

# **Health Spending, Coverage and the Uninsured in Connecticut**

*Prepared for:*

**Connecticut Health Advancement and Trust, Inc.  
(CHART)**

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## **I. EXECUTIVE SUMMARY**

The purpose of this report is to summarize health spending and insurance coverage in the state of Connecticut. Data for the analyses was drawn from multiple sources: health spending data from the Centers for Medicare and Medicaid Services (CMS), and insurance related data primarily from the March Current Population Survey (CPS) from the Bureau of the Census.

This analysis is divided into four sections:

- Health Spending in Connecticut
- Insurance Coverage in Connecticut
- Characteristics of the Uninsured
- State Programs to Cover the Uninsured

### **A. Health Spending in Connecticut**

Both Medicare and Medicaid spending increased over the 1990 through 1998 period; spending on health care in Connecticut and the greater Northeast have grown more than the national average in the last 13 years. From 1999 to 2001 growth in U.S. employer health spending jumped 6.2 percentage points while growth in the Northeast's rate of increase jumped 7.4 percentage points.

Overall, the percentage of health spending attributed to hospital spending declined in Connecticut over the 1988 through 1998 period which may be attributed to the trend to substitute outpatient care for inpatient care. However, prescription drug expenditures grew over this same period.

### **B. Insurance Coverage in Connecticut**

Employers provide a majority of health insurance coverage in Connecticut (64.8 percent, or approximately 1.9 million persons). Medicare covers approximately 17.8 percent of the population (about 533,000 persons) and Medicaid covers about 3.1 percent (about 94,000 persons.) About 8.5 percent or 253,000 persons in Connecticut are uninsured.

In general, the percentage of uninsured persons decreases as income increases. At the same time, the percentage of persons with employer coverage increases with income.

A greater percentage of full-time employees receive coverage through their own job when compared to part-time workers. Also, employees in smaller firms (fewer than 100 workers) are less likely to have coverage on their own job and are more likely to be uninsured. The percentage of persons with coverage through their own jobs also varies by worker classification and industry.

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## **C. Characteristics of the Uninsured**

The uninsured are found throughout all income groups. About 44 percent of the uninsured have family incomes below 200 percent of the federal poverty level (FPL). Interestingly, about 43 percent of the uninsured have family incomes of 300 percent of the FPL or more.

Young adults are more likely to be uninsured than any other age cohort. Very few persons over 65 are uninsured because they are covered by Medicare.

Of the approximately 253,000 uninsured persons, about 177,000 are workers. Another 38,000 are dependents of workers, leaving 38,000 persons who are uninsured with no connection to the labor force (i.e., they are retired, or not working).

Most uninsured workers (about 59 percent) are employed by firms with fewer than 100 employees. About 30 percent of uninsured workers are in firms with fewer than 10 employees, even though these workers only make up 19 percent of the workforce.

Approximately 30 percent of uninsured workers have incomes below 200 percent of the FPL. Two-thirds of these workers are in firms with fewer than 100 employees. About 70 percent of uninsured workers have incomes of 200 percent of the FPL or more.

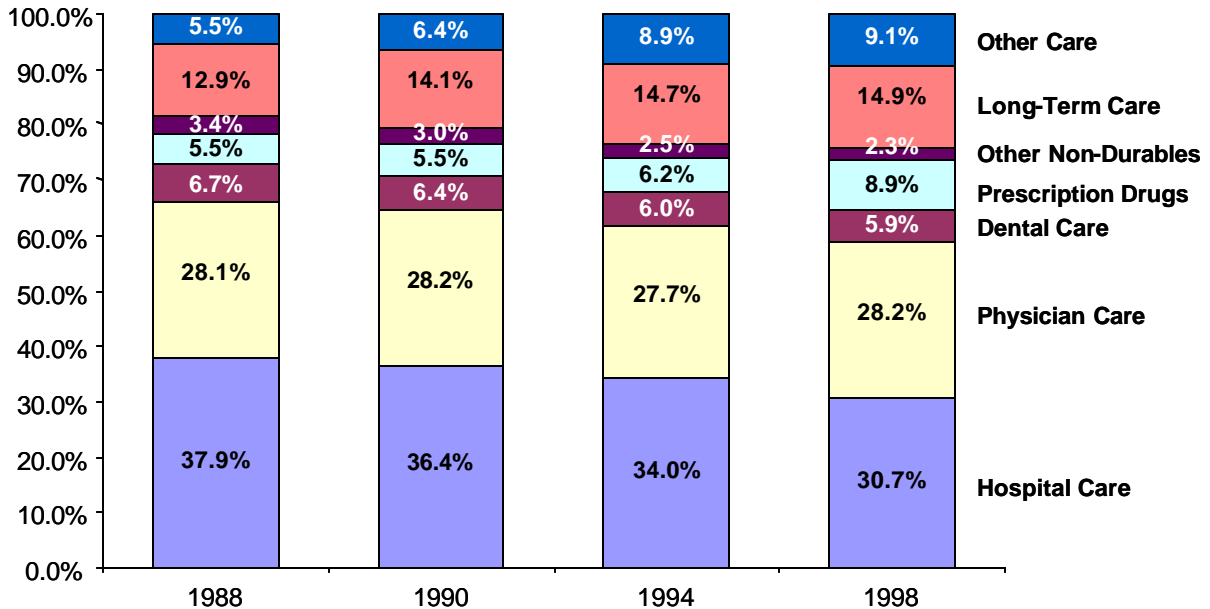
## **D. State Programs to Cover the Uninsured**

The original Medicaid program and the Healthcare for Uninsured Kids and Youth (HUSKY) Medicaid managed care expansion (HUSKY-A) cover pregnant women and children to 185 percent of the FPL, and custodial parents to 150 percent of FPL. HUSKY-B, Connecticut's separate State Children's Health Insurance Program (SCHIP) covers children to 300 percent of the FPL.

Medicaid and HUSKY enrollment rose from about 309,000 in 1997 to about 325,000 in 1999, largely due to the establishment of the HUSKY-A and HUSKY-B programs. Total Medicaid spending (i.e., both the state and federal shares) rose from \$2.9 billion in 1998 to \$3.4 billion by 2001.

