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Issue Brief

Entrances and Exits: Health Insurance Churning, 1998–2000

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ABSTRACT: Analysis of 1998–2000 health insurance data from the Medical Expenditure Panel Survey shows large numbers of people with unstable health insurance coverage. Young adults, Hispanics, people with low levels of education, those who transition into and out of poverty, and those with private non-group insurance are most likely to have unstable coverage. In addition, demographic factors and type of insurance interact to determine stability of coverage. Young adults and Hispanics with Medicaid or private insurance, for example, were relatively likely to lose their coverage. And less than half of people who transitioned into and out of low income and were initially uninsured were able to obtain coverage. Policies must target these high-risk groups in order to provide them with stable health insurance coverage.

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The Census Bureau estimated in 2004 that there were 45.8 million uninsured Americans, about 15.7 percent of the U.S. population. But this cross-sectional observation does not reflect the total number of people who lack insurance at some point during the course of a year.¹ A large number of people gain and lose coverage multiple times in a phenomenon known as churning. Churning is of considerable concern because evidence suggests that gaps in coverage, as well as unstable health insurance coverage itself, have adverse effects on health care quality and access.

WHY INSURANCE CHURNING MATTERS

Unstable health insurance compromises health care quality for people of all ages. Children with gaps in coverage are less likely to receive care or needed medications than those with continuous private health coverage.² One study that followed adults treated in the emergency department found that those who lost their insurance were less likely to have a regular doctor, more likely to delay seeking care, less likely to have prescriptions filled, and less likely to receive follow-up care after their emergency visit than those who remained insured. Even patients who transitioned from one type of insurance to another were more likely to delay seeking follow-up care.³ Patients with

intermittent insurance coverage are also less likely to receive preventive health services, such as cholesterol screening, mammograms, and Pap tests.⁴

Those groups that are least likely to have insurance coverage, such as the young and the poor, are also the least likely to be able to pay for medical expenses out-of-pocket. In the Commonwealth Fund Biennial Health Insurance Survey (2003), more than half of adults ages 19 to 29 had forgone medical care because of cost.⁵ Those who had recent spells without insurance were more likely to have trouble paying their medical bills than those who were always insured, even if they had subsequently gained coverage.

NEW PERSPECTIVES ON CHURNING

A number of studies have examined health insurance churning. The majority of these have analyzed the 1996 panel of the Survey of Income and Program Participation (SIPP), which revealed that just over 32 percent of the population lacked health insurance for at least one month during the four-year study period.⁶ While the number of uninsured Americans under age 65 was never higher than 45 million, nearly 85 million lacked insurance for at least one month during the four years.⁷

The analysis presented here uses the 1998–2000 Medical Expenditure Panel Survey (MEPS), which differs from the 1996 SIPP in several important ways. Not only are the data more recent, but MEPS includes young children in its population sample, while SIPP includes only those 15 and older. This provides the opportunity to compare coverage stability between children and adults. In addition, MEPS provides unique opportunities to examine some of the interactions between demographics and insurance coverage that determine the stability of coverage. ([For more on the study's methods, see page 12.](#))

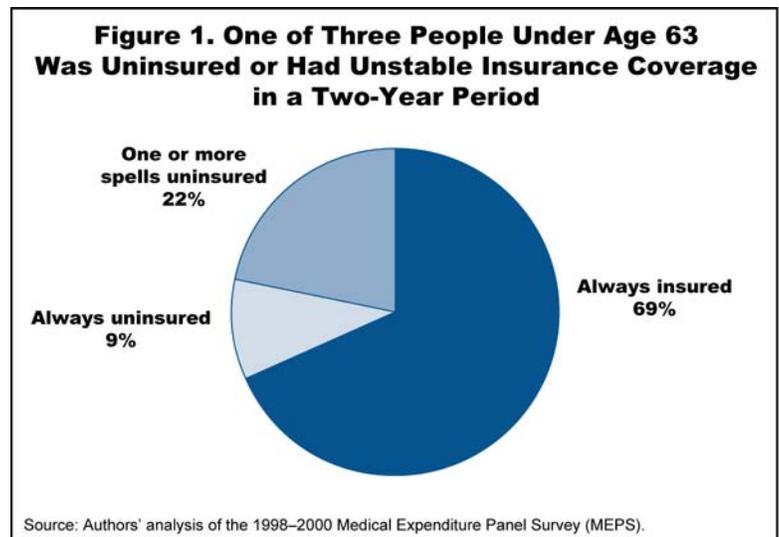
In this analysis, MEPS data are used to:

- 1) describe the demographic characteristics of those who are currently at greatest risk for insur-

- 2) understand how type of coverage affects insurance stability; and
- 3) understand how demographics and coverage type interact to place some individuals at higher risk for experiencing instability in insurance coverage.

