



# Issue Brief

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## On the Edge: Low-Wage Workers and Their Health Insurance Coverage

### Findings from the Commonwealth Fund 2001 Health Insurance Survey

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In terms of access to health care, workers who earn low wages are among the most vulnerable members of the American labor force. Of the 31 million workers in the United States who either work for businesses that do not offer health insurance or are not eligible for the company health plan, more than half earn less than \$10 an hour. Although employees of small companies are particularly unlikely to have coverage through their jobs, low-wage workers in firms of all sizes are disadvantaged compared with their higher-wage colleagues. Even when low-income workers do have health insurance, they often have difficulty paying their share of costs.

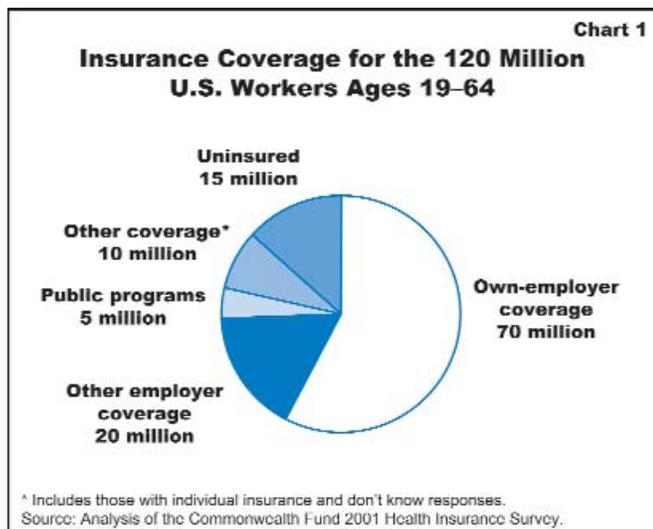
This brief uses the Commonwealth Fund 2001 Health Insurance Survey to assess the relative health insurance experiences of workers across the country by the wages they earn and the size of the company in which they work.<sup>1</sup> Overall, the survey reveals that workers who earn low wages—even those in large firms—run the highest risk of being uninsured. Moreover, when low-wage workers do have health insurance, they are more likely than higher-wage workers to spend a large share of their income on premiums. Lack of coverage and low income combine to make access to the health care system difficult and create severe financial stress for low-wage workers and their families.

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## Low-Wage Workers' Limited Access to Health Benefits

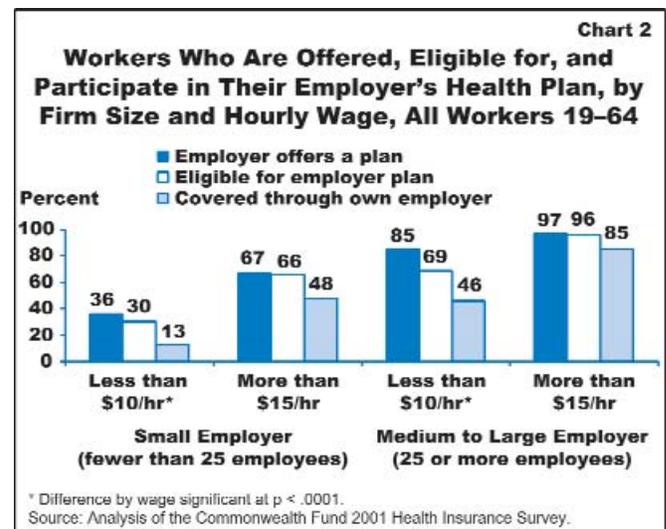
While employment-based health insurance is the primary system of health coverage in the United States, only 70 million of the nation's 120 million workers have health benefits through their own employers (Chart 1). The remaining 50 million workers have coverage through someone else's employer, the individual insurance market, or a public program such as Medicaid, or they are uninsured. Nearly half (45%) of those who do not have coverage through their own employer are workers who earn less than \$10 an hour.



In order for an employee to gain access to health insurance through his or her own job, three conditions have to be met: 1) the worker's company must offer insurance; 2) the worker has to be eligible for the insurance offered; and 3) the worker has to be able to afford the insurance he or she is eligible for. The survey finds that low-wage earners come up short on all three conditions.

