

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

S.F. No. 2672 - Health Care Cost Payment by Large Employers

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Date: March 10, 2006

JCF

OVERVIEW

This bill amends the chapter of Minnesota Statutes related to labor standards and wages. It requires private employers with more than 10,000 employees in Minnesota to pay to the state for deposit in the health care access fund account the difference between eight percent of the wages paid to Minnesota employees and what the employer pays for medical costs of its employees. If the employer pays more than eight percent, there is no payment obligation.

Section 1 contains definitions.

Subdivision 2 defines “commissioner” as the Commissioner of Labor and Industry.

Subdivision 3 defines “employee” and excludes independent contractors from the definition..

Subdivision 4 defines an “employer” as an entity employing more than 10,000 individuals within the state and excludes public employers.

Subdivision 5 defines “health care costs” as those paid for by an employer to provide health care or health insurance and that are deductible by the employer under federal tax law.

Subdivision 6 defines “wages” by reference to the definition of wages contained in the unemployment compensation law. Excluded from wages are those paid to employees enrolled in Medicare and those wages that are in excess of the state median household income.

Section 2 requires employers that pay less than eight percent of wages for health care costs to make a payment to the state for the difference between eight percent and what the employer pays for health care costs. The obligation is enforced on an annual calendar-year basis. The payment must be made to the Commissioner for deposit into the health care access fund. The first year an employer has the obligation is calendar year 2007.

Section 3 requires the Commissioner of Labor and Industry to enforce section 2. The Commissioner is authorized to engage in various activities to ensure compliance with section 2. The Commissioner of Employment and Economic Development is required to cooperate with the Commissioner in providing wage and employment count information.

JCF:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 2672:** A bill for an act relating to employment; requiring certain health
1.4 cost payments by large employers; proposing coding for new law in Minnesota Statutes,
1.5 chapter 177.

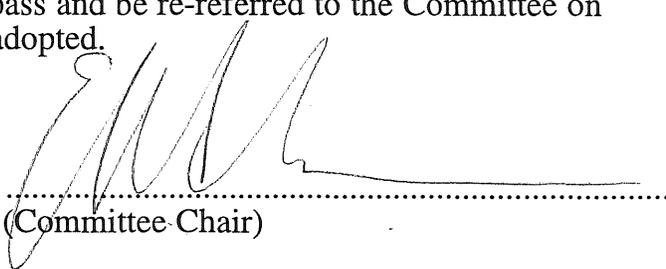
1.6 Reports the same back with the recommendation that the bill be amended as follows:

1.7 Page 1, line 14, delete "except" and insert "including"

1.8 Page 1, line 19, after "accounts," insert "exercise programs,"

1.9 Page 2, line 29, delete "Security" and insert "Development"

1.10 And when so amended the bill do pass and be re-referred to the Committee on
1.11 Finance. Amendments adopted. Report adopted.

1.12 
1.13 (Committee Chair)

1.14 March 13, 2006
1.15 (Date of Committee recommendation)

Senators Lourey, Anderson, Pappas, Marty and Berglin introduced--

S.F. No. 2672: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act
relating to employment; requiring certain health cost payments by large
employers; proposing coding for new law in Minnesota Statutes, chapter 177.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [177.45] DEFINITIONS.

Subdivision 1. Applicability. For purposes of sections 177.45 to 177.47, the terms defined in this section have the meanings given them.

Subd. 2. Commissioner. "Commissioner" means the commissioner of labor and industry.

Subd. 3. Employee. "Employee" means a person who performs services for hire for an employer, and includes all individuals employed at any site in Minnesota owned or operated by an employer. Employee does not include an independent contractor.

Subd. 4. Employer. "Employer" means any corporation or other legal entity with more than 10,000 employees in Minnesota except the state or any of its political subdivisions.

Subd. 5. Health costs. "Health costs" means the amount paid by an employer to provide health care or health insurance to employees to the extent the costs are deductible by an employer under federal tax law. Health costs include payments for insurance, medical care, prescription drugs, vision care, medical savings accounts, and any other costs to provide health benefits as defined in section 213(d) of the federal Internal Revenue Code of 1986, as amended.

Subd. 6. Wages. "Wages" has the meaning provided in section 268.035, subdivision 29.

Wages do not include:

- 2.1 (1) wages paid to any employee in excess of the state median household income as
2.2 most recently determined by the Department of Housing and Urban Development; and
2.3 (2) wages paid to an employee who is enrolled in or eligible for Medicare.