STUDY FINDINGS

Like prior surveys, the 1998–2000 MEPS suggests that there is considerable churning in the insurance market. Nearly 70 percent of the population under age 63 were always insured and 9 percent were always uninsured throughout the study period (sample was limited to people under age 63 to exclude those aging into Medicare) (Figure 1, Table 1). In addition to the chronically uninsured, however, 22 percent of the population experienced at least one spell without insurance. There was little gender variation in these proportions, although other factors significantly affected patterns of coverage.



Demographic Factors

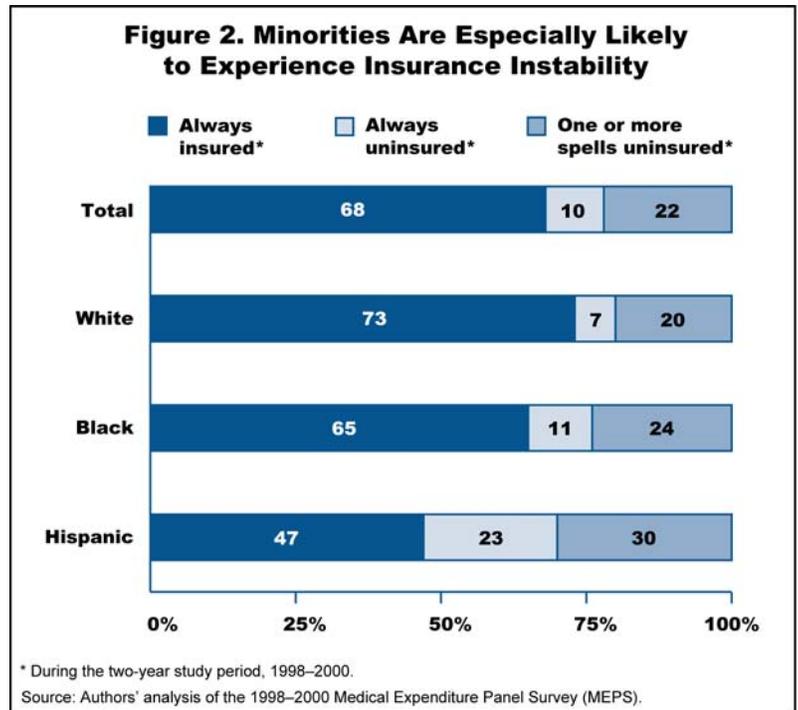
Race. Hispanics fared much worse than other racial groups in terms of insurance coverage. Nearly one-quarter of Hispanics in this study were uninsured for the entire study period, in contrast to only 7 percent of whites and 11 percent of blacks (Figure 2, Table 1). Furthermore, even when Hispanics were able to get insurance, they had

more difficulty keeping it. Hispanics were 10 percentage points more likely than whites to experience a spell without insurance. Blacks also were more likely than non-Hispanic whites to spend any time without coverage: 24 percent of blacks lacked coverage at some time, compared with 20 percent of whites.

Income. Any experience with low income during the study period was associated with higher rates of uninsurance or unstable coverage. People who were always low-income (less than 200 percent of the federal poverty level, or FPL) or who moved into and out of this income category were not very likely to have stable insurance. Only 47 percent of those who were always low-income always had coverage, while 49 percent of individuals who had low income only in the first year, and 51 percent of those who had low income only in the second year, always had coverage. In contrast, those who never had low income during the study period were likely to be continuously insured (80%) (Figure 3, Table 1). The proportion of those who ever had low income and who also had experienced spells without insurance was more than twice that of individuals who had never been low-income and about 10 percentage points higher than the overall national average (Table 1).

Age. Insurance stability is strongly related to age. Young adults (ages 17 to 22) were much less likely to be always insured than any other group, and approximately one-third of the individuals in this group had at least one spell of being uninsured. Individuals ages 17 to 42 were more likely than other age groups to be always uninsured (Figure 4, Table 1). While children were least likely to be consistently uninsured, more than

Figure 2. Minorities Are Especially Likely to Experience Insurance Instability



one of five children (23%) still experienced a spell without insurance. Older adults (ages 53 to 62) tended to have more stable insurance status. The proportion of people in this older group who

Figure 3. People with Low Income* for Any Time Are Less Likely to Have Stable Coverage