First, low-wage workers are much less likely than higher-wage earners to work in companies that offer health insurance to their employees. Of those workers who earn less than \$10 per hour, 65 percent work in firms that offer health insurance, compared with nearly 90 percent of employees who earn more than \$15 an hour (Table 1). This is in part related to the fact that many low-wage

earners work in small companies; small firms are much less likely than large firms to offer their workers health insurance (Table 2). Yet, the survey shows that regardless of company size, low-wage workers less often work for firms that offer health insurance (Chart 2). Among employees of small organizations (fewer than 25 employees), just 36 percent of low-wage workers (less than \$10/hour) work for an employer that offers health insurance, compared with 67 percent of higher-wage workers. Finding work in a larger company improves low-wage workers' chances of being offered health insurance. Nonetheless, there are large companies that do not offer insurance, and low-wage workers appear more likely to work in them. Among those working for larger companies (25 or more employees), 85 percent of low-wage earners work for companies that offer health insurance, while nearly all—97 percent—higher-wage employees work for such companies.



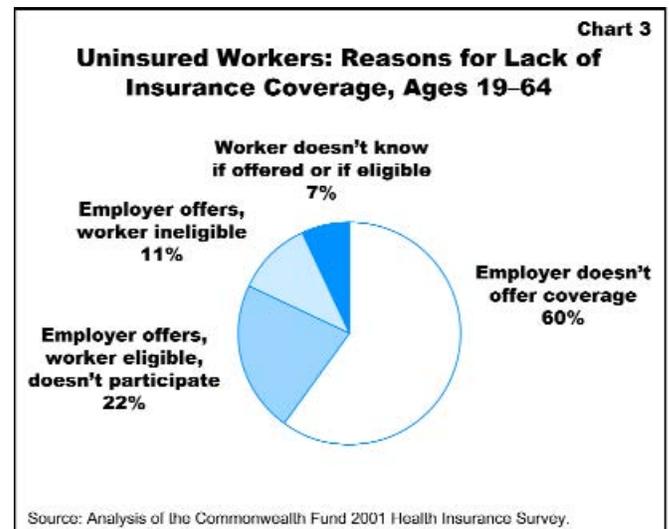
Second, even when companies offer health insurance, some workers may not be eligible for it. Businesses place various eligibility requirements on health benefits, such as working a minimum number of hours per week, waiting a certain period of time, or being a permanent (versus temporary) worker. Among those surveyed, more than half of workers ineligible for their company's insurance coverage reported that they did not work enough

hours to be eligible.<sup>2</sup> Low-wage workers in large companies appear to be particularly disadvantaged by eligibility requirements (Chart 2). Eighty-five percent of these low-wage employees work for firms that offer health insurance, but only 69 percent are eligible for that insurance. Among higher-wage workers at large companies, 97 percent work for firms that offer insurance and 96 percent are eligible.

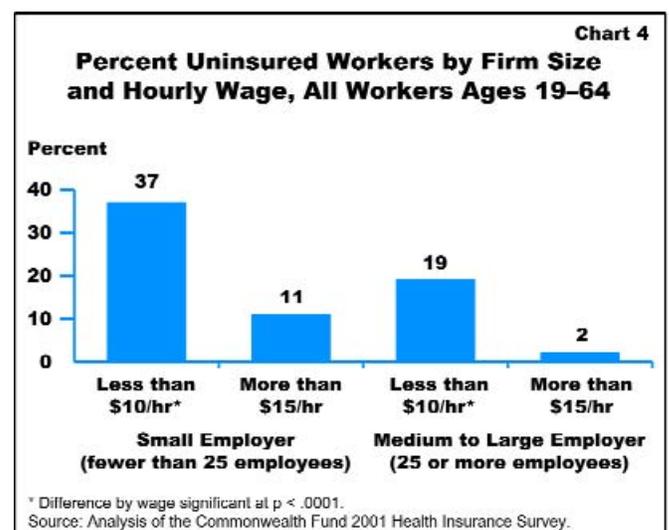
Third, not everyone who is eligible for their employer's health plan actually participates in that coverage. Some workers choose to be covered through a spouse or other person, some are covered by a public insurance program such as Medicaid, and others find premiums unaffordable and go without coverage. Similar shares of low-wage and high-wage workers have health insurance coverage through someone else's employer—19 percent and 14 percent, respectively—but the gap between workers who are eligible for coverage and those who elect to participate is largest among lower-wage workers (Table 1). About 64 percent of low-wage workers who are eligible for their employers' coverage participate, compared with 86 percent of higher-wage workers. With similar shares of these workers joining their spouse's plan, some of the difference in coverage take-up rates may be explained by participation in public programs. Nevertheless, affordability concerns are likely the principal reason that low-income workers decline coverage and become uninsured.<sup>3</sup>

