

**Economic Research Initiative on the Uninsured  
Working Paper Series**

**HIGHER INCOME AMERICANS WITHOUT HEALTH INSURANCE:  
NOMINALLY BUT NOT REALLY A GROWING PROBLEM**

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**Summary.** The number of uninsured who live in households with incomes above \$50,000 grew by 114.5 percent over the ten years from 1993 to 2003 and by 20.8 percent over the five years from 1998 to 2003. Growth in the number uninsured in an income group reflects (1) change in the number of people in the income group and (2) change in the share within the group who are uninsured. While the number in higher income households rose substantially, the share without health insurance did not. Changes in income, nominal and real, not changes in the share who have health insurance, have driven the increase in the number of people without health insurance in higher income households.

Individuals in higher income households are private health insurance's canaries in a mineshaft. They provide early warnings that a disaster may be coming. A lower rate of insurance coverage among higher income people would send the message that even those who are least financially constrained are beginning to find health insurance unaffordable.<sup>1</sup>

Time series data on higher income Americans and health insurance show the number of persons without health insurance in higher income households has grown over the decade from 1993 to 2003, the last year for which Current Population Survey data was available as this was written. This does not mean the problem has grown. Measured by real income thresholds and as a share of higher income persons rather than the number, health insurance coverage among higher income Americans has shown little change, with a larger share uninsured in 2003 than a decade before and a smaller share uninsured than five years before.

Increasing prices and increasing real incomes have moved more people into higher fixed nominal dollar income brackets. These factors, rather than an increasing propensity for higher income persons to be without health insurance, have meant more people without health insurance live in households with higher nominal income.

Rather than depicting a market unraveling or growing unwillingness among higher income people to pay the increasing cost of coverage, the data on income and health insurance show more higher income people and the share of higher income people without health insurance moving across a narrow range.

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<sup>1</sup> One source of the suggestion that higher income uninsured represent a growing problem is a 2002 publication from the BlueCross BlueShield Association (BCBSA), "The Uninsured in America" which includes a figure that shows growth across the four income classes presented in the annual Census Bureau data release on the uninsured between 1999 and 2001. The four household incomes classes in the Census release are less than \$25,000, \$25,000 to \$49,999; \$50,000 - \$74,499; and \$75,000 or more. The BCBSA publication shows the change in number uninsured turning from negative to positive as income rises: -27.4 percent in the lowest of the four income groups, up 17.6 percent in the next group, up 39.8 percent in the \$50,000 - \$74,499 group, and highest in the above \$75,000 group, up 70.0 percent.

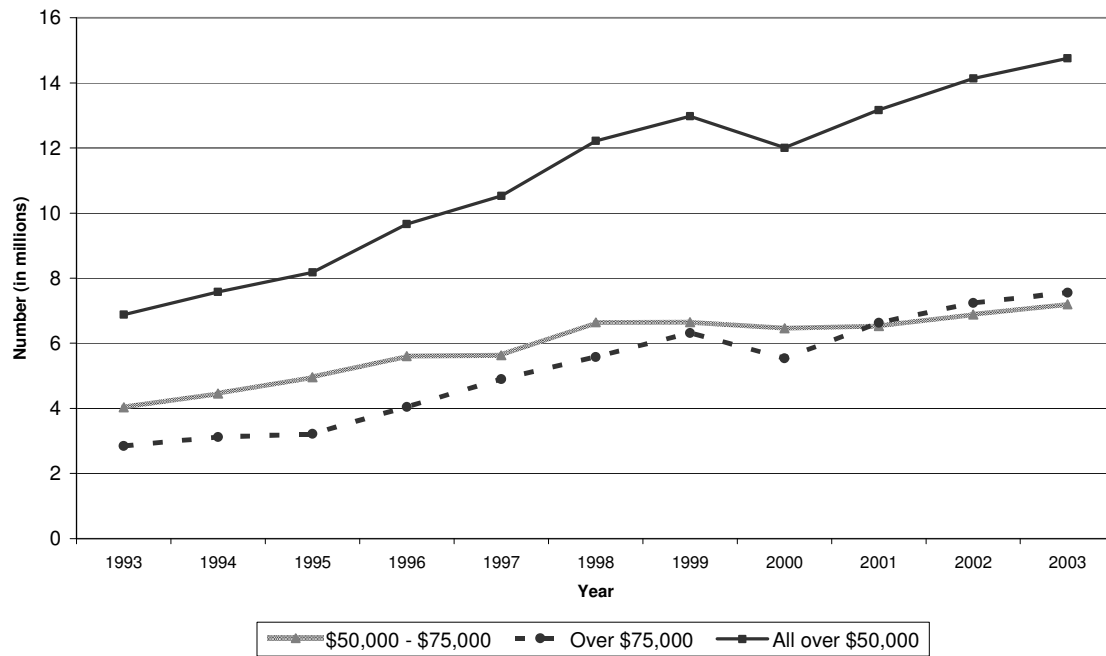
### *Health Insurance Across Nominal Income Categories*