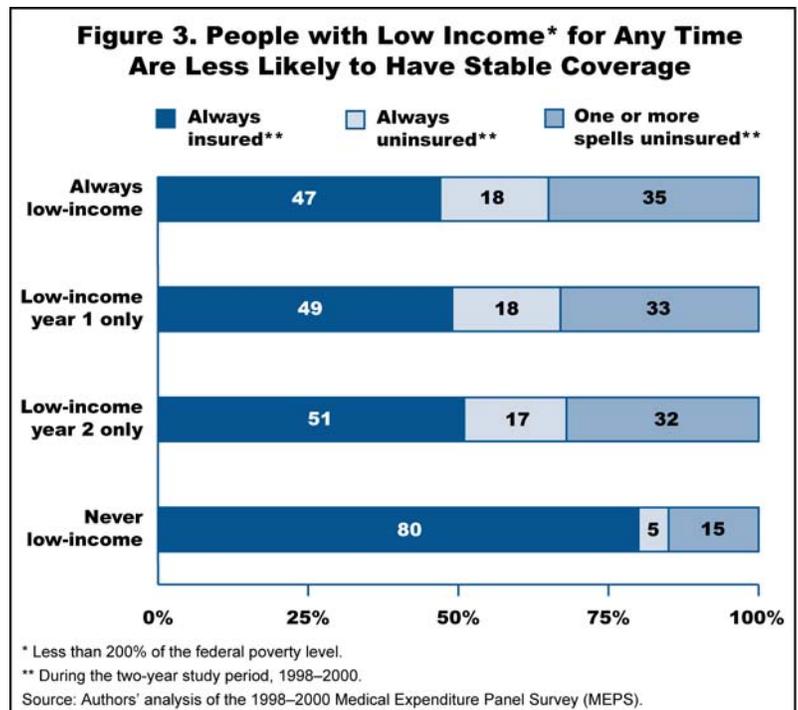
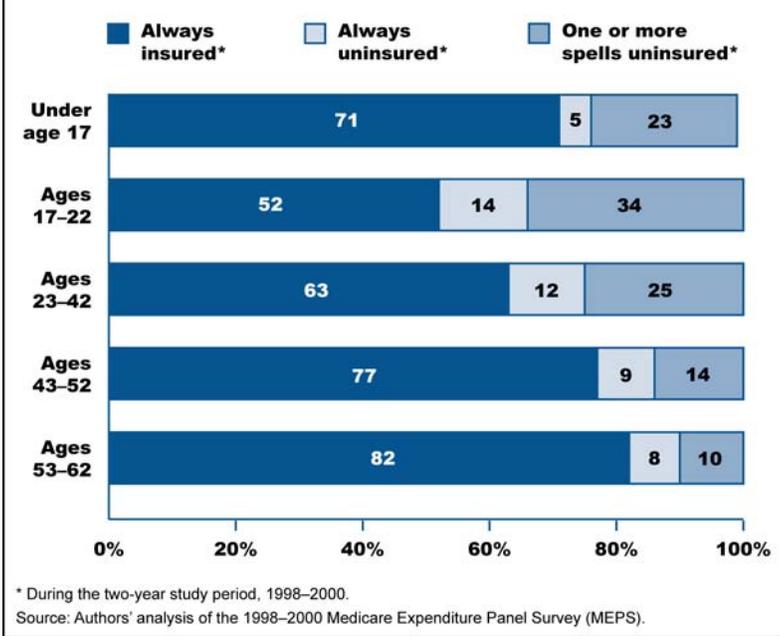


Figure 4. More than One-Third of Young Adults Experienced Insurance Instability in the Two-Year Study Period



were uninsured for a time was less than half the population average (10% vs. 22%).

Education. Education had a protective effect on insurance status. Increasing years of schooling were associated with higher rates of stable insurance. Those who had completed college were the most likely to be always insured, with rates well above the national average (83% vs. 69%) (Figure 5, Table 1). They were also only one-third as likely as high school graduates to be always uninsured and about 10 percent less likely to go through a spell without insurance (Table 1).

Insurance Type and Coverage Stability

Initial coverage type. Individuals who started with private group insurance were most likely to retain their initial coverage throughout the study period, with 86 percent of them doing so (Table 2). Those who began the study uninsured were equally as likely to remain unin-