## II. HEALTH SPENDING IN CONNECTICUT

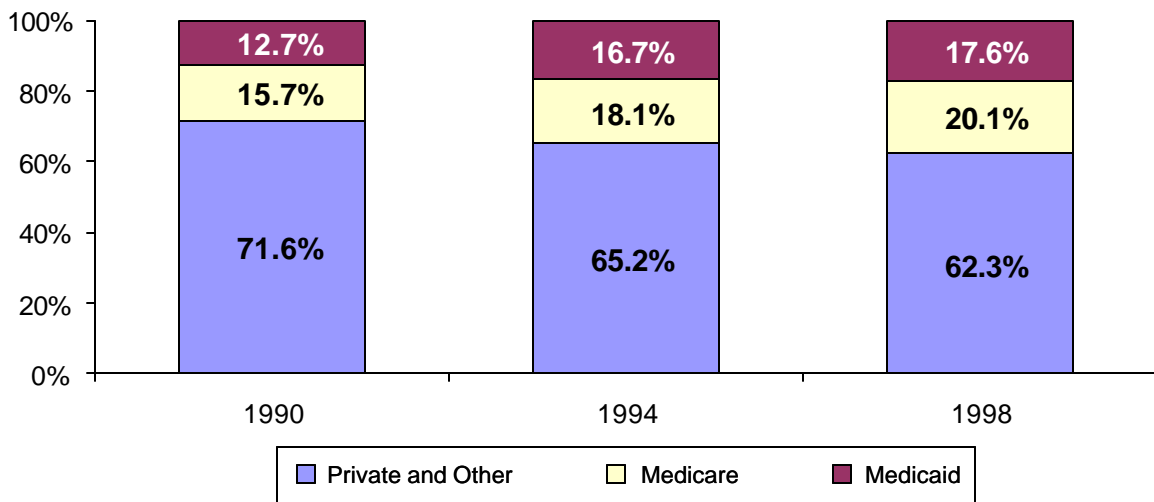
**Figure 1**  
**Personal Health Spending in Connecticut by Type of Service:**  
**1988 – 1998 (selected years)**



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics.

- Hospital spending declined from 37.9 percent of total health spending in 1988 to about 30.7 percent of health spending by 1998. Which may reflect a nationwide trend of substituting outpatient care for inpatient services.
- Spending for physician and other professional services remained relatively constant at about 28 percent over the 1988 – 1998 period.
- The percentage of health spending attributed to prescription drugs grew over this period, from 5.5 percent in 1988 to 8.9 percent by 1998.
- Long-term care services increased from 12.9 percent of health spending in 1988 to 14.9 percent of spending in 1998.

**Figure 2**  
**Distribution of Personal Health Care Spending in Connecticut by Major Payer Group \***

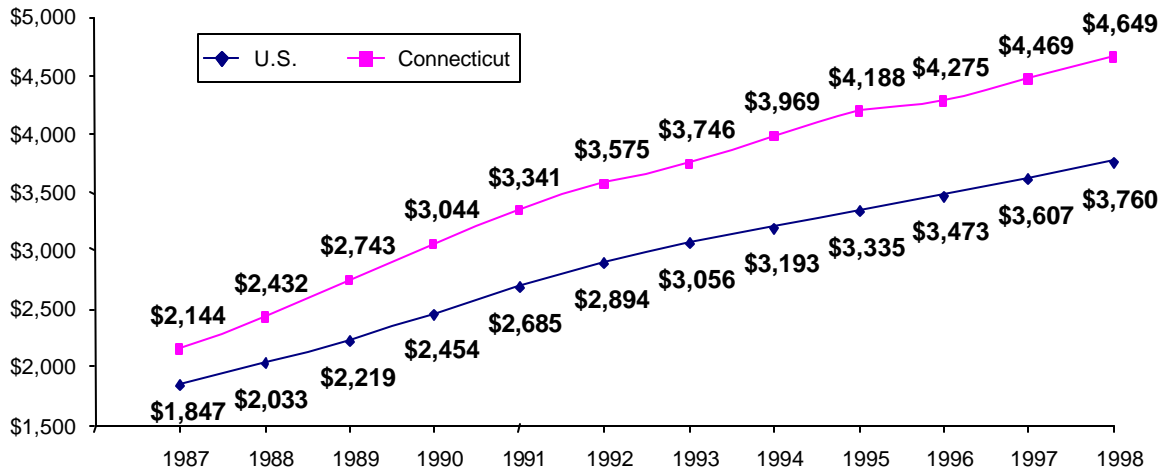


\* Excludes administration, public health, research, construction, and non-prescription drugs.

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- Medicare and Medicaid spending in Connecticut increased from 28.4 percent of total spending in 1990 to 37.7 percent of spending by 1998. This may reflect the aging of the population into Medicare and the growth in the Medicaid eligible population as well as other contributing factors such as changes in benefits and technology.
- Spending for other payers (public and private) declined from 71.6 percent of health spending in 1990 to 62.3 percent of spending by 1998.

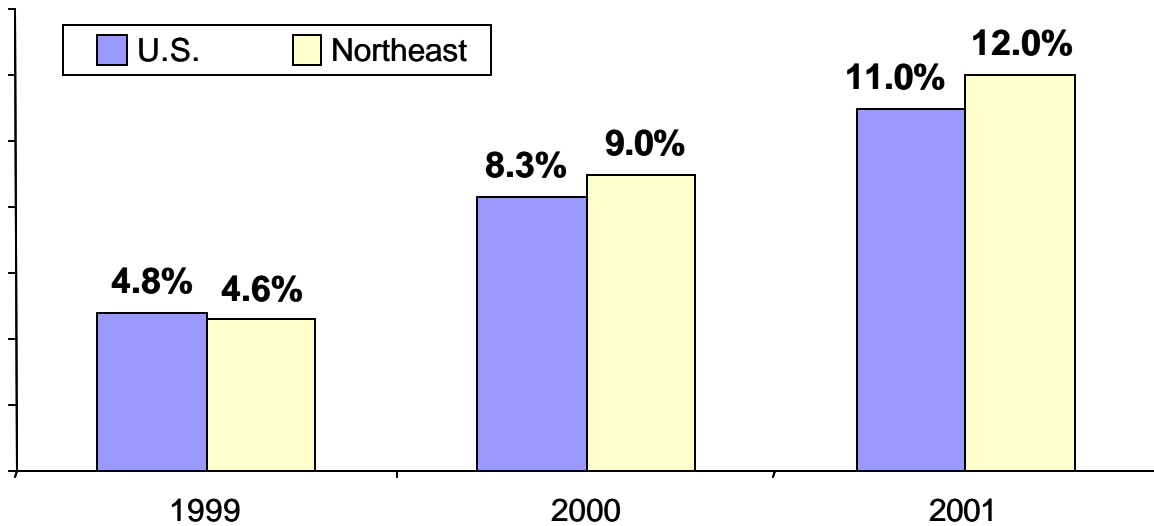
**Figure 3**  
**Per Capita Health Spending in U.S. and Connecticut: 1987 – 1998**



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- Connecticut is a high-cost state;
  - In 1987, per-capita health spending in Connecticut was \$2,144 compared with the U.S. average of \$1,847; and
  - By 1998, per-capita health spending in Connecticut was \$4,649 compared with a national average of about \$3,760.
  