2.4 **EFFECTIVE DATE.** This section is effective January 1, 2007.

2.5 **Sec. 2. [177.46] EMPLOYER HEALTH COST PAYMENT.**

2.6 Subdivision 1. **When payment required.** An employer that does not spend at least
2.7 eight percent of the total wages paid in a calendar year to employees for health costs
2.8 must make a payment to the commissioner equal to the difference between what the
2.9 employer spends for health costs and eight percent of the total wages paid to employees
2.10 in the state. The payment must be made by December 31 of the year following the year
2.11 for which payment is required.

2.12 Subd. 2. **Use of payments.** The commissioner shall deposit payments into the health
2.13 care access fund created under section 16A.724 for the purposes of that fund, except that
2.14 the commissioner may retain up to five percent of the payment for administrative costs
2.15 related to sections 177.45 to 177.47.

2.16 Subd. 3. **Employee not responsible.** An employer may not deduct any payment
2.17 made under subdivision 1 from the wages of an employee.

2.18 **EFFECTIVE DATE.** This section is effective January 1, 2007.

2.19 **Sec. 3. [177.47] DUTIES OF COMMISSIONER.**

2.20 The commissioner shall enforce sections 177.45 to 177.47 and may, in addition to
2.21 other powers the commissioner may possess:

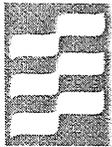
2.22 (1) investigate employers suspected of violating section 177.45, including inspecting
2.23 the records of employers;

2.24 (2) request and receive information from other state agencies to enforce compliance
2.25 with sections 177.45 to 177.47; and

2.26 (3) collect payments not timely made by commencing an action in district court and
2.27 by any other collection method available, including referring the debt to the commissioner
2.28 of revenue for collection under the Debt Collection Act.

2.29 The Department of Employment and Economic Security shall, upon request of the
2.30 commissioner, provide the commissioner with unemployment insurance information
2.31 related to wages and number of employees of an employer.

2.32 **EFFECTIVE DATE.** This section is effective January 1, 2007.



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MBP Opposes SF 2672

ISSUE

This bill would tax certain large employers in Minnesota to finance public health programs. As currently written, the bill would apply to employers with over 10,000 employees in Minnesota – excluding government – and requires these employers to spend an amount equal to at least 8% of wages on health care costs. If an employer spends less than the required minimum, they must pay the difference to the health care access fund.

BACKGROUND

The state of Maryland has recently enacted similar legislation, which is currently subject to litigation brought by Retail Industry Leaders Association (RILA).

POSITION

The MBP opposes this bill because:

- 1) **It does nothing to address underlying cost drivers of health care, and little to lower the number of uninsured.** This bill simply creates an additional way to finance the uninsured programs in our state.
- 2) **It creates a disincentive for job creation in Minnesota.** This bill will put increased pressure on some companies to cut labor costs, which could mean job loss, and ultimately leave more individuals without that employer-sponsored coverage.
- 3) **It is an additional payroll tax on certain employers.** As written, it is unclear to how many employers this would apply, but it is likely only a handful, and excludes state government, which is the largest employer in the state.
- 4) **This essentially creates employer-mandated health care coverage** for only certain businesses within our state. It places Minnesota businesses at a competitive disadvantage with businesses in other states, as well as globally.

For these reasons, we oppose SF 2672.