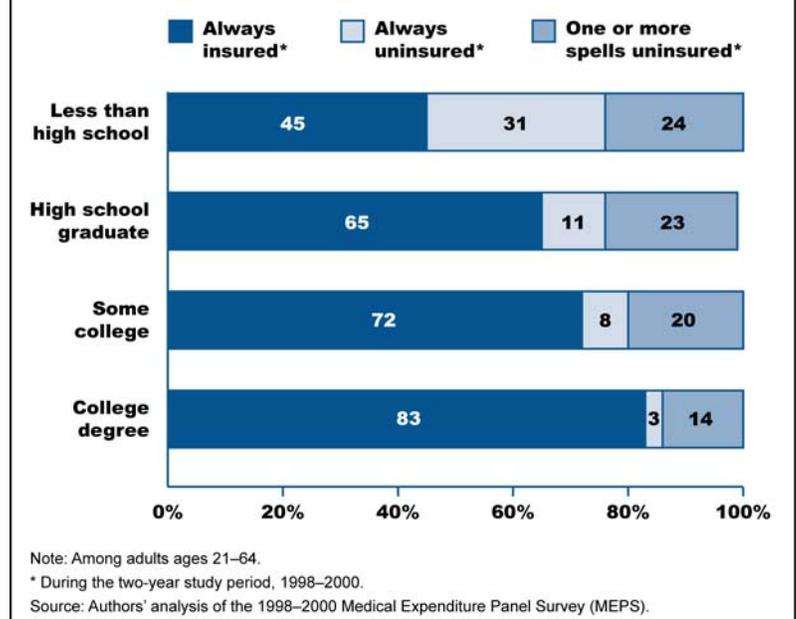
sured the whole time as they were to have some period of insurance coverage (49% vs. 51%). Medicaid beneficiaries were more than twice as likely as those with any type of private insurance to have at least one uninsured spell (30% vs. 12%).

Individuals in private, non-group insurance did not have very stable health insurance coverage. Only slightly more than half of them (53%) retained this type of coverage over the study period. One-fifth of people who started with private, non-group insurance had a spell without coverage, and another quarter made some other coverage transition.

We further stratified these analyses by income (less than 200% FPL vs. greater than 200% FPL). Only 67 percent of those with low incomes who

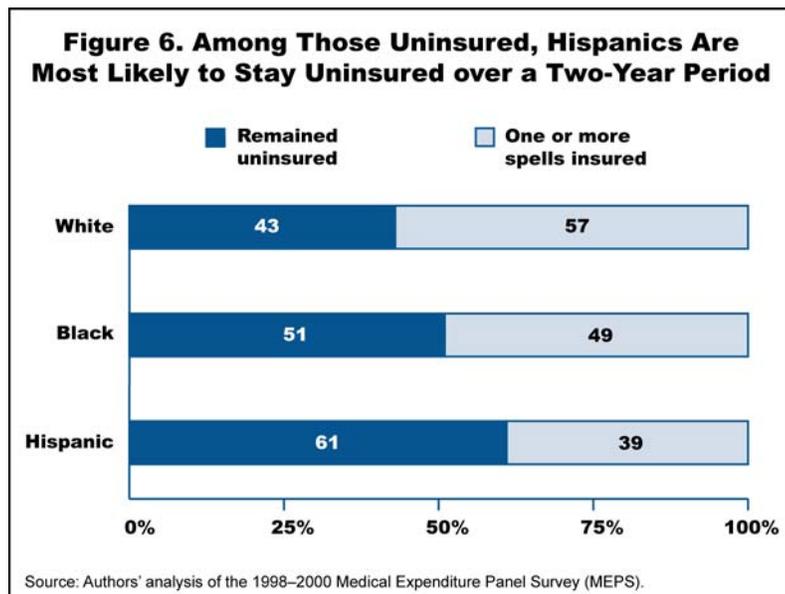
started with private group coverage were able to maintain this coverage, in contrast with the overall average of 86 percent (data not shown). And compared with all those who began with private group

Figure 5. Adults with College Degrees Have More Stable Insurance



coverage (12%), more than twice as many who had low incomes experienced a spell without insurance (28% vs. 12%).

Race and coverage type. Among those who were uninsured at the beginning of the study, there were notable differences by race in how individuals fared over time. Whites were considerably more likely to transition into insurance coverage than other groups (Figure 6, Table 3). Only 43 percent of whites who initially were uninsured remained so. By comparison, 51 percent of blacks and 61 percent of Hispanics who were initially uninsured remained uninsured. Whites who were initially covered by Medicaid were more likely than those in other racial groups to obtain another form of insurance coverage (14%) as opposed to staying on Medicaid or losing coverage altogether.