The most readily available time series data on income and health insurance comes from the Census Bureau's annual release of data from the Current Population Survey (CPS.) Census reports on individuals in four income classes: those in households with incomes less than \$25,000, from \$25,000 up to \$50,000, from \$50,000 up to \$75,000, and more than \$75,000. Each year's tables use nominal (current year) dollars as the cut points for the thresholds. In 2003, one third (32.9 percent) of the uninsured lived in households with incomes over \$50,000 and more than half the population (52.2 percent), insured and uninsured, were in these households.

The \$50,000 threshold used by Census is a convenient place to draw a line that defines "higher income" households. Among the breakpoints used in the Census reports, it is closest to the median household income (\$43,318 in 2003.) It is also a point in the income distribution above which people would be unlikely to obtain means-tested assistance. For a single mother with two children under age 18, \$50,000 is 335 percent of the 2003 poverty threshold; for a couple with two children under age 18, it is 270% of that year's poverty threshold. Only one state had an SCHIP eligibility threshold that exceeded 300 percent of the federal poverty level in 2004 and four states had eligibility thresholds at that level ([www.statehealthfacts.org](http://www.statehealthfacts.org).) In the Bush Administration's health insurance tax credit proposal, the phase out range for the family credit would end at \$60,000.

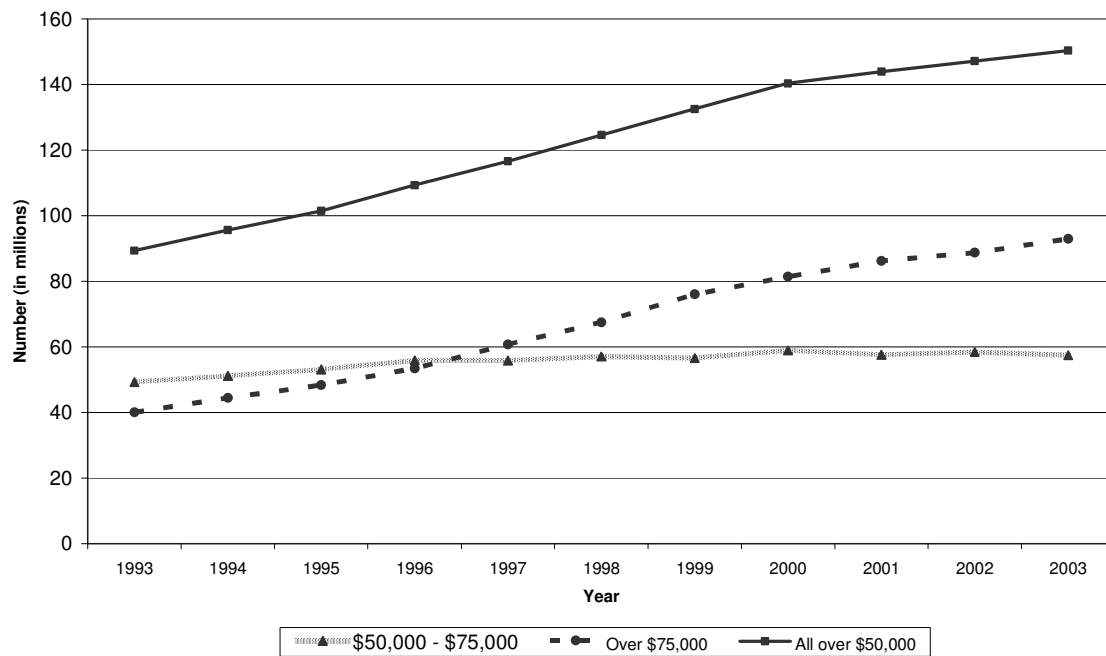
A more complex analysis would use a regression model to take into account change across all points above some "higher income" threshold, as well as change in the mix of household types. The evidence supporting "unraveling" comes from looking at the number in broad income bands, and so this analysis takes the same approach.