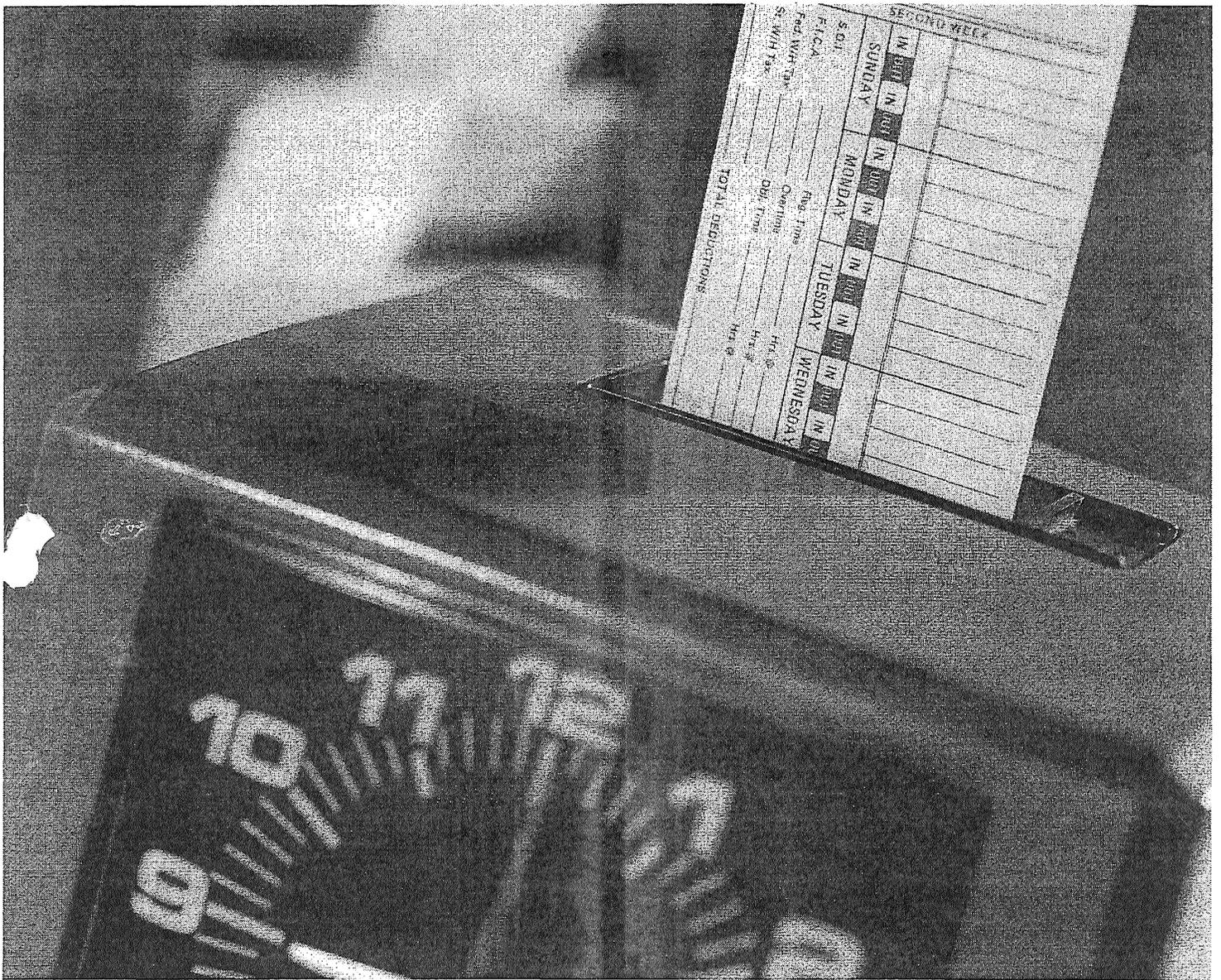
Estimated Cost to State and Federal Taxpayers of Wal-Mart Workers and Dependents