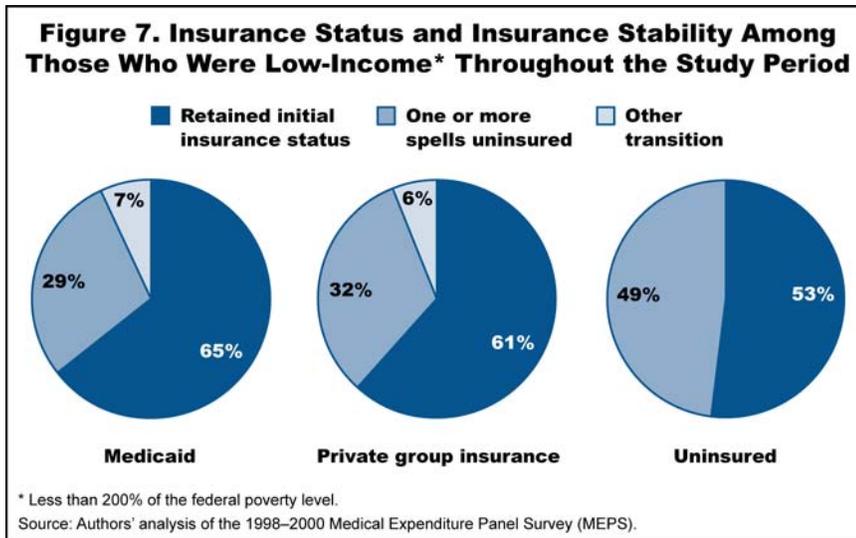
Hispanics had high rates of insurance instability. They were more likely to leave Medicaid and be uninsured over this period (37%) than either whites (30%) or blacks (25%). Even those Hispanics who started with private insurance were less likely to keep this coverage than were either blacks or whites. Only 78 percent of Hispanics who started off with private insurance kept it, in

contrast to 86 percent of blacks and 87 percent of whites. Furthermore, 20 percent of Hispanics who started the study period with private insurance had a spell without coverage.

Blacks who began with Medicaid coverage were less likely to move into other types of coverage. More than two-thirds stayed on Medicaid (67%) compared with 56 percent of both Hispanics and whites. Another 25 percent of blacks with Medicaid subsequently experienced a spell of without insurance. Very few (8%) obtained private coverage.

Stratifying the results by income revealed another important factor in determining insurance status. For all racial groups, the number of people maintaining their private group coverage was lower among those with incomes below 200 percent of the federal poverty level. While the average for all incomes was 87 percent of whites, 86 percent of blacks, and 78 percent of Hispanics, among low-income individuals the rates were 65 percent of whites, 75 percent of blacks, and 70 percent of Hispanics (data not shown). In addition, low-income whites and blacks who initially had private group coverage were twice as likely to experience an uninsured spell compared with the group average.

Income and coverage type. Income was a consistently important factor in transitions between forms of coverage (Table 4). Half of those who were uninsured at the beginning of the study and remained low income throughout lacked insurance during the full two years (Figure 7). Individuals who were always low income and covered by Medicaid were much more likely to keep this coverage (65%) than other Medicaid beneficiaries. Therefore, they were less likely to experience an uninsured spell than were those who moved into and out of poverty. Only 61 percent of those who began with private coverage and were low



income throughout the study were able to maintain their coverage. Thirty-two percent lost coverage, while only 6 percent were able to obtain another form of coverage.

Those who experienced a period of low income during the study were likely to have unstable coverage. While Medicaid provided stable coverage for those who had low incomes throughout the study period (63% maintained this coverage), those who had low incomes for one year only were the most likely of any initial Medicaid recipients to lose coverage and experience a period without any insurance. Forty percent of these individuals who had low incomes for only the first year of the study, and 37 percent of those with low incomes for only the second year, spent time without coverage. Less than half the uninsured individuals in this income group were ever able to gain coverage.

Not surprisingly, those who never experienced poverty during the study period fared best: 90 percent of these individuals who had private insurance were able to retain that coverage—a much higher rate than those who had any spell of poverty. Among those who began uninsured, those who had never been poor were most likely to gain insurance coverage for some period (57%). Those who were never poor were also most likely to make the transition from Medicaid to another

form of insurance (22%) rather than retain Medicaid coverage or lose coverage altogether.

Age and coverage type. Of all those who began the study uninsured, children were the most likely to become covered by some type of insurance. While 34 percent of initially uninsured children maintained that status throughout, 66 percent were able to gain some type of coverage (Table 5). Most children who began with Medicaid coverage maintained it (62%), although nearly one-third of this

group (29%) experienced a period without insurance coverage.

Less than half of the young adults (ages 17 to 22) who were initially covered by Medicaid or the State Children's Health Insurance Program (SCHIP) maintained this coverage (45%)—most likely because they lost their eligibility at age 19. Forty-four percent of young adults who began the study with Medicaid coverage spent some time uninsured, a significantly higher proportion than from any other age group (range of 17% to 29%). Young adults who began with private insurance also experienced instability in their coverage: 27 percent of these individuals were uninsured for some period.