**Figure 1. Number of Uninsured in Households with Income over \$50,000:  
Nominal Dollar Thresholds**



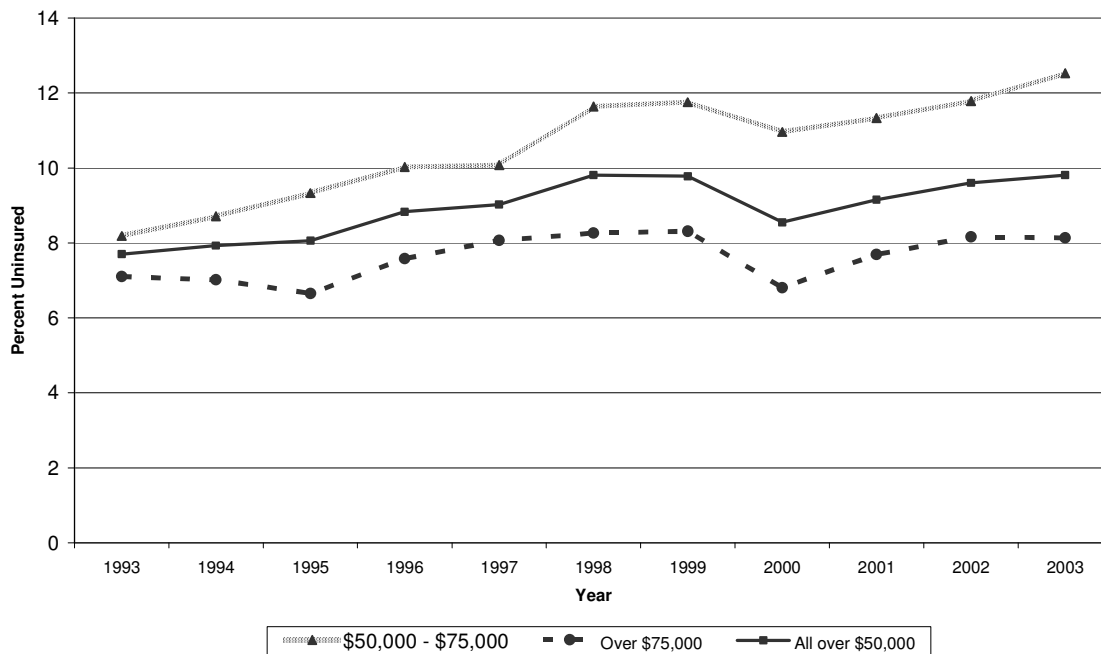
Over the decade from 1993 to 2003, the number of higher income persons without health insurance more than doubled (Figure 1.) The total number of people in households with incomes over \$50,000 also grew (Figure 2.) The number in households with incomes between \$50,000 and \$75,000 grew modestly, but the number in households with incomes over \$75,000 more than doubled.

**Figure 2. Number in Households with Income over \$50,000:  
Nominal Dollar Thresholds**



Which grew faster? The number in higher income households or the number of uninsured in those households? The unmistakably upward trend in Figure 1 gives way in Figure 3 to a more ambiguous trend.

**Figure 3. Percent Uninsured Among Higher Income Households:  
Nominal Dollar Thresholds**



In contrast to the steady increase in the number uninsured, the trend in the share uninsured is mixed. The share among all those in households with incomes over \$50,000, shown in the solid line, peaked in 1998 and 1999, dropped in 2000, and then began to climb, again reaching the 1998 level in 2003. The share of persons in households with incomes over \$75,000 moved across a small range over the ten years from 1993 to 2003, between 6.7 percent and 8.3 percent.