State	2005 - Total # of Wal-Mart Employees in State	2005 - Reported/ Estimated # of Wal-Mart Workers on Medicaid	2005 - Reported/ Estimated # of Wal-Mart Dependents on Medicaid-SCHIP	Average Total Medicaid Spending Per Worker Enrollee	Average Total Medicaid-SCHIP Spending Per Dependent Enrollee	2005 - Estimated Total Cost of Wal-Mart Workers	2005 - Estimated Total Cost of Wal-Mart Dependents	2005 - Estimated Total Cost (Workers & Children; Federal & State)	2005 - Portion of Estimated Total Cost (Workers & Dependents) Paid By Federal Taxpayers	2005 - Portion of Estimated Total Cost (Workers & Children) Paid By State Taxpayers
Alabama	40,275	5,319	5,112	\$4,451	\$1,480	\$23,673,847	\$7,566,383	\$31,240,230	\$23,024,050	\$8,216,181
Alaska	2,833	374	228	\$9,982	\$2,927	\$3,734,615	\$668,400	\$4,403,016	\$2,700,810	\$1,702,206
Arizona	30,291	2,921	487	\$3,947	\$1,425	\$11,529,188	\$693,718	\$12,222,906	\$8,581,702	\$3,641,204
Arkansas	46,887	6,192	3,779	\$5,210	\$1,426	\$32,258,755	\$5,389,386	\$37,648,140	\$29,222,487	\$8,425,654
California	73,787	9,745	5,948	\$3,297	\$1,179	\$32,129,283	\$7,012,308	\$39,141,590	\$20,725,472	\$18,416,118
Colorado	25,382	3,352	2,046	\$8,128	\$1,694	\$27,247,178	\$3,465,824	\$30,713,003	\$16,262,535	\$14,450,468
Connecticut	9,451	1,248	857	\$12,455	\$1,859	\$15,545,661	\$1,594,053	\$17,139,714	\$9,075,479	\$8,064,236
Delaware	4,230	559	341	\$6,587	\$1,569	\$3,679,573	\$534,971	\$4,214,545	\$2,231,601	\$1,982,943
Florida	95,853	12,659	7,726	\$5,713	\$1,061	\$72,325,637	\$8,197,632	\$80,523,268	\$49,827,798	\$30,695,470
Georgia	54,626	7,214	13,346	\$5,787	\$1,220	\$41,745,477	\$16,281,695	\$58,027,172	\$36,295,996	\$21,731,176
Hawaii	4,583	605	369	\$4,990	\$1,232	\$3,020,111	\$455,122	\$3,475,233	\$2,149,432	\$1,325,801
Idaho	6,972	921	562	\$9,298	\$1,106	\$8,561,449	\$621,555	\$9,183,004	\$6,787,158	\$2,395,846
Illinois	46,467	6,137	3,746	\$7,775	\$1,399	\$47,714,297	\$5,239,980	\$52,954,278	\$28,039,290	\$24,914,988
Indiana	38,647	5,104	3,115	\$8,511	\$1,400	\$43,440,191	\$4,361,251	\$47,801,443	\$31,200,002	\$16,601,441
Iowa	18,011	882	1,452	\$8,882	\$1,531	\$7,837,001	\$2,222,697	\$10,059,698	\$6,727,926	\$3,331,772
Kansas	20,136	2,659	1,623	\$9,354	\$1,445	\$24,873,824	\$2,345,354	\$27,219,178	\$17,357,670	\$9,861,508
Kentucky	32,249	4,259	2,599	\$6,925	\$1,808	\$29,492,767	\$4,699,828	\$34,192,596	\$24,974,272	\$9,218,324
Louisiana	38,110	5,033	3,072	\$6,567	\$996	\$33,053,921	\$3,059,607	\$36,113,527	\$26,933,469	\$9,180,059
Maine	7,350	971	592	\$5,451	\$3,570	\$5,291,493	\$2,115,061	\$7,406,554	\$5,123,113	\$2,283,440
Maryland	16,988	2,244	1,369	\$10,668	\$2,327	\$23,933,383	\$3,186,441	\$27,119,825	\$14,359,947	\$12,759,877
Massachusetts	11,608	1,969	3,280	\$7,724	\$1,547	\$15,207,575	\$5,074,160	\$20,281,735	\$10,739,179	\$9,542,556
Michigan	30,181	3,986	2,433	\$5,237	\$971	\$20,873,383	\$2,362,219	\$23,235,602	\$13,671,828	\$9,563,774
Minnesota	19,171	2,532	1,545	\$10,512	\$2,264	\$26,614,469	\$3,498,553	\$30,113,022	\$15,944,845	\$14,168,177
Mississippi	26,801	3,540	2,160	\$6,298	\$1,196	\$22,291,257	\$2,583,744	\$24,875,001	\$19,907,463	\$4,967,538
Missouri	44,641	5,896	3,598	\$6,215	\$1,530	\$36,639,409	\$5,505,448	\$42,144,857	\$27,149,717	\$14,995,140
Montana	4,656	615	195	\$7,984	\$2,022	\$4,909,620	\$394,397	\$5,304,017	\$4,026,279	\$1,277,738
Nebraska	10,882	737	877	\$8,985	\$1,637	\$6,620,432	\$1,435,902	\$8,056,333	\$5,062,600	\$2,993,733
Nevada	12,045	1,591	971	\$5,001	\$1,247	\$7,955,667	\$1,210,711	\$9,166,378	\$5,305,500	\$3,860,878
New Hampshire	8,772	488	707	\$13,069	\$2,354	\$6,380,713	\$1,664,456	\$8,045,170	\$4,259,917	\$3,785,252
New Jersey	13,847	1,829	741	\$9,427	\$1,499	\$17,239,851	\$1,111,424	\$18,351,276	\$9,717,000	\$8,634,275
New Mexico	14,341	1,894	1,156	\$6,003	\$1,623	\$11,368,664	\$1,876,140	\$13,244,804	\$10,304,457	\$2,940,346
New York	35,671	4,711	2,875	\$11,934	\$1,835	\$56,220,999	\$5,276,169	\$61,497,167	\$32,562,750	\$28,934,417
North Carolina	49,956	6,598	4,027	\$7,386	\$1,410	\$48,732,264	\$5,677,721	\$54,409,985	\$35,801,770	\$18,608,215