- Per-capita health spending in Connecticut grew at an average of 7.3 percent per year over 1987 – 1998 compared with a national average of 6.7 percent per year during this period.

**Figure 4**  
**Average Annual Growth in Health Insurance Premiums Per Covered Worker for the U.S. and the Northeast<sup>a/</sup>**



a/ Estimates for Connecticut only are not available.

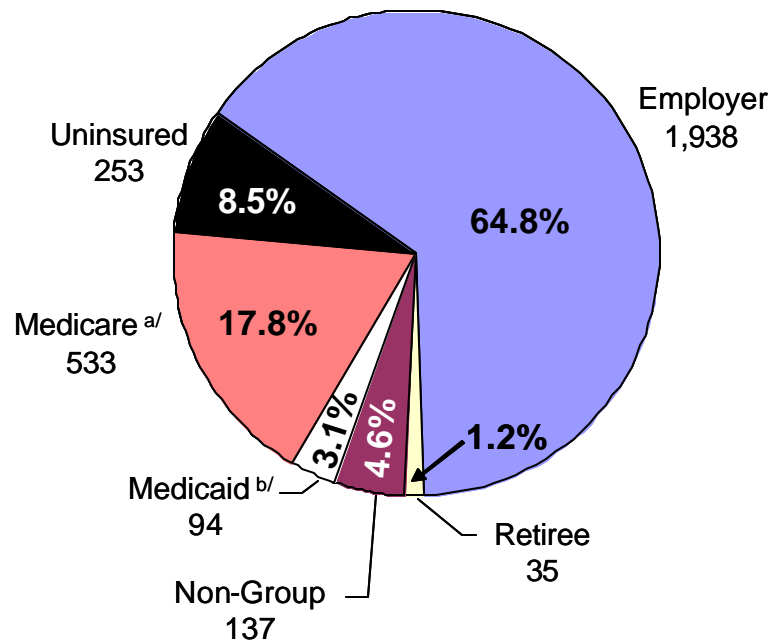
Source: Kaiser Family Foundation and the Health Research Education Trust, "Employer Health Benefits 2001 Annual Survey," pages 15 and 22, (2001), available at [http://www.kff.org/content/2001/3138/EHB2001\\_fullrpt.pdf](http://www.kff.org/content/2001/3138/EHB2001_fullrpt.pdf).

- Employer health spending noticeably increased between 1999 and 2001, especially in the Northeast.
- Average employer health insurance costs per covered worker in the Northeast increased by 12.0 percent in 2001.
- The annual rate of growth in health benefits costs per covered worker was higher than the national average in both 2000 and 2001.



### III. INSURANCE COVERAGE IN CONNECTICUT

**Figure 5**  
**Distribution of Connecticut Population by Primary Source of Health Insurance in 2000**  
(in thousands)



**Total Connecticut Population = 2,990**

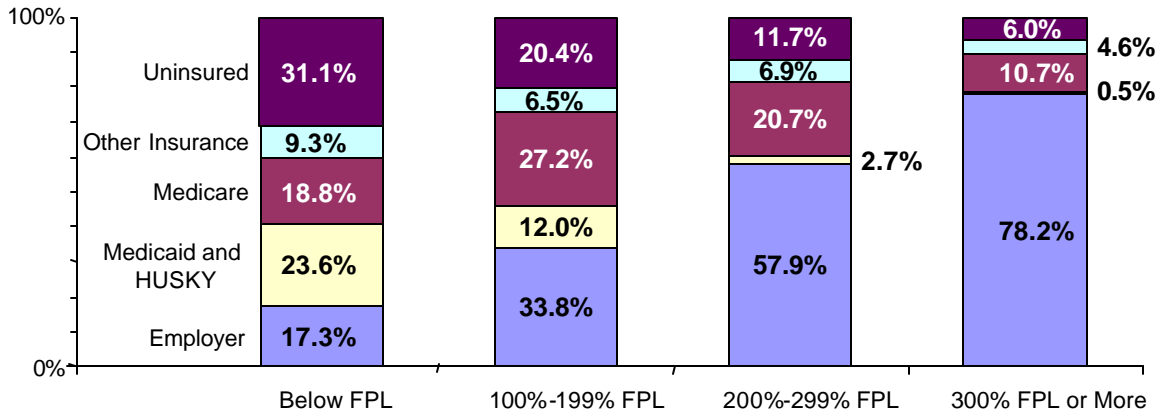
a/ Includes all Medicare beneficiaries, including persons with dual eligibility under Medicare and Medicaid.

b/ Excludes dually eligible and persons with Medicaid also reporting private coverage.

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Approximately 253,000 Connecticut residents did not have health insurance in 2000, which is 8.5 percent of the state population.
- About 64.8 percent of Connecticut residents have employer-based health insurance, as a worker or a dependent of a worker.
- Medicaid is the primary source of coverage for about 3.1 percent of the state's population (excludes persons with dual eligibility for Medicare).
- About 17.8 percent of Connecticut's residents report Medicare as their primary source of insurance.

**Figure 6**  
**Distribution of Health Insurance by Family Income as a Percentage of the Federal Poverty Level (FPL)**



Source: Lewin Group analysis of 4-year pooled sub-sample of Connecticut data from the March Supplement of the Current Population Survey.

- About 31.1 percent of persons living below the federal poverty level (FPL) are uninsured compared with about 6.0 percent among persons living at or above 300 percent of the FPL.
- Employment-based health insurance increases as family income rises.
- About 78 percent of Connecticut living at or above 300 percent of the FPL has employer health coverage through work compared to only 17 percent among those with incomes below the FPL.
- Slightly more than one-quarter of Connecticut residents in poverty have Medicaid or Healthcare for Uninsured Kids and Youth (HUSKY) as a source of health coverage.

**Figure 7**  
**Worker Insurance Coverage by Full-time/Part-time Status**

	<b>Full Time (≥35 Hrs)</b>	<b>Part Time (&lt;35 Hrs)</b>	<b>All Employees</b>
<b>Employer Coverage</b>	1,153,333	222,184	<b>1,375,517</b>
<b>Non-Group Insurance</b>	52,405	25,690	<b>78,095</b>
<b>Public Insurance</b>	23,866	25,175	<b>49,041</b>
<b>Uninsured</b>	124,184	53,320	<b>177,504</b>
<b>TOTAL</b>	<b>1,353,788</b>	<b>326,369</b>	<b>1,680,157</b>

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Although part-time employees represent 19 percent of Connecticut’s total employed population, they represent 30 percent of all employees with out health insurance.
- About one-third of employees with non-group coverage and over half of the employees that have public coverage are part-time workers.

