



Researchers Explore Patterns of Individual Health Insurance Coverage

Patterns of individual health plan coverage among non-elderly adults

SUMMARY

Researchers at the [Edmund S. Muskie School of Public Service](#) at the [University of Southern Maine](#), with colleagues at the University of Missouri - St. Louis, explored the role of the individual health insurance market as a source of health insurance coverage for non-elderly adults in the United States.

This project was part of the Robert Wood Johnson Foundation (RWJF) national program *Changes in Health Care Financing and Organization* (HCFO) (for more information see [Program Results](#)).

A [Findings Brief](#) on the project is available on the HCFO website.

Key Findings

- Some 5.9 percent of those surveyed had individual health insurance at the time of the interview. Of these, almost 74 percent were employed.
- Almost half of all spells of individual insurance lasted less than six months. People working for a small business and those who were self-employed generally had longer spells of individual insurance.
- Some 13 percent of people surveyed reported at least one spell of individual insurance during the four-year survey period. Most had only one spell, but almost one-third had two spells and nearly 10 percent had three or more.

Key Conclusions

- The individual insurance market is relatively heterogeneous, with most individual-coverage spells bridging gaps in employer-based coverage.
- These findings support previous speculation that the individual insurance market is volatile, therefore increasing marketing and administrative costs for the insurance industry.

Funding

RWJF supported the project from October 2001 through June 2003 with a grant of \$95,526.

THE PROJECT

As employer-based health insurance coverage has eroded, the individual health insurance market is increasingly recognized as an important source of coverage for many Americans, according to project researchers.

Researchers at the Edmund S. Muskie School of Public Service at the University of Southern Maine, and their colleagues at the University of Missouri – St. Louis, examined patterns of individual insurance coverage among non-elderly adults.

They explored a number of research questions, including:

- Who uses the individual health insurance market?
- What role does individual health insurance play in providing people with longer-term coverage versus "bridge" coverage, which fills the gap between one insurance plan and the next?
- What factors influence how long people retain their individual coverage and whether they obtain other insurance or go uninsured when their individual coverage ends?

Methodology

The researchers analyzed data from the 1996 panel of the [Survey of Income and Program Participation](#) (SIPP). SIPP is a nationally representative, longitudinal survey conducted by the [U.S. Census Bureau](#).

The Census Bureau first interviewed the panel in April 1996 and then every four months through March 2000 for a total of 13 interviews over 48 months. The initial sample included approximately 36,700 households (about 95,000 people).

Data collected by the SIPP staff include demographic information (age, gender, etc.) and monthly fluctuations in:

- Household and individual income.
- Health insurance, health and labor force status.
- Participation in government programs such as Medicare and Medicaid.

FINDINGS

Researchers reported their findings in an article in *Health Affairs* and in a [Findings Brief](#) available at the HCFO website. (See the [Bibliography](#).)

- **Some 5.9 percent of people surveyed had individual health insurance.** Of these, almost 74 percent were employed.
 - Part-time workers were almost twice as likely to have purchased individual insurance as full-time workers.
 - Self-employed workers were almost seven times as likely to have individual insurance as were workers with an employer.
 - Almost 75 percent of people with individual insurance worked for a business that had fewer than 25 employees. These included self-employed workers.
- **Other factors associated with individual insurance included:**
 - Close to half of survey respondents with individual insurance were between the ages of 45 and 64. People over age 55 were almost three times more likely to have individual coverage than people under the age of 35.
 - Some 8 percent of Asian Americans were individually insured, the highest rate of any ethnic group surveyed.
 - People with incomes under 200 percent of poverty were most likely to have individual insurance. About one-third of those with individual insurance had incomes over 400 percent of poverty.
 - Close to two-thirds of people with individual insurance reported good or excellent health. Only 12 percent reported fair or poor health.
- **Although some people surveyed returned multiple times to individual insurance, most relied on it much less.**
 - Some 13 percent of people surveyed reported at least one spell of individual insurance during the four-year survey period. Most had only one spell, but almost one-third had two spells and nearly 10 percent had three or more.
 - Almost half of all spells of individual insurance lasted less than six months. People working for a small business and those who were self-employed generally had longer spells of individual insurance.
- **Among people who acquired individual insurance after being uninsured, almost half gained employer-based coverage when they terminated their individual plans.**

- **People who had other coverage when they acquired individual coverage were most likely to return to the same type of coverage upon exit:**
 - Of those who previously had employer-based coverage, almost 60 percent returned to employer-based coverage when they terminated individual coverage.
 - Of those who previously had public coverage, such as Medicaid, about 80 percent returned to public coverage when they terminated individual coverage.
 - Only 15 percent of those with individual insurance were uninsured when they terminated their individual insurance.
 - After leaving individual coverage, only 9 percent of self-employed workers became uninsured compared with almost 17 percent of workers with an employer. Self-employed workers may be reluctant to drop individual insurance without having another source of coverage. Those with an employer, in contrast, may expect to get employer-based insurance in the near future, perhaps after a waiting period.

CONCLUSIONS

- The individual insurance market is relatively heterogeneous, with most individual-coverage spells bridging gaps in employer-based coverage.
- These findings support previous speculation that the individual insurance market is volatile, therefore increasing marketing and administrative costs for the insurance industry.

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Presentations and Testimony

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