WakeUpWalMart.com

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Workers and Dependents**

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North Dakota	2,745	363	221	\$9,531	\$1,473	\$3,455,229	\$325,921	\$3,781,150	\$2,696,338	\$1,084,812
Ohio	50,068	6,612	4,036	\$9,929	\$1,295	\$65,656,081	\$5,226,336	\$70,882,417	\$44,074,687	\$26,807,730
Oklahoma	31,611	4,175	2,548	\$6,492	\$1,208	\$27,104,256	\$3,078,027	\$30,182,284	\$22,186,997	\$7,995,287
Oregon	11,035	1,457	889	\$4,597	\$1,505	\$6,699,024	\$1,338,678	\$8,037,702	\$5,124,839	\$2,912,863
Pennsylvania	49,861	6,585	4,019	\$8,050	\$1,670	\$53,009,556	\$6,711,889	\$59,721,445	\$34,465,246	\$25,256,199
Rhode Island	2,214	292	178	\$9,451	\$2,106	\$2,763,553	\$375,840	\$3,139,393	\$1,851,614	\$1,287,779
North Carolina	27,401	3,619	2,209	\$4,835	\$1,372	\$17,496,644	\$3,030,315	\$20,526,959	\$14,945,679	\$5,581,280
South Dakota	4,912	649	396	\$8,471	\$1,661	\$5,495,175	\$657,651	\$6,152,825	\$4,222,069	\$1,930,757
Tennessee	41,017	10,661	3,306	\$3,817	\$1,067	\$40,695,642	\$3,527,732	\$44,223,375	\$29,868,467	\$14,354,907
Texas	151,994	20,073	4,947	\$6,324	\$1,459	\$126,943,313	\$7,218,152	\$134,161,466	\$84,749,798	\$49,411,668
Utah	15,805	2,087	1,274	\$7,013	\$1,751	\$14,637,473	\$2,230,735	\$16,868,207	\$12,595,490	\$4,272,717
Vermont	728	286	59	\$5,226	\$2,071	\$1,494,666	\$121,529	\$1,616,194	\$1,056,345	\$559,850
Virginia	39,782	5,254	3,207	\$7,350	\$1,351	\$38,618,485	\$4,332,208	\$42,950,692	\$22,970,030	\$19,980,662
Washington	16,609	3,599	1,339	\$4,635	\$1,039	\$16,682,328	\$1,390,997	\$18,073,326	\$9,569,826	\$8,503,500
West Virginia	12,054	1,592	462	\$6,619	\$1,458	\$10,537,230	\$673,773	\$11,211,002	\$8,760,277	\$2,450,725
Wisconsin	27,864	809	443	\$7,504	\$1,156	\$6,070,616	\$512,108	\$6,582,724	\$4,040,476	\$2,542,248
Wyoming	3,690	487	297	\$8,019	\$1,275	\$3,907,635	\$379,231	\$4,286,866	\$2,755,169	\$1,531,697
TOTAL	1,385,090	183,382	112,768	7,352	1,574	\$1,213,408,857	\$158,513,435	\$1,371,922,293	\$861,986,861	\$509,935,432



An Analysis of the Dynamics of Health Insurance Coverage and Implications for Employer-Mandated Insurance

by Robert W. Fairlie, University of California, Santa Cruz
& Rebecca A. London, University of California, Santa Cruz

January 2006

The Employment Policies Institute (EPI) is a nonprofit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI research focuses on issues that affect entry-level employment. Among other issues, EPI research has quantified the impact of new labor costs on job creation, explored the connection between entry-level employment and welfare reform, and analyzed the demographic distribution of mandated benefits. EPI sponsors nonpartisan research that is conducted by independent economists at major universities around the country.