**Figure 8**  
**Worker Insurance Coverage by Firm Size and Full-time/Part-time Status**

<b>Firm Size</b>	<b>Full Time (≥35 Hrs)</b>	<b>Part Time (&lt;35 Hrs)</b>	<b>All Employees</b>
<b>Employer Coverage</b>			
<b>Under 10</b>	163,587	41,394	<b>204,981</b>
<b>10 - 24</b>	81,051	32,222	<b>113,273</b>
<b>25 - 99</b>	159,444	4,427	<b>163,871</b>
<b>100 - 499</b>	230,183	23,052	<b>253,235</b>
<b>500 - 999</b>	88,957	18,044	<b>107,001</b>
<b>1000 or More</b>	424,108	70,483	<b>494,591</b>
<b>Not Specified</b>	6,003	32,562	<b>38,565</b>
<b>Total</b>	<b>1,153,333</b>	<b>222,184</b>	<b>1,375,517</b>
<b>Other Sources of Coverage</b>			
<b>Under 10</b>	46,485	15,264	<b>61,749</b>
<b>10 - 24</b>	13,616	7,758	<b>21,374</b>
<b>25 - 99</b>	0	5,028	<b>5,028</b>
<b>100 - 499</b>	5,346	0	<b>5,346</b>
<b>500 - 999</b>	4,130	0	<b>4,130</b>
<b>1000 or More</b>	6,694	19,290	<b>25,984</b>
<b>Not Specified</b>	0	3,525	<b>3,525</b>
<b>Total</b>	<b>76,271</b>	<b>50,865</b>	<b>127,136</b>
<b>Uninsured</b>			
<b>Under 10</b>	38,590	15,472	<b>54,062</b>
<b>10 - 24</b>	13,812	9,442	<b>23,254</b>
<b>25 - 99</b>	19,640	8,246	<b>27,886</b>
<b>100 - 499</b>	20,485	4,504	<b>24,989</b>
<b>500 - 999</b>	4,538	3,316	<b>7,854</b>
<b>1000 or More</b>	21,971	11,262	<b>33,233</b>
<b>Not Specified</b>	5,148	1,078	<b>6,226</b>
<b>Total</b>	<b>124,184</b>	<b>53,320</b>	<b>177,504</b>
<b>TOTAL</b>			
<b>Under 10</b>	248,662	72,130	<b>320,792</b>
<b>10 - 24</b>	108,479	49,422	<b>157,901</b>
<b>25 - 99</b>	179,084	17,701	<b>196,785</b>
<b>100 - 499</b>	256,014	27,556	<b>283,570</b>
<b>500 - 999</b>	97,625	21,360	<b>118,985</b>
<b>1000 or More</b>	452,773	101,035	<b>553,808</b>
<b>Not Specified</b>	11,151	37,165	<b>48,316</b>
<b>Total</b>	<b>1,353,788</b>	<b>326,369</b>	<b>1,680,157</b>

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

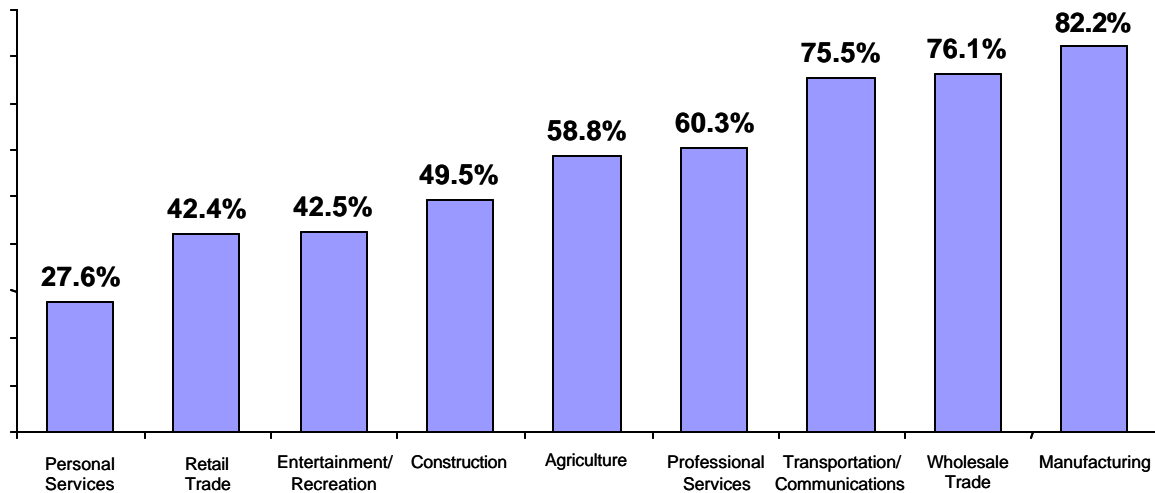
**Figure 9**  
**Workers by Classification of Employment and Coverage on Own Job**

<b>Class of Worker</b>	<b>Total Number of Workers</b>	<b>Covered on Own Job</b>	<b>Percentage Covered on Own Job</b>
<b>Private</b>	1,217,660	789,800	64.9%
<b>Government</b>	<b>226,873</b>	<b>173,551</b>	<b>76.5%</b>
<b>Federal</b>	35,960	25,299	70.4%
<b>State</b>	62,370	47,269	75.8%
<b>Local</b>	128,543	100,983	78.6%
<b>Self-employed</b>	<b>178,850</b>	<b>52,668</b>	<b>29.4%</b>
<b>Incorporated</b>	54,686	26,973	49.3%
<b>Unincorporated</b>	124,164	25,695	20.7%
<b>Not Specified</b>	46,685	19,972	42.8%

Source: Lewin Group analysis of 4-year pooled sub-sample of Connecticut data from the March Supplement of the Current Population Survey.

- Over 76 percent of workers employed by the government and about 65 percent of workers in the private sector receive health coverage through their jobs.
- Less than 30 percent of self-employed workers are covered through their own jobs.