Older adults tended to have more stable coverage status. More than 90 percent of adults over age 43 who had private insurance maintained it. Similar levels of stability were seen in the uninsured and Medicaid populations, in which older adults were less likely than other groups to change their insurance status.

DISCUSSION

Our analysis suggests that a large proportion of the population experiences changes in health insurance status over a two-year period, a finding that is consistent with analysis of the 1996 panel of SIPP.

Short gaps in insurance coverage are often part of a pattern of churning on and off coverage. The earlier study of 1996 SIPP data found that one-third of those under 65 who had experienced a gap in coverage during this time were repeatedly uninsured, experiencing at least two periods with coverage and two periods without coverage during the four-year period. Thus, many people were actually uninsured for a total of more than 12 months, even though these months were not necessarily consecutive.⁸ The SIPP study also found that the majority of these gaps in health insurance coverage were fairly short, with almost half lasting less than four months and 70 percent lasting less than one year.⁹

Our findings from the MEPS survey about which groups are most affected by health insurance churning are also largely consistent with the 1996 SIPP study and others. Young adults (ages 17 to 22) and less-educated, Hispanic, and low-income individuals are more likely to go through periods without health coverage than other groups. Because unstable coverage is associated with impaired access to health care, these groups are highly vulnerable.

We also found a high rate of insurance instability among those with non-group private insurance. While about 5 percent of the population held this type of coverage at one point, only about half of this group retained such coverage over the two-year period.

Hispanics fare the worst in terms of obtaining and maintaining coverage. Even those who are able to obtain private employer-based coverage have a hard time maintaining it, and one-fifth of them lose this coverage. Similarly, the study of 1996 SIPP data found that low-income Hispanics, even those who worked full time, had especially high rates of temporary and chronic uninsurance. Eighty percent of Hispanics and nearly 75 percent of those in families in which the head of household worked full time lacked health insurance at some point during the four-year study.¹⁰ Targeted

education campaigns about insurance enrollment and immigration status might help to improve Hispanics' access to insurance.

The SIPP analysis also found that low-income individuals were disproportionately subject to unstable insurance coverage. Insurance instability for this group often results from changes in age or income that alter Medicaid eligibility. For those low-income individuals with private insurance coverage, employment itself may be unstable. Almost 65 percent of the population living below 200 percent of poverty was employed for fewer than 48 months in four years.¹¹ Even those able to secure stable employment may not have ready access to job-based health insurance. Many low-wage service jobs require a trial period before they provide coverage.¹²

Our analysis found that it is not purely low income but more specifically transitioning into and out of low income that places people at particularly high risk for having spells without coverage. Those with fluctuating incomes are unlikely to continuously qualify for Medicaid, but they are also unlikely to be able to afford private health insurance. Just less than half of those with fluctuating incomes who were initially uninsured were ever able to obtain coverage. Furthermore, almost 40 percent of individuals with fluctuating incomes who had Medicaid at the start of the study lost this coverage and became uninsured. Those who transition into and out of low income are at high risk of falling through the cracks in the public and private insurance systems, and special attention must be paid to stabilizing their access to coverage. Policy approaches such as expanding Medicaid eligibility to individuals with slightly higher incomes might be one mechanism for doing so.

Children were much more likely to gain and retain coverage than uninsured adults. Two-thirds of children who were initially uninsured eventually found coverage, and nearly two-thirds of children covered by Medicaid or CHIP were able to retain that coverage. Nonetheless, one-third of children

who were initially uninsured maintained that status, and 29 percent of those with Medicaid coverage had a period without insurance. Thus, efforts to ensure stable insurance coverage for children are still needed. These may involve steps such as simplifying the procedure for renewing Medicaid coverage.

Young adults, even those who start off with good coverage, remain at high risk for going without insurance for a time. Our analysis found that they lose Medicaid and private insurance coverage at much higher rates than any other age group and are the most likely to experience gaps in coverage. This is similar to findings from the Current Population Study and earlier panels of SIPP. Findings from the 1993 SIPP suggest that more than half of adults ages 18 to 24 (55%) lacked coverage at some point during the 36-month study.¹³

A major contributing factor to this pattern is that young adults lose coverage under their parents' plan, or lose public program coverage when they turn 19. Furthermore, young adults are often transitioning into and out of school and work, with resulting changes in their coverage options. Even among young men and women who work full-time, coverage rates are low: only 59 percent have employer-based coverage, compared with 70 percent of older workers.¹⁴ Enrollment in college is often associated with coverage, but once enrollees graduate, nearly two of five spend some time uninsured in the year following graduation.¹⁵ Thus, raising the age for claiming dependency status to 23 might help, since it would enable young adults to remain covered until they reach an age when they are more likely to obtain job-based health insurance and more likely to keep it.