Robert Fairlie is an Associate Professor of Economics and the Director of the Masters Program in Applied Economics and Finance at the University of California, Santa Cruz. He was a Visiting Fellow at Yale University and is a research affiliate of National Poverty Center at the University of Michigan and the Institute for the Study of Labor (IZA). His research interests include ethnic and racial patterns of self-employment, entrepreneurship, access to technology and the "Digital Divide," the effects of immigration on U.S. labor markets, racial patterns in unemployment and job displacement, welfare reform, education, and health insurance. Dr. Fairlie holds a Ph.D. and M.A. in Economics from Northwestern University and a B.A. with honors from Stanford University.

Rebecca London, Ph.D., is an Associate Research Professor at the Center for Justice, Tolerance and Community (CJTC) at the University of California, Santa Cruz. She holds a Ph.D. in Human Development and Social Policy and an M.A. in Economics, both from Northwestern University. Prior to joining CJTC, Dr. London was Principal Analyst at Berkeley Policy Associates, during which time her research focused on evaluating family-related public assistance programs. Her research concentrates on issues facing low-income families and youth.

An Analysis of the Dynamics of Health Insurance Coverage and Implications for Employer-Mandated Insurance

Robert W. Fairlie, University of California, Santa Cruz
Rebecca A. London, University of California, Santa Cruz

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An Analysis of the Dynamics of Health Insurance Coverage and Implications for Employer-Mandated Insurance

Executive Summary

Over the last several years, there has been a lot of attention paid to the increasing number of Americans without health insurance. News reports often discuss the 45 million people—representing 16 percent of the population—who are uninsured. The increasing number of uninsured Americans is a concern because these individuals are less likely to receive adequate medical care. For example, studies have shown that the uninsured are three times more likely than those who are insured to delay seeking health services due to their expense.

Most current estimates of the uninsured, however, are point-in-time estimates that fail to fully grasp the dynamics of insurance coverage. For a host of factors—not the least of which is the dependence on the labor market for the provision of a large portion of health coverage—health coverage for many Americans is very volatile. As a result, point-in-time estimates potentially underestimate the number of uninsured and fail to provide the information necessary for crafting effective health care policies. For example, if the majority of the uninsured lost insurance because they frequently switched jobs, then a law mandating employer-provided coverage, such as California's recently defeated Proposition 72, would do little to assist them.

This study, by Drs. Robert Fairlie and Rebecca London, uses paired samples from multiple years of the Current Population Survey (CPS) to explore the dynamics of health coverage in the United States. In particular, it estimates the factors that cause an individual to gain or lose coverage from year to year. These dynamics are critical for the creation of constructive policies to increase access to health coverage.

In their study, the authors found that employer size plays a crucial role in insurance status. While most health insurance mandates exempt small employers, the authors found that “it is precisely these [small] firms that are associated with the higher rates of insurance loss and the lowest rates of gain.” As such, policies that ignore these firms will be unable to effectively increase coverage. The authors also found that the unemployed suffer lower rates of insurance gain and higher gains of insurance loss from year to year. Again, mandated health insurance policies—because they affect only those who are in the labor force—can do little to help the unemployed uninsured.

Health Insurance Transition Rates

According to the CPS, 85.6 percent of adults had health insurance in the first year studied and 7.5 percent of these individuals lost coverage in the subsequent year. Examining the 14.4 percent who were uninsured, we see that 46.2 percent of those adults gained health insurance by the end of the following year.

Breaking out these transition rates for various groups, the authors found that skill level had a significant effect on insurance status. Specifically, high school dropouts are 28 percent less likely to be covered than college graduates, and 18 percent less likely to be covered than high school graduates. More than one-third of these high school dropouts (compared to 14.4 percent of the total adult population) are uninsured and only 34.4 percent of these uninsured dropouts get coverage in the subsequent year (compared to 46.3 percent of all adults).

Overall, minorities have lower rates of coverage than whites. For example, African

Americans have an insurance rate of 80.5 percent compared to 89.2 percent for white, non-Latinos. This difference is due almost entirely to a higher rate of insurance loss between the two years—with African Americans facing an insurance loss rate double that of whites.

Employment Status and Insurance Coverage

Perhaps unsurprisingly, employment status is a critical factor in coverage. In total, those working full-time and full-year have the highest rate of insurance coverage and gain, and the lowest rates of insurance loss. The authors found that “any part-time, part-year or unemployed period is associated with lower rates of health insurance gain.” For example, 38.3 percent of the individuals who spent the entire first year unemployed were uninsured (compared to 14.4 percent of the population). Nearly 18 percent of insured but unemployed adults lose coverage within the year. Overall, the authors found that unemployment and part-time status are associated with lower rates of insurance coverage and gain.