The overriding reason that workers go without health insurance coverage, however, is that their employers do not offer it to them (Chart 3).<sup>4</sup> About 60 percent of surveyed working adults without health insurance work in companies that do not offer coverage. Just over 20 percent of uninsured workers are eligible for employer-sponsored health insurance but decline to accept it. About 11 percent are not eligible for the insurance offered by their employer.

Thus, low-wage workers are particularly disadvantaged on all three of these measures, making them far more likely to be uninsured than higher-



wage workers. Overall, 27 percent of workers who earn less than \$10 per hour have no health insurance compared with just 4 percent of workers who earn more than \$15 per hour (Table 1). Working for a small firm further increases the risk that low-wage workers will lack coverage. In companies of fewer than 25 employees, nearly 40 percent of low-wage workers are uninsured, compared with 11 percent of higher-wage workers (Chart 4). But even low-wage workers in large firms run a relatively high risk of being uninsured: 19 percent of such workers are uninsured, while 2 percent of higher-wage workers lack coverage. In fact, low-wage workers in large companies are more likely to be uninsured than are higher-wage workers in small companies.

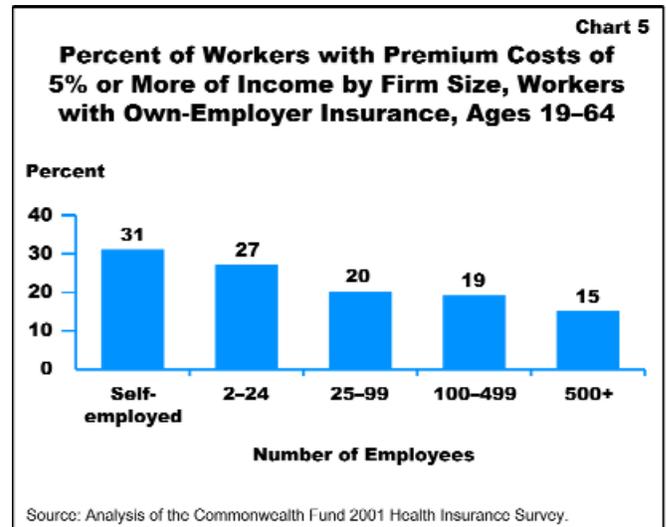


The families of low-wage workers also are at high risk of being uninsured either because working adults in the family do not have employer sponsored coverage or their coverage does not extend to spouses and dependents. Nearly one-fifth of workers earning less than \$10 per hour are in families in which every member is uninsured (Table 1). These numbers would likely be worse were it not for public coverage of children. More than one-third of low-wage workers report that they have children who are covered by Medicaid, the State Children's Health Insurance Program (CHIP), or other state medical assistance programs (Table 1). Even workers in large companies have children insured through public programs (Table 2).

### **Cost of Coverage, Quality of Benefits, and Plan Satisfaction**

The cost and quality of employer-sponsored coverage are not uniform across companies. Benefit packages and employee costs can differ significantly between companies of different sizes and between low- and high-wage workers, even within the same company. Since employers usually require the same premium contribution irrespective of employees' incomes, the proportion of income that workers spend on premiums and other out-of-pocket costs can vary dramatically among employees. Inequalities in employer-sponsored coverage raise concerns that rising premiums or slowing wage growth could disproportionately affect low-income workers, placing insurance beyond the reach of greater numbers of them.

Workers who earn low wages are much more likely than higher-wage earners to contribute a large share of their income to their health insurance premiums (Table 3). Nearly 40 percent of workers who earn less than \$10 per hour spend more than 5 percent of their income on premiums. In contrast, only 11 percent of workers who earn more than \$15 per hour spend that much. Being self-employed and working in a small firm are also correlated with spending large shares of income on premiums (Chart 5).