Support for the hypothesis that the private market is unraveling may be stronger among those in households with incomes between \$50,000 and \$75,000. Persons in these households may be more sensitive to the rising cost of health care than those with incomes over \$75,000. Indeed, the trend shown in Figure 3 appears to fit with this argument. The share of those in households with incomes between \$50,000 and \$75,000 without health insurance rose from 8.2 percent in 1993 to 12.5 percent in 2003.

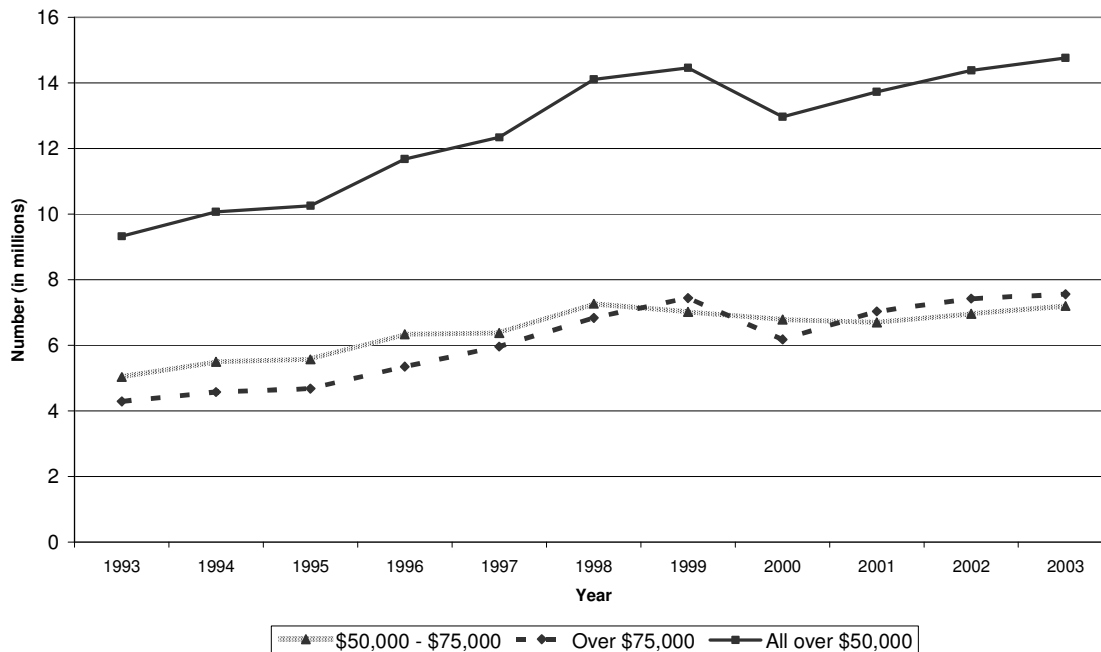
However, drawing lines at nominal dollar thresholds neglects the effect of inflation. Increases in the price level move some people whose real income remains the same from below a nominal dollar threshold to above the threshold. The share of the population without health insurance declines as income goes up. Inflation moves people with a lower probability of having health insurance into the next higher nominal income group. With price changes taken into account, support for the unraveling hypothesis dwindles.

### *Health Insurance Across Real Income Categories*

The annual Census reports on health insurance, along with Figures 1, 2, and 3, use nominal dollar values for thresholds. Incomes at the same nominal dollar thresholds bought more in 1993 than they did in 2003. The bundle of goods and services bought by a family with a \$50,000 income in 2003 required only \$41,675 in 1993. Inflation moved people whose real incomes were between \$41,675 and \$50,000 in 1993 into the over \$50,000 category in 2003.

Figure 4 repeats Figure 1, substituting real dollar thresholds for years prior to 2003 that have the same real value as \$50,000 in 2003 for the nominal dollar thresholds used in Figure 1. Real dollar thresholds show a slower increase in the number of higher income uninsured: up 58.2 percent over the decade rather than 114.5 percent. Half of the increase in the higher income uninsured over 1993 to 2003 reflects the effect of inflation moving households over the \$50,000 income threshold.