Employees losing their job in the first year experienced a 19.9 percent decline in health insurance coverage. In addition, gaining a job between the two years caused a 16 percent decrease in insurance coverage—most likely as a result of a waiting period for new coverage and the end of stopgap health coverage such as Medicaid or COBRA. These results show that frequent job switching would be expected to result in lower coverage rates. Most mandates have a waiting period (normally three months) and don’t cover unemployed adults—making them generally ineffective at improving coverage for these individuals.

Employer Size and Insurance Status

Employer size is one of the largest determinants of insurance gain. Uninsured individuals at small firms are least likely to gain insurance from year to year. In addition, those moving to employment in a small firm have the lowest rates of insurance gain, with only 32 percent of these individuals gaining insurance, compared to 68 percent of those moving to a large firm.

The correlation between insurance loss and employer size is equally striking. Employees working in the smallest firms have the highest likelihood of insurance loss compared to those at larger firms. Movement into employment at a small employer is associated with higher than average rates of health insurance loss and much higher rates than those faced by employees moving into employment in a large firm. All of these estimates are consistent with small firms being less likely to provide benefits or providing less attractive coverage (either in terms of cost or choices) than large firms. Many of the proposed employer mandates, including Proposition 72 in California, exempt these small businesses from their requirements.

Policy Implications

Overall, the authors find that groups such as high school dropouts, the unemployed, and those working at small firms (1–9 employees) have the highest risk of insurance loss from year to year. These factors are important because recent attempts to mandate employer-provided coverage exempted both employees of small firms and those that work few hours and, as a result, appear to miss a large portion of the uninsured. In addition, the very nature of attempting increase coverage by utilizing the labor market ignores the unemployed, despite the fact that this research “indicates that the unemployed are one of the groups at highest risk of health insurance loss.”

Before moving forward with policies designed to address the problem of the uninsured, it is important that elected officials and policymakers fully understand the underlying dynamics of gains and losses in insurance as described in this paper. This research shows that certain demographic and employment groups have alarmingly low insurance rates and that the provisions of mandates such as Proposition 72 “exempted or excluded some of the most at-risk groups.” The authors do state that these groups may have been exempted because it is difficult to create a mandate that reaches small employers and part-time employees without destroying job opportunities.

An Analysis of the Dynamics of Health Insurance Coverage and Implications for Employer-Mandated Insurance

Introduction

In 2003, nearly 45 million people, or 16 percent of the U.S. population, lacked health insurance. Trends indicate that both the number and rate of uninsurance have increased since the late 1980s (DeNavas-Walt, Proctor, and Mills 2004). Low-income individuals are especially likely to be uninsured, with 24 percent lacking health insurance in 2003. Even so, the majority of uninsured adults come from a working family (Kaiser Commission on Medicaid and the Uninsured 2003). Among those with insurance, employer-provided insurance accounts for the largest source—72 percent of covered individuals had an employment-based plan (DeNavas-Walt, Proctor, and Mills 2004). Yet there is evidence that among workers, the rate of employer-sponsored health coverage declined in the 1980s and 1990s (Farber and Levy 2000), and this decline was most pronounced among low-income workers (Holahan 2003).

Understanding the reasons for lack of health insurance and the characteristics of the uninsured is important because the absence of health insurance can result in negative externalities for society. For instance, people who are uninsured are three times as likely as those who are insured to delay seeking health services due to their expense (Kaiser Commission on Medicaid and the Uninsured 2003). The uninsured are far less likely to receive medical care in a doctor's office or other sources of regular care and are more likely than those with insurance to be seen in hospital emergency rooms (Kaiser Commission on Medicaid and the Uninsured 2003). One estimate suggests that the value of uncompensated health care ser-

vices to the uninsured is roughly \$35 billion annually (Institute of Medicine of the National Academies 2003). Miller et al. (2004), instead, estimate a lower bound of \$65–\$130 billion in economic losses (including social costs) resulting from uninsurance. From the patient's perspective, there is concern that lack of health insurance may place the uninsured at substantial financial risk. In contrast, the presence of health insurance has been associated with better health status, particularly for low-income groups and other vulnerable populations (Levy and Meltzer 2001).