That such a large share of low-wage workers allocate so much of their income to health insurance premiums—which are exclusive of other out-of-pocket expenses such as deductibles and copayments—raises concerns that these workers are in danger of dropping coverage, particularly if premium contributions rise or real incomes decline. Indeed, nearly 40 percent of low-wage workers surveyed say that their premiums are difficult to afford (Table 3). A study of participation rates in three state-sponsored public insurance programs with sliding-scale premiums found that participation among the eligible low-income population dropped precipitously when premiums rose from 3 percent to 5 percent of income and that the participation rate was very low when premiums rose above 5 percent.<sup>5</sup>

Many workers who spend large shares of their income on premiums have coverage that is inferior to those who spend less. This situation increases the risk that low-wage workers could decide to drop their coverage if costs increase. Workers in all wage categories who allocate 5 percent or more of their income to health insurance premiums report the least comprehensive coverage and the least satisfaction with their health plans (Chart 6). This group of workers is less likely to have coverage for prescription drugs, dental care, and vision care, more likely to report a low level of

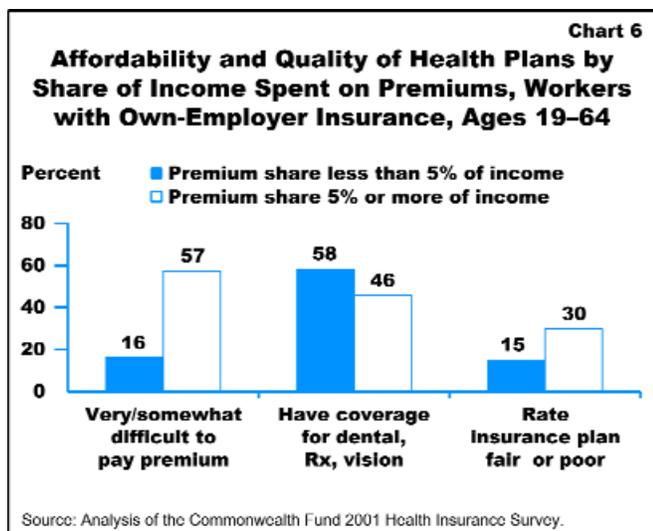
satisfaction with their health plans, and more likely to say that their premiums are difficult to afford. Low-wage workers as a group are particularly disadvantaged on these measures. Just 41 percent of workers who earn less than \$10 per hour have coverage for prescription drugs, dental care, and vision care, compared with 60 percent of workers who earn \$10 or more per hour (Table 3). Twenty-six percent of workers who earn less than \$10 per hour rate their health plan as fair or poor, compared with 15 percent of those who earn more than \$10 an hour.

making payments, being contacted by a collection agency, or having to change their way of life significantly in order to pay medical bills.

**Conclusions and Policy Implications**

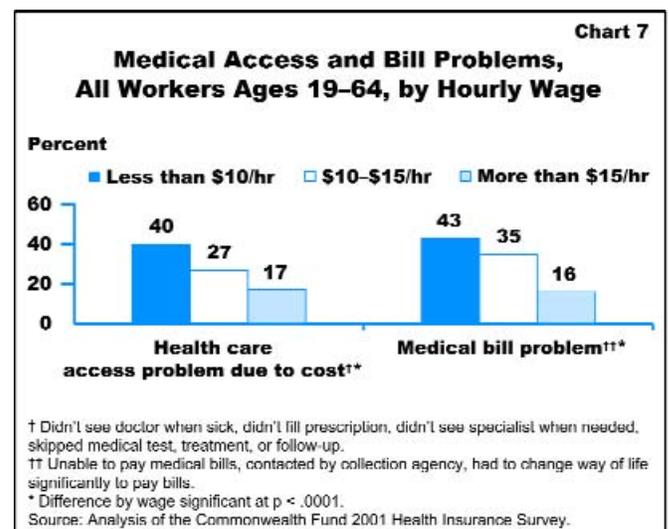
Although employer-sponsored health insurance is the primary source of health coverage for Americans, nearly 31 million workers are either employed in companies that do not offer health insurance or are not eligible for the coverage offered. More than half of these workers earn less than \$10 an hour. Clearly, low-wage workers and their families run a considerable risk of being uninsured. This is true for workers in both small and large companies; in fact, low-wage workers in large companies are more likely to be uninsured than higher-wage workers in companies with 25 or fewer employees. Workers who earn low wages appear to rely heavily on public insurance programs for the coverage of their children—nearly half of workers with annual incomes of less than \$20,000 have children who are enrolled in Medicaid, CHIP, or other state medical assistance programs. Yet low-income working adults have few public options available to them.