Older adults tend to have more stable insurance status, which works both to their advantage and disadvantage. The 90 percent retention rate for private group insurance is a good sign. Yet, the fact that older adults were the most likely of all age groups to remain uninsured if they started off that way is somewhat concerning. Uninsured older adults

tend to have a harder time than younger adults gaining coverage. Targeted efforts must be made to find sources of coverage for these individuals.

The problem of the uninsured is more complex than is suggested by a simple cross-sectional observation. The nation's policymakers need to focus not just on getting people covered but also on helping people retain their coverage.

NOTES

- ¹ C. DeNavas-Walt, B. D. Proctor, and R. J. Mills. U.S. Census Bureau, Current Population Reports, P60-226, "Income, Poverty, and Health Insurance Coverage in the United States: 2003." (Washington, D.C.: U.S. Government Printing Office, 2004).
- ² K. D. Aiken et al. "When Insurance Status Is Not Static: Insurance Transitions of Low-Income Children and Implications for Health and Health Care." *Ambulatory Pediatrics* 4 (2004): 237-43.
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- ⁴ J. Sudano and D. W. Baker. "Intermittent Lack of Health Insurance Coverage and Use of Preventive Services." *American Journal of Public Health* 93 (January 2004): 130-37.
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- ⁶ S. Bhandari and R. Mills. "Dynamics of Economic Well-Being: Health Insurance 1996-1999. Bureau of the Census, Current Population Reports, P70-92, U.S. Government Printing Office, Washington, D.C. 2003.
- ⁷ U.S. Census Bureau, Health Insurance Data, *Health Insurance Coverage 1996, 1997, 1998, and 1999*. <http://www.census.gov/hhes/www/hlthins/reports.html>, accessed January 2005; P. F. Short and D. R. Graefe, "Battery-Powered Health Insurance? Stability in Coverage of the Uninsured," *Health Affairs* 22 (November/December 2003): 244-55.
- ⁸ Short and Graefe, 2003.

- ⁹ Congressional Budget Office, “How Many People Lack Health Insurance and for How Long?” (Washington, D.C.: CBO, May, 2003).
- ¹⁰ M. M. Doty and A. L. Holmgren. “Unequal Access: Insurance Instability Among Low-Income Workers and Minorities.” (New York: The Commonwealth Fund, April 2004).
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- ¹³ R. L. Bennefield. Census Bureau Publication No. P70-54, “Who Loses Coverage and for How Long?” (U.S. Government Printing Office, Washington, D.C., 1998).
- ¹⁴ K. Quinn, C. Schoen, and L. Buatti, *On Their Own: Young Adults Living Without Health Insurance* (New York: The Commonwealth Fund, May 2000).
- ¹⁵ Collins, Schoen, Tenney, Doty, and Ho, 2005.

Table 1. Insurance Stability over a Two-Year Period by Demographic Characteristics, 1998–2000

	Total	Always insured*	Always uninsured	One or more spells of uninsurance
Total	228.7 M	69%	9%	22%
Gender				
Male	113.3	68	11	21
Female	115.4	69	8	22
Race/Ethnicity				
White	159.8	73	7	20
Black	30.1	65	11	24
Hispanic	29.2	47	23	30
Other	9.7	68	10	22
Income				
Always <200% poverty	47.3	47	18	35
<200% poverty, Year 1	17.8	49	18	33
<200% poverty, Year 2	16.3	51	17	32
Never <200% poverty	147.3	80	5	15
Age				
Under 17	64.3	71	5	23
17–22	22.2	52	14	34
23–42	80.8	63	12	25
43–52	38.0	77	9	14
53–62	23.3	82	8	10
Education**				
Less than high school	55.7	45	31	24
High school graduate	53.7	65	11	23
Some college	39.6	72	8	20
College graduate	41.5	83	3	14
Don’t know/refused to answer	38.2	69	24	27

Note: Total Sample Size: 19,187 people for two years of observation. Total of 460,488 person months of observation.

* Includes those who maintained the same type of coverage and those who transitioned from one type of coverage to another without a spell of uninsurance

** Among adults age 21 and older

Source: Author’s analysis of the 1998–2000 Medical Expenditure Panel Survey (MEPS).