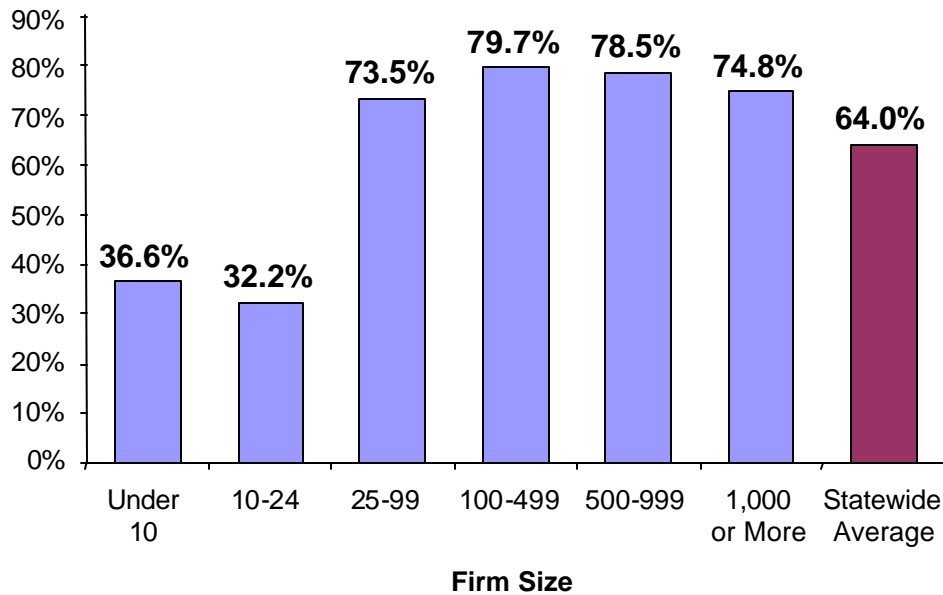
**Figure 10**  
**Health Coverage Through Own Job by Industry in 2000**



Source: Lewin Group analysis of 4-year pooled sub-sample of Connecticut data from the March Supplement of the Current Population Survey.

- The percentage of workers with employer-sponsored insurance through their own job varies by industry.
- Health coverage through one's own job is highest for individuals in manufacturing (82 percent). In addition, persons in the wholesale trade and transportation/communications industries also have relatively high coverage rates (about 76 percent).
- Coverage is lowest for those in personal services (about 27 percent), retail trade (about 42 percent) and entertainment/recreation (about 43 percent).

**Figure 11**  
**Percentage of workers with employer coverage on own job by firm size in 2000**

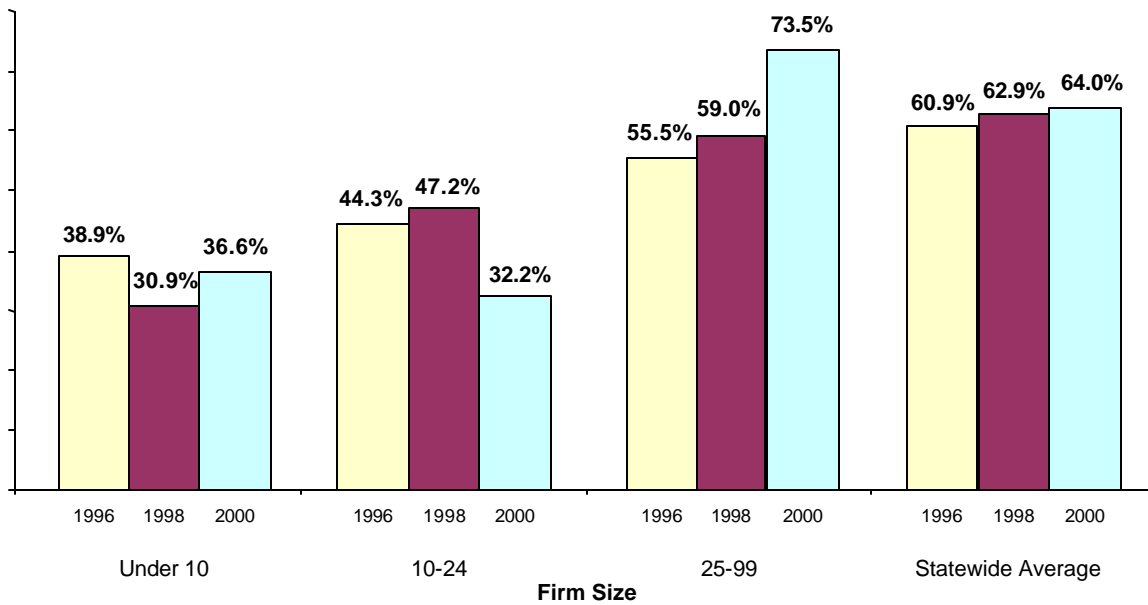


**Total Number of Workers with Coverage on Own Job = 1.1 million workers**

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Between 32 and 37 percent of persons working in firms with under 25 workers have coverage on their own jobs. This compares with over 70 percent for all other firm size groups and a statewide average of 64 percent.
- Many of the workers in smaller firms are covered as dependents under another person's health coverage.

**Figure 12**  
**Percentage of Workers in Small Firms with Employer Coverage on Own Job, by Firm Size**  
**for Selected Years, 1996 – 2000**



Source: Lewin Group analysis of Connecticut sub-samples of Current Population Survey, March Supplement.

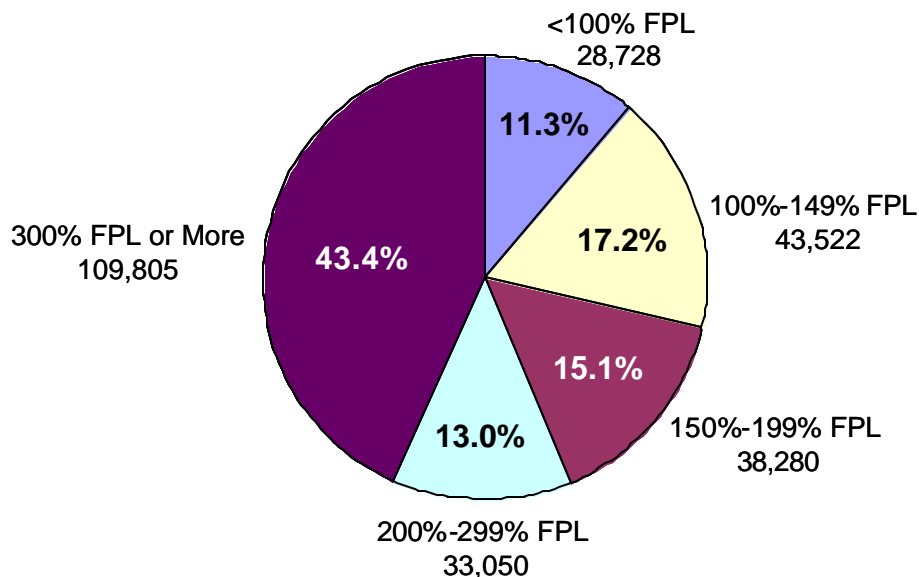
- Overall, the percentage of workers with coverage on their own job increased from 60.9 percent in 1996 to 64.0 percent by 2000.
- However, the percentage of workers with coverage on their own job generally declined between 1996 and 2000 for firms with under 25 workers.
- Generally, firms with under 25 workers have a smaller percentage of workers with coverage on their own job compared to the statewide average.