Even when workers with low wages have insurance coverage, it often comes at a steep price. Low-wage workers who have health insurance through their jobs are more likely to contribute 5 percent or more of their income toward their



**Access to Care and Problems Paying Medical Bills**

Lack of health insurance or coverage of poor quality has real implications for the health and finances of low-wage workers and their families. These workers face financial barriers to health care when it is needed and struggle to pay medical bills when they do access the health care system. Forty percent of workers with low wages reported that they had gone without needed health care because of cost, compared with 17 percent of higher-wage workers (Chart 7). Forgone care included not seeing a doctor or specialist when sick, failing to fill a prescription, or skipping a recommended medical test, treatment, or follow-up visit. Similarly, 43 percent of low-wage workers said that they had had problems with medical bills including trouble



premiums than are higher-wage workers, and they more often say they have difficulty paying their premiums. Moreover, low-wage workers have the least comprehensive coverage and report the least satisfaction with their health plans relative to higher-wage earners.

The serious consequences that stem from being uninsured or having poor coverage highlight the urgent need for policy solutions. Workers with low wages are more likely to go without needed care because of cost than higher-wage workers are, including not seeing physicians when they are sick and failing to fill prescriptions. Those workers who do access the health system say they struggle to pay their medical bills. While public insurance programs have blunted the devastating impact of poor and unstable health insurance coverage for the children in low-income working families, it is clear that additional reforms will be needed to improve health care access for adults.

## NOTES

- <sup>1</sup> See the “Survey Methodology” box on the back page of this Issue Brief for a description of the survey and key measures.
- <sup>2</sup> Analysis of the Commonwealth Fund 2001 Health Insurance Survey.
- <sup>3</sup> S. H. Long and M. Susan Marquis, “Low-Wage Workers and Health Insurance Coverage: Can Policymakers Target Them Through Their Employers?” *Inquiry* 38 (Fall 2001): 331–37; P. F. Cooper and B. S. Schone, “More Offers, Fewer Takers for Employment-Based Health Insurance: 1987 and 1996,” *Health Affairs* 16 (November/December 1997): 142–56.
- <sup>4</sup> B. Garret, L. M. Nichols, and E. K. Greenman, *Workers Without Health Insurance: Who Are They and How Can Policy Reach Them?*, The Urban Institute, September 2001; Long and Marquis, 2001.
- <sup>5</sup> L. Ku and T. A. Coughlin, “Sliding-Scale Premium Health Insurance Programs: Four States’ Experiences,” *Inquiry* 36 (Winter 1999/2000): 471–80.

**Table 1**  
**Availability of and Worker’s Eligibility for Employer Insurance, by Wage and Income**

	Total	Hourly Wage			Annual Income		
		<\$10	\$10–\$15	>\$15	<\$20	\$20K–\$35K	>=35K
All workers, ages 19-64 (Estimates in Millions)	120.0	34.6	27.8	46.9	23.4	20.3	65.7
		Percent of Workers, Ages 19–64					
All workers	100	29	23	39	19	17	55
Employer offers a plan***	80	65	86	88	60	81	85
Eligible for employer plan***	74	53	80	87	48	78	83
Covered through own employer***	58	34	59	75	31	64	65
Covered through someone else’s employer***	17	19	18	14	10	10	21
Covered through public program***	4	9	3	1	13	3	1
Other†***	8	10	7	6	11	6	7
Uninsured***	13	27	11	4	36	17	4
All family members insured (includes respondent)***	82	64	84	93	58	74	93
Children under age 19 covered through public program*** (of those with dependent children)	16	35	18	3	47	29	6
Some family members uninsured***	9	16	9	4	15	16	4
All family members uninsured***	8	19	7	3	24	10	2

†Other includes those with individual insurance and don’t know responses.