Table 2. Initial Insurance Status and Insurance Stability over a Two-Year Period, 1998–2000

Initial insurance status:	Population size, in millions	Proportion of population	Retained initial insurance status	One or more spells of uninsurance	Other transition
Uninsured	43.9 M	19%	49%	51%	0%
Medicaid	21.8	10	61	30	10
Private group insurance	148.4	65	86	12	2
Private non-group insurance	10.7	5	53	21	26
Other	4.0	2	49	14	37

Total Sample Size: 19,187 people for two years of observation. Total of 460,488 person months of observation.
Source: Author's analysis of the 1998–2000 Medical Expenditure Panel Survey (MEPS).

Table 3. Race, Insurance Status, and Insurance Stability over a Two-Year Period, 1998–2000

	Uninsured	Medicaid	Private group insurance
Retained initial insurance status			
Population size, in millions	21.5 M	13.2 M	127.5 M
White	43%	56%	87%
Black	51	67	86
Hispanic	61	56	78
Other	53	72	86
One or more spells of uninsurance*			
Population size, in millions	22.4 M	6.5 M	18.3 M
White	57%	30%	12%
Black	49	25	12
Hispanic	39	37	20
Other	47	23	13
Other transition			
Population size, in millions	0 M	2.1 M	2.6 M
White	0%	14%	2%
Black	0	8	1
Hispanic	0	7	2
Other	0	5	0

* For those initially uninsured, one or more spells of insurance coverage

Total Sample Size: 19,187 people for two years of observation. Total of 460,488 person months of observation.
Source: Author's analysis of the 1998–2000 Medical Expenditure Panel Survey (MEPS).

Table 4. Income, Insurance Status, and Insurance Stability over a Two-Year Period, 1998–2000

	Uninsured	Medicaid	Private group insurance
Retained initial insurance status			
Population size, in millions	21.5 M	13.2 M	127.5 M
Always Low-Income	53%	65%	61%
Low-Income Year 1	51	45	75
Low Income Year 2	52	43	72
Never Low Income	43	52	90
One or more spells of uninsurance			
Population size, in millions	22.4 M	6.5 M	18.3 M
Always Low-Income	49%	29%	32%
Low-Income Year 1	48	39	20
Low Income Year 2	47	37	25
Never Low Income	57	27	9
Other transition			
Population size, in millions	0 M	2.1 M	2.6 M
Always Low-Income	0%	7%	6%
Low-Income Year 1	0	16	4
Low Income Year 2	0	19	2
Never Low Income	0	22	1

Total Sample Size: 19,187 people for two years of observation. Total of 460,488 person months of observation.

Source: Author's analysis of the 1998–2000 Medical Expenditure Panel Survey (MEPS).

Table 5. Age, Insurance Type, and Insurance Stability over a Two-Year Period, 1998–2000

	Uninsured	Medicaid	Private group insurance
Retained initial insurance status			
Population size, in millions	21.5 M	13.2 M	127.5 M
<17	34%	62%	87%
17–22	53	45	70
23–42	50	59	84
43–52	59	66	92
53–62	64	76	92
One or more spells of uninsurance			
Population size, in millions	22.4 M	6.5 M	18.3 M
<17	66%	29%	10%
17–22	47	44	27
23–42	50	29	15
43–52	42	24	7
53–62	36	17	6
Other transition			
Population size, in millions	0 M	2.1 M	2.6 M
<17	0%	9%	3%
17–22	0	11	3
23–42	0	12	1
43–52	0	10	1
53–62	0	6	2

Total Sample Size: 19,187 people for two years of observation. Total of 460,488 person months of observation.

Source: Author's analysis of the 1998–2000 Medical Expenditure Panel Survey (MEPS).

STUDY DESIGN AND METHODS

This study is based on panels three and four of the Medical Expenditure Panel Survey (MEPS), which cover the years 1998–1999 and 1999–2000, respectively. Sociodemographic data and other personal and household characteristics are collected in the Household Component (HC) of the MEPS from a nationally representative sample of individuals and families. The Insurance Component surveys participants in the MEPS HC monthly on available and utilized sources of health insurance for two consecutive years. This analysis classifies insurance coverage according to a hierarchical ranking of sources that prefers, in descending order of importance: private group insurance, other private insurance, Medicaid, Medicare, and other public insurance. It only includes respondents who remained in the sample for the full two-year period and for whom we could identify insurance status for all 24 months. This sample was further restricted to those under age 62 at the beginning of the panel, so that it does not capture populations aging into Medicare. Using longitudinal weights to compute proportions and population counts, this analysis examines both overall churning across different coverage types (publicly insured, private group coverage, and private non-group coverage) as well as churning that includes spells of uninsurance.

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