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#### IV. CHARACTERISTICS OF THE UNINSURED

**Figure 13**  
**Distribution of Uninsured in Connecticut by Family Income as a Percentage of the FPL in 2000 \***



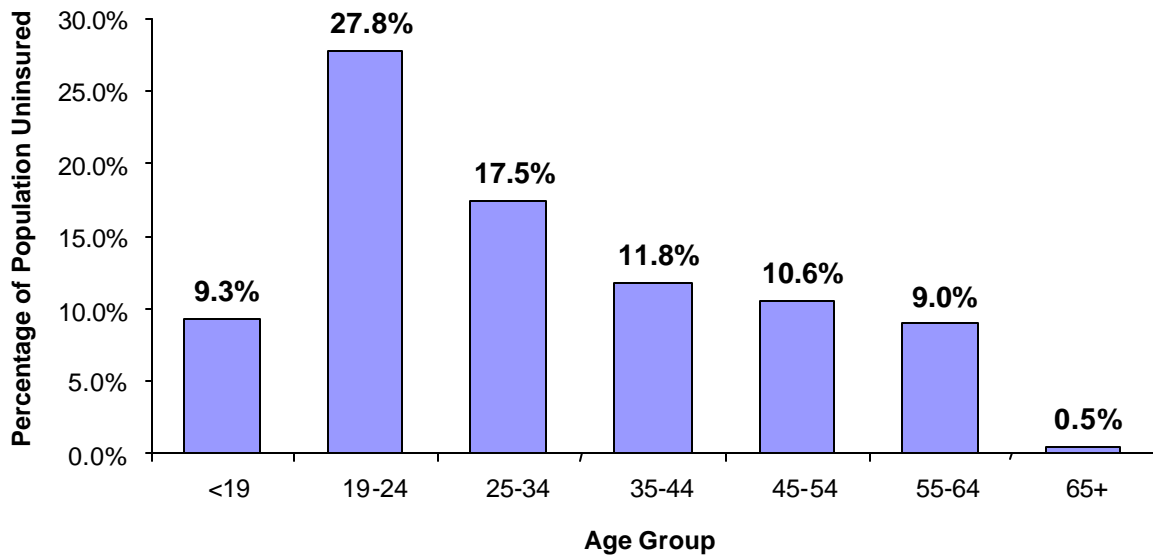
**Total Uninsured= 253,385**

\* The federal poverty level (FPL) for a family of three is \$14,150 in 2000.

Source: Lewin Group analysis of the Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Roughly 43.6 percent of Connecticut's uninsured have annual family incomes below 200 percent of the FPL.
- 43.4 percent of the uninsured have family incomes above 300 percent FPL. (For a family of three, 300 percent FPL equates to \$42,450 annual income).
- The uninsured are found in all income groups.

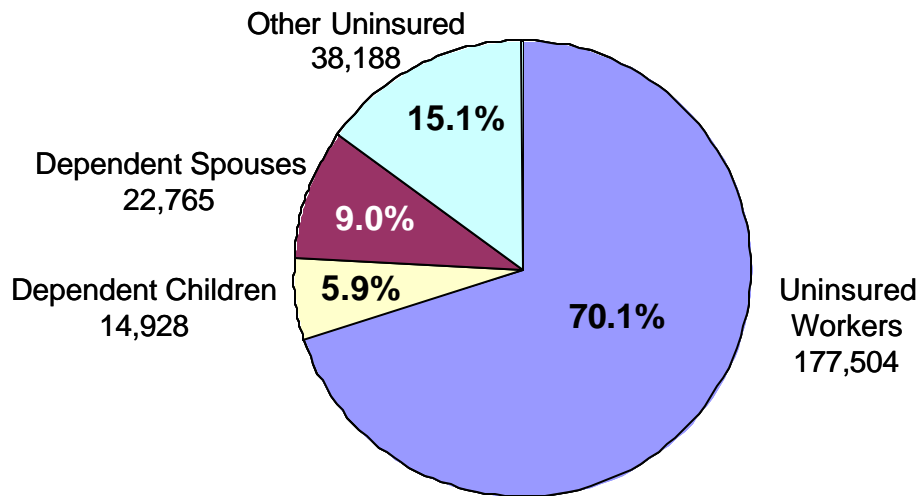
**Figure 14**  
**Percentage Uninsured in Connecticut by Age Group**



Source: Lewin Group analysis of 4-year pooled sub-sample of Connecticut data from the March Supplement of the Current Population Survey.

- Insurance coverage among Connecticut residents is lowest among young adults. More than one in every four persons aged 19-24 is uninsured.
- The likelihood of being uninsured generally diminishes with age in Connecticut.
- Few elderly individuals are uninsured because most persons age 65 or older are covered by Medicare.