**Figure 4. Number of Uninsured in Higher Income Households:  
Constant Dollar Thresholds**

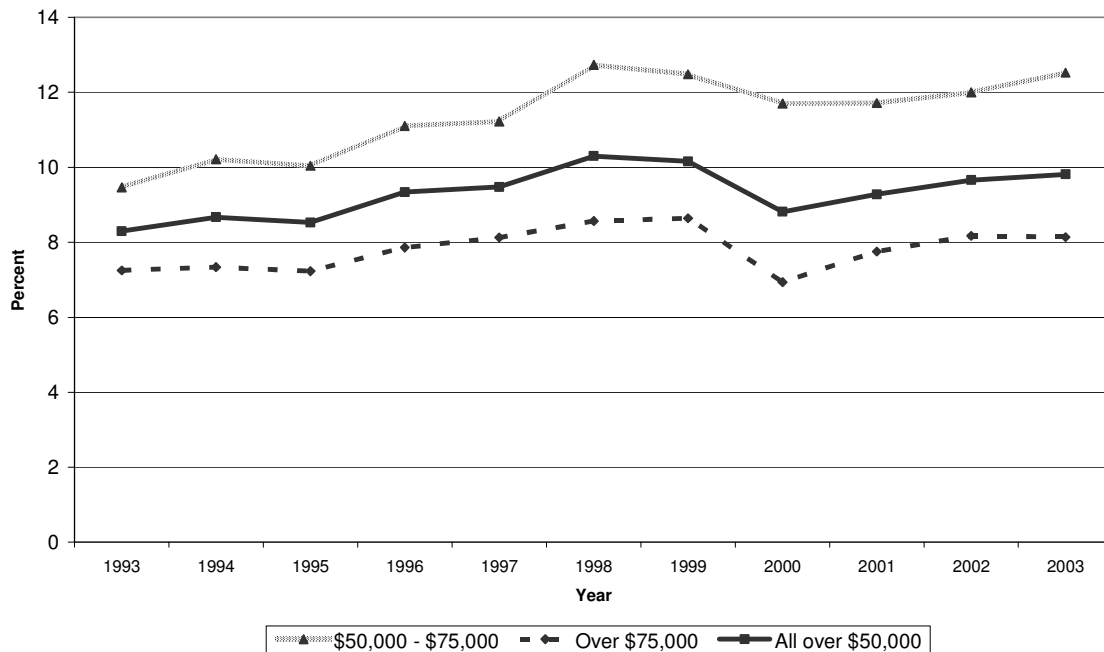


Even taking prices into account, incomes grew strongly over the period from 1993 to 2003. The share of individuals in households with real (measured in 2003 dollars) incomes that exceeded \$50,000 rose from 43.3 percent in 1993 to 52.2 percent in 2003. Both the number of uninsured persons in higher income households and the total number in those households increased.

Over the decade from 1993 to 2003, the share uninsured among those in households whose real incomes (measured in 2003 dollars) exceeded \$50,000 peaked in 1998 and 1999 (Figure 5.) After dropping in 2000, it again increased, but had not reached the 1998 or 1999 level by 2003.

As in Figure 3 showing trends in rates using nominal income, the trend is not the same for those with real income between \$50,000 and \$75,000 and those with real household incomes over \$75,000. The 12.5 percent uninsured in 2003 was not as high as the 12.7 percent reached in 1998, but distinctly above the 9.5 percent in 1993. Above \$75,000, the percent uninsured fell slightly from 2002 to 2003, and was below the 1999 peak. At the end of period, the percent uninsured among those with incomes over \$75,000 was less than one percent higher than ten years before.

**Figure 5. Percent Uninsured in Higher Income Households:  
Constant Dollar Thresholds**



### *Nominal Thresholds, Real Thresholds, and the Real Problem*

The "growing problem" that appears when tabulations from the annual Census report are placed next to each other is misleading. Much of the appearance rests on particular dollar thresholds whose real value is eroding over time. Taking into account changes in the price level reduces the size of the increase in the number without health insurance in higher income households. Taking into account growth in the number of persons above higher real income thresholds, the share of persons from higher income households has shown only a slight increase.

Not taking into account changes in real income or the increasing share of Americans who are in higher income households masked the fact that the share of higher



income Americans who are uninsured, using \$50,000 as a break point for classifying people as higher income, peaked in 1998. While it was 1.5 percentage points higher in 2003 than a decade before, the size of change plus the fact that it has both gone up and come down suggests zig zagging makes for a better description than unraveling when trying to summarize trends in health insurance coverage among higher income Americans.