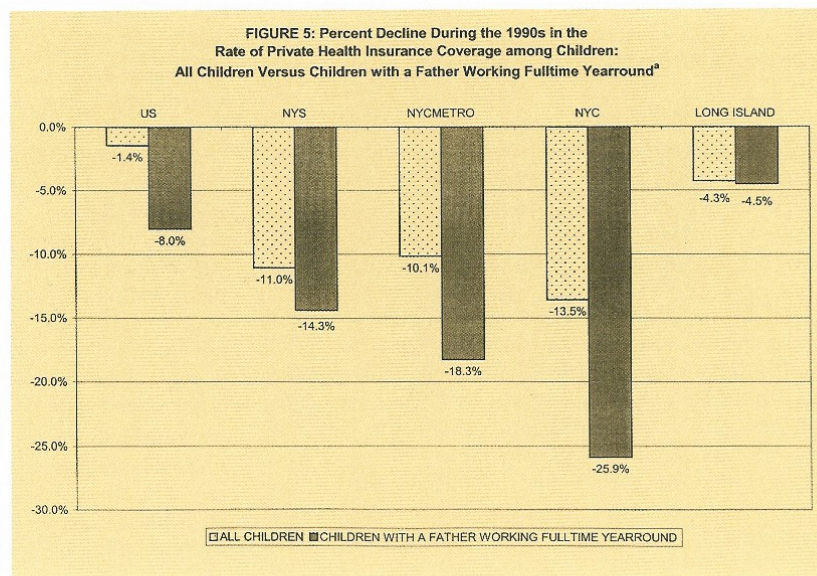
Future Policy Implications

The current economic downturn is likely to substantially lower employment rates, decreasing access to employer-provided health insurance benefits. The far lower rates of coverage among full-time year-round workers suggests that simply returning to 1989 levels of employment (a year of strong economic growth) would lead to precipitous declines in private insurance coverage among parents and their children. Worse yet, if we were to experience an economic recession similar to that of the early 1990s, the slide in coverage could be far greater, bringing down the rate of health insurance cover-

age well below levels experienced in 1993.

Yet, there is another reason that private insurance is likely to drop faster in the next recession than it did during the last. The recession of the early 1990s occurred during the transition to managed care when health care costs stabilized for several years, helping to limit the decline in rates of private health insurance coverage. However, health care costs have recently resumed their double-digit inflation, and as a result, future declines in employer-provided coverage are likely to accelerate.

The erosion of employer-provided health insurance coverage among young parents has disturbing implications for the health of young adults and their families. The decline in employer-provided health insurance has led to a concurrent rise in rates of uninsurance, and as a consequence, a growing share of Americans are faced with the threat of



having no health care at all. Since young adults are far more likely to be among the working poor, especially if they have children, they are less able to afford out of pocket expenses for doctor's visits and medications for themselves and their children when they lose their health insurance coverage. Studies clearly show that the uninsured, particularly those among the working poor, are more likely to sacrifice needed care and have less access to services^{vii}.

Families who are lucky enough to have maintained their employer-based coverage are increasingly channeled into managed care arrangements that have strict limitations on their approval and/or reimbursement of services. The repeated interventions of Congress to protect patients' rights have created the perception among many that government may be more generous than the free market in providing health services.

With lower reimbursement rates from managed care companies, and a rising share of uninsured patients, it is increasingly difficult for health care providers to deliver care to the growing numbers of uninsured patients who seek their services. Many facilities have cut back on services provided to the uninsured, or closed their doors altogether. The remaining institutions that do continue to serve the uninsured experience ballooning deficits and an ever more rapid growth in the rate of referrals of uninsured patients. Ultimately, without additional public funding to cover the growing costs of the uninsured, these trends inevitably lead to either cuts in the quality of care or the denial of care to those who are likely to need it most.

As a result, there has been growing pressure in the U.S. for public support of programs that provide health care services and/or health care coverage to the uninsured. Recently, the A.F.L.-C.I.O. joined a broad coalition, including the United States Chamber of Commerce, the American Medical Association, as well as insurers and consumer groups, in advocating for new national policies designed to reduce the number of uninsured in the U.S.^{viii}.

ⁱ Holahan, J., Kim, J., "Why does the number of uninsured Americans continue to grow?", *Health Affairs*, Vol. 19, No. 4, July/Aug 2000

² Duffy, Niev, Ph.D., "Falling Private Health Insurance in the Peak Childbearing Years", Working Paper, JFK Jr. Institute for Worker Education, CUNY, 2002

ⁱ Comparing an average of the years 1989-1991 with an average of the years 1997-1999.

ⁱⁱ A three year average was used in order to increase sample size.

ⁱⁱⁱ In order to adjust for a change in survey design that led to a sharp upward shift in reporting of private health insurance among children starting with the 1995 Current Population Survey March Supplement, the data prior to that year is compensated by using predicted values that include an adjustment factor estimated using eleven years of survey data. For a more detailed description of the estimation technique see Duffy, Niev, Ph.D., "Recent Trends in Insurance Rates among Parents and Their Children", Working Paper, JFK Jr. Institute for Worker Education, CUNY, 2002

^{iv} Rates shown in Figure 4 include households with only one full-time year-round working parent, the father. Households with a mother also working full-time year-round were excluded since the share of households with two working parents has increased considerably over the last decade, and would skew the figures upward. Similar results were obtained, however, when analysis was performed exploring rates of coverage in all households with a full-time year-round working father, though declines in coverage were slightly less pronounced. These results are available upon request.

^v Guendelman, S., Pearl, M., "Access to care for children of the working poor", *Archives of Adolescent Medicine*, Vol. 155, June 2001: 651-658, Holl JL, Szilagyi PG, Rodewald LE, Byrd RS, Weitzman ML. Profile of uninsured children in the United States. *Arch Pediatr Adolesc Med*. 1995;149:398-406, Klein JD, Wilson KM, McNulty M, Kapphahn C, Collins KS. Access to medical care for adolescents: Results from the 1997 Commonwealth Fund Survey of the Health of Adolescent Girls. *J Adolesc Health*. 1999;25:120-130, McCormick MC, Kass B, Elixhauser A, Thompson J, Simpson L. Annual review of child health care access and utilization. *Pediatrics*. 2000;105:219-230, Newacheck PW, Brindis CD, Cart CU, Marchi K, Irwin CE. Adolescent health insurance coverage: Recent changes and access to care. *Pediatrics*. 1999;104:195-202, Newacheck PW, Stoddard JJ, Hughes DC, Pearl, M. Health insurance and access to primary care for children. *N Engl J Med*. 1998;338:513-9, Weinick, RM, Weigers ME, Cohen, JW. Children's health insurance, access to care, and health status: New findings. *Health Affairs*. 1998;17:127-136

^{vi} Milt Freudenheim, "Coalition Forms to Reverse Trend of Fast-Rising Ranks of Uninsured Americans", *New York Times*, (February 9, 2002): A12

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