**Figure 15**  
**Uninsured in Connecticut By Connection to Labor Force in 2000**

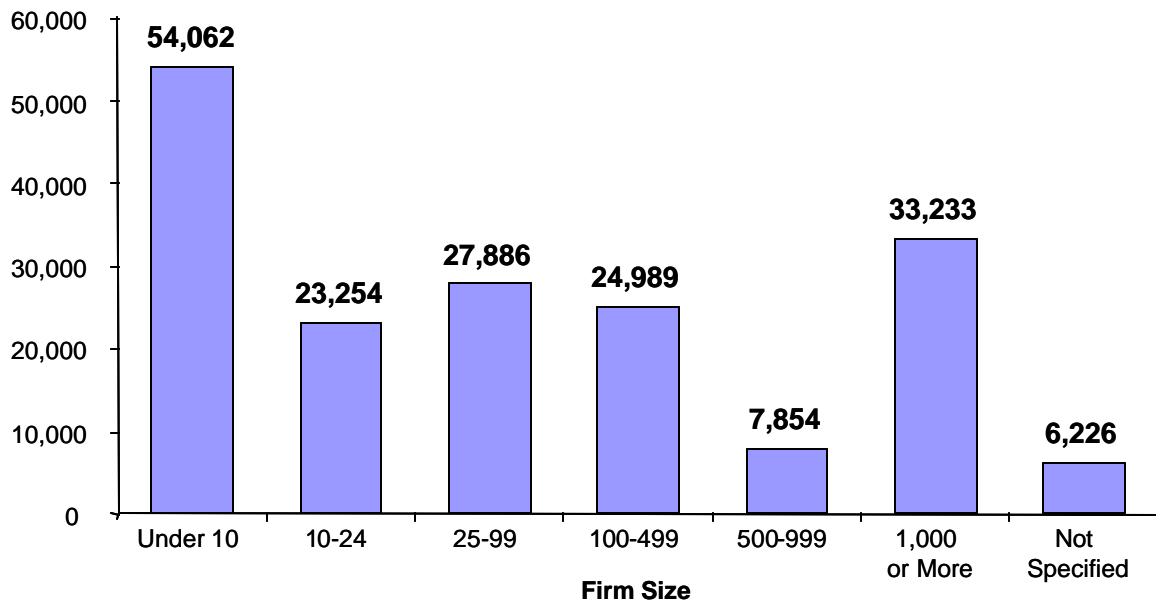


**Total Uninsured= 253,385**

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Workers and their families constitute the vast majority of the uninsured in Connecticut.
- About 84.9 percent of all uninsured people in Connecticut are either working or are dependents of a worker.
- Only about 15 percent of the uninsured are not connected to the labor force (i.e. they are retired, not working, etc.).

**Figure 16**  
**Uninsured Workers in Connecticut by Firm Size, 2000**



**Total Uninsured Workers = 177,504**

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- There are 177,504 workers in Connecticut who do not have insurance from any source (i.e., they are uninsured).
- Nearly one-third of uninsured workers are in firms with fewer than 10 employees.
- About 59 percent of uninsured workers are in firms with fewer than 100 workers.

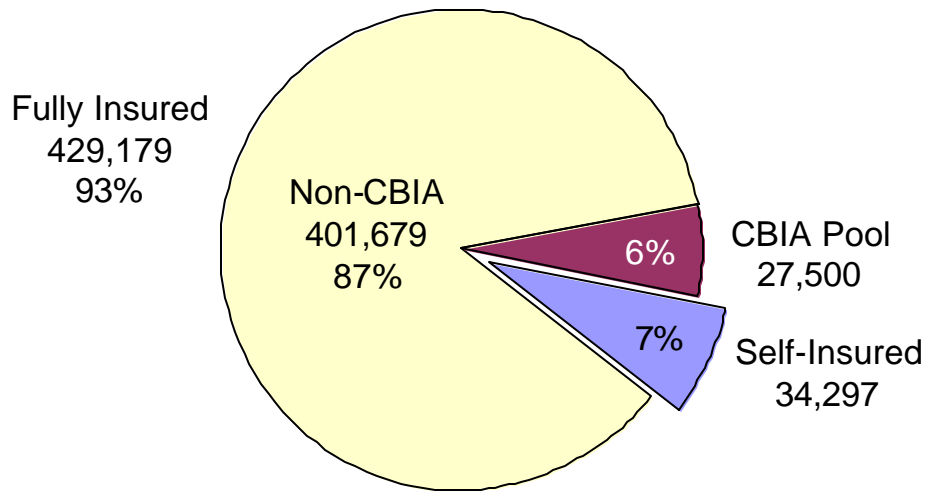
**Figure 17**  
**Uninsured Workers in Connecticut by Firm Size and Income as a Percentage of the FPL in 2000**

<b>Firm Size</b>	<b>Income as a Percentage of the FPL</b>		
	<b>Under 200%</b>	<b>200% or More</b>	<b>All Workers</b>
<b>Under 10</b>	14,245	39,817	<b>54,062</b>
<b>10 - 24</b>	10,903	12,351	<b>23,254</b>
<b>25 - 99</b>	10,868	17,018	<b>27,886</b>
<b>100 - 499</b>	3,804	21,185	<b>24,989</b>
<b>500 - 999</b>	2,256	5,598	<b>7,854</b>
<b>1000 or More</b>	8,649	24,584	<b>33,233</b>
<b>Not Specified</b>	3,249	2,977	<b>6,226</b>
<b>Total</b>	<b>53,974</b>	<b>123,530</b>	<b>177,504</b>

Source: Lewin Group analysis of Connecticut sub-sample of 2001 Current Population Survey, March Supplement.

- Overall, about 30 percent of uninsured workers have incomes below 200 percent of FPL.
- About 70 percent of uninsured workers have incomes at or above 200 percent of the FPL.

**Figure 18**  
**Employer Coverage Market Share for Firms with Less than 50 Employees by Insurance Type in 1999**



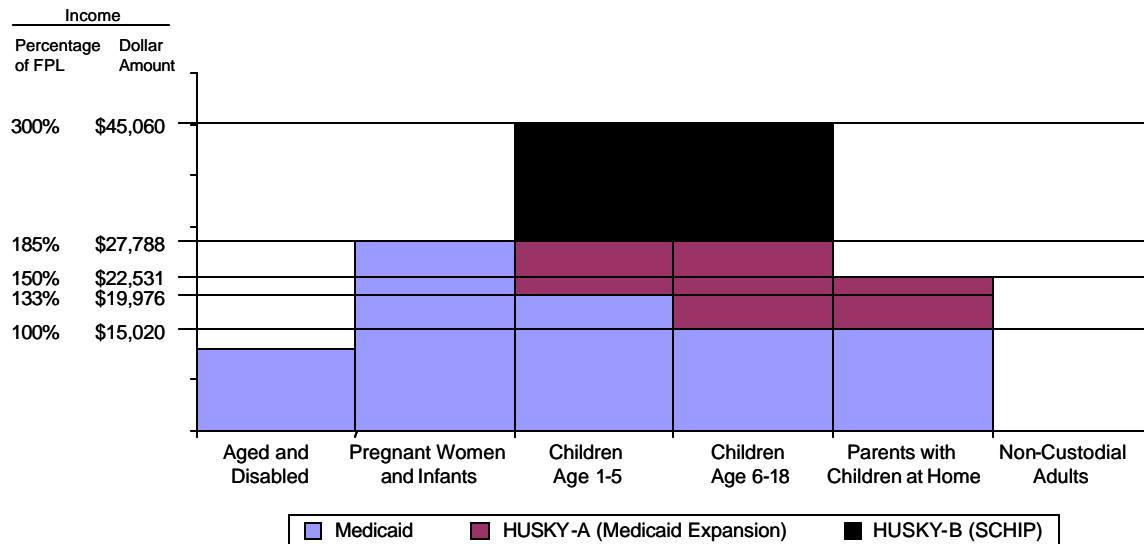
**Total Number of Workers in Firms with Less than 50 Employees = 463,476**

Source: Agency for Health Care Research and Quality, Center for Cost and Financing Studies. 1999 Medical Expenditure Panel Survey (MEPS) – Insurance Component tables. Enrollment in the Connecticut Business and Industry Association (CBIA) pool as of May 1999.