\*\*\*Significant differences between three wage groups and three income groups at  $p < .0001$ .

Source: Authors’ analysis of the Commonwealth Fund 2001 Health Insurance Survey.

**Table 2**

**Availability of and Worker's Eligibility for Employer Insurance, by Size of Employer**

	Total	Number of Employees				
		Self-Employed	2-24	25-99	100-499	500+
All workers, ages 19-64 (Estimates in Millions)	120.0	8.4	24.5	15.1	24.2	44.9
		Percent of Workers, Ages 19-64				
All workers	100	7	20	13	20	37
Employer offers a plan***	80	NA	54	90	92	96
Eligible for employer plan***	74	NA	49	78	84	92
Covered through own employer***	58	12	31	54	68	78
Covered through someone else's employer***	17	28	25	19	13	12
Covered through public program***	4	6	7	3	3	2
Other†***	8	22	13	11	5	4
Uninsured***	13	31	24	12	11	4
All family members insured (includes respondent)***	82	61	71	77	85	93
Children under age 19 covered through public program*** (of those with dependent children)	16	18	23	13	20	10
Some family members uninsured***	9	17	14	13	7	4
All family members uninsured***	8	20	14	8	8	3

†Other includes those with individual insurance and don't know responses.  
 \*\*\*Significant differences between firm sizes at p<.0001.  
 Source: Authors' analysis of the Commonwealth Fund 2001 Health Insurance Survey.

**Table 3**

**Insured Workers with Own-Employer Insurance: Quality of Benefits and Satisfaction with Plan, by Wage and Income**

	Total	Hourly Wage			Annual Income		
		<\$10	\$10-\$15	>\$15	<\$20K	\$20K-\$35K	>=35K
<b>Workers with own-employer health insurance, Ages 19-64 (Estimates in Millions)</b>	69.2	11.7	16.4	35.2	7.2	13.0	43.0
		Percent of Workers with Own-Employer Insurance					
<b>All workers</b>	100	17	24	51	10	19	62
<b>Annual cost of employee share of premium***</b>							
None	24	24	19	25	18	23	25
\$1-\$999	33	31	39	33	41	38	31
\$1,000 or more	35	34	37	34	28	31	38
<b>Estimated employee share of premium 5% or more of income***</b>	18	38	23	11	47	24	13
<b>Percent that find it difficult to pay premium*** (of those who pay any part of premium)</b>	22	39	23	16	32	28	19
<b>Insurance benefits***</b>							
Prescription drugs	93	88	96	94	91	91	94
Dental care	79	66	81	82	62	78	82
Vision care	65	53	66	68	54	66	67
All of these three	44	41	60	60	40	56	59
<b>Rating of insurance plan***</b>							
Excellent or very good	52	42	51	57	42	47	56
Good	30	32	33	28	37	36	27
Fair or poor	18	26	15	15	21	18	17

\*\*\*Significant differences between three wage groups and three income groups at p<.0001.  
 Source: Authors' analysis of the Commonwealth Fund 2001 Health Insurance Survey.

## SURVEY METHODOLOGY

The Commonwealth Fund 2001 Health Insurance Survey, conducted by Princeton Survey Research Associates from April 27 through July 29, 2001, consisted of 25-minute telephone interviews in either English or Spanish with a random, national sample of 3,508 adults, age 19 and older, living in households with telephones in the continental United States. This report is based on analyses of the 2,049 employed adults ages 19 to 64 in the sample.

The data are weighted in analysis to compensate for survey non-response and for the purposeful over-sampling of households in low-income areas. The weights were constructed to match demographic parameters from the March 2000 Current Population Survey for age, sex, race/ethnicity, level of education, household size, geographic region, and telephone service interruption. The weighted data represent the U.S. adult population.

The sample of employed adults ages 19 to 64 has an overall margin of sampling error of  $\pm 3$  percentage points at the 95 percent confidence level. The sample of 1,164 employed adults ages 19 to 64 with insurance from their own employer has an overall margin of sampling error of  $\pm 4$  percentage points. In addition to sampling error, other aspects of survey design and implementation can cause error or bias in survey results.