- The vast majority of employees in small firms in Connecticut (93 percent) work in firms that are fully insured.
- About 7 percent workers are employed in firms that have self-funded insurance coverage.
- CBIA's Health Connections pool covers about 6 percent of the insured population among small employers.

## V. STATE PROGRAMS TO COVER THE UNINSURED

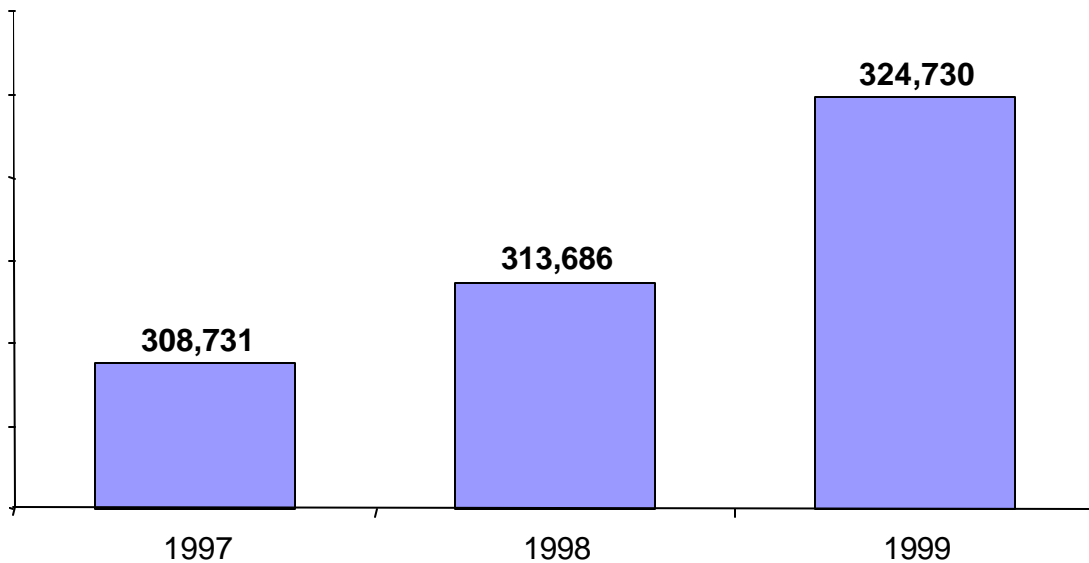
**Figure 19**  
**Current Eligibility for Medicaid and Healthcare for Uninsured Kids and Youth (HUSKY)**



Source: Lewin Group analysis Medicaid and HUSKY eligibility requirements.

- Eligibility for public health coverage programs varies with income and family characteristics.
- Eligibility often differs for persons within families. For example:
  - A family with income at 125 percent of the FPL may have one child age 3 enrolled in the original Medicaid program and another child age 10 in the HUSKY-A Medicaid managed care expansion.
  - The custodial parent of HUSKY eligible children at 210 percent of the FPL would not be eligible for any public insurance.
- Non-disabled adults under age 65 who do not have custodial responsibilities for a child are not eligible regardless of income.
- The allocation of enrollees across Medicaid and HUSKY is important because:
  - The HUSKY benefits package is less comprehensive than Medicaid benefits; and
  - The federal matching rate for HUSKY is 65 percent compared to about 50 percent for Medicaid.

**Figure 20**  
**Medicaid Enrollment in Connecticut: 1997 to 1999**

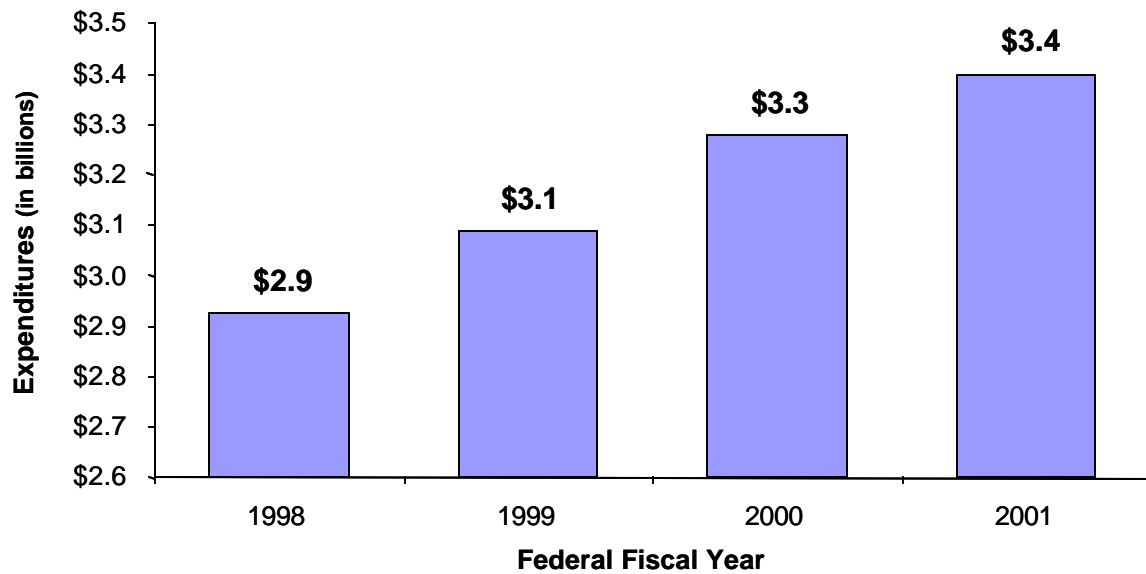


Source: Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, "Medicaid Enrollment in 50 States: June 1997 to December 1999", October 2000, available at <http://www.kff.org/content/2000/2210/StatebyState2210.pdf>. Enrollment was reported as of June and December each year. These numbers represent the average of the two enrollment numbers for the year.

- Medicaid enrollment increased between 1997 and 1999 due to increased enrollment in the HUSKY program.
- HUSKY enrollment increased from 1,900 children in the first year of the program (1998) to 4,400 children in 1999.



**Figure 21**  
**Total Federal and State Medicaid Expenditures: Federal Fiscal Years (FFY) 1998 - 2001**  
**(in billions)**



Source: Centers for Medicare and Medicaid Services (CMS), Medicaid Financial Management Reports, available at <http://www.hcfa.gov/medicaid/ofs-64.htm>.

- Medicaid and HUSKY qualify for federal matching dollars.
- The federal matching percentage, or FMAP, in Connecticut is about 50 percent for Medicaid and 65 percent for HUSKY.
- Total federal and State spending under Medicaid grew steadily from \$2.9 billion in 1998 to \$3.4 billion by 2001.