The focus in past literature on health insurance coverage at a point in time and its consequences, however, may greatly understate the problem of uninsurance in the United States. Estimates from Survey of Income and Program Participation (SIPP) and those reported in this study indicate that health insurance coverage over time is volatile, especially for low-skilled workers. For example, data from the SIPP indicate that among full-time workers in 1999, 16 percent experienced at least one month without health insurance (Bhandari and Mills 2003). Nearly 25 percent of individuals without a high school diploma were uninsured for at least one month in the same year.

Furthermore, intermittent health insurance appears to be much less beneficial than continuous coverage and results in outcomes that more closely resemble the outcomes of the continuously uninsured (Baker et al. 2001). In particular, intermittent coverage has been shown to result in use of fewer preventive health services (Sudano and Baker 2003) and increased problems in accessing medical care and following up on this care (Schoen and DesRoches

2000). Previously uninsured or intermittently insured adults who gain access to health insurance tend to show improvements in their use of medical services, although it may take several years for this to occur (Sudano and Baker 2003; McWilliams et al. 2003).

Previous research does not identify a dollar value on the cost of health insurance volatility per se, but the cost of this volatility is partially embedded in the cost of uninsurance. In the cross-section, the uninsured are in the midst of a spell of uninsurance that will likely end at some point in the future. To the extent that being uninsured intermittently affects access to care during the spell of uninsurance, these costs are likely captured in the estimates of the costs of uninsurance. However, because intermittent coverage can lead to later access and follow-up care problems, there are likely to be additional costs associated with volatility in health insurance coverage.

Although low rates of health insurance among certain demographic and employment groups, such as disadvantaged minorities, less-skilled workers and the unemployed, have been well documented, we know relatively little about the dynamic patterns of health insurance coverage among these groups. To the extent that lapses in health insurance coverage measured in a static model are associated with turnover in coverage, it is important to understand the extent of this issue and its causes. Examining point-in-time insurance coverage may mask important differences in rates of health insurance transitions, which are the force behind differences in static rates. For example, the low rates of coverage among part-time and small-employer workers may be due to high rates of insurance loss, low rates of gaining insurance, or a combination of the two. Furthermore, very little is known about the extent to which changes in job characteristics are associated with gains and losses of health insurance. This may be especially important for less-skilled workers who have high rates of job turnover and unemployment.

An improved understanding of the dynamics of health insurance coverage may have important policy implications. Concerns about uninsured workers, particularly those working part-time and for smaller employers, have prompted a number of policy proposals aimed at addressing gaps in employer-provided insurance. Most recently, California's state legislature passed SB 2 in 2003, which included both a play-or-pay option—requiring most firms to pay for health insurance directly or pay into a public benefits system—and an individual mandate that employees be covered by health insurance. SB 2 was put on the November 2004 ballot as a referendum for California voters, who narrowly defeated the measure. Other states, such as Massachusetts and Oregon, have also attempted play-or-pay legislation, but have failed to implement such programs. The small margin of defeat in California and the appearance of other play-or-pay schemes in legislation across the United States suggest that mandated employer-sponsored insurance will reappear on the landscape in the not-too-distant future.

Previous research does not address whether the additional employees targeted for health insurance coverage under employer-mandate proposals align with those at highest risk for uninsurance or insurance loss. Furthermore, we know little about the extent to which other groups exist with similarly high risks of lacking health insurance. If individuals who are the most likely to experience health insurance losses from one year to the next are primarily the ones who change jobs, move to part-time work, or switch to having multiple jobs at different firms, employer-mandate programs such as California's SB 2 may have a significant effect. However, if individuals lose insurance due to movement from a larger employer (that would be covered by SB 2) to a very small one (that would not be covered by SB 2) or for other reasons, such as loss of spousal coverage, the effects of this type of insurance mandate could be

much smaller. An analysis of transitions will reveal the extent to which volatility in health insurance coverage is primarily associated with low-income or less-skilled workers, those whom SB 2 and other similar proposals most intend to assist.

In this study, we examine annual transitions into and out of health insurance coverage using matched data from the 1996 to 2004 Annual Demographic Files (ADF) of the Current Population Survey (CPS). We address several questions using one-year panel data created by matching consecutive years of the CPS. First, we examine patterns of health insurance coverage transitions across detailed demographic and employment characteristics. The focus is on identifying the causes of low rates of health insurance among specific groups, such as minorities, less-educated workers, part-time workers, and workers at small employers. Are they due to high rates of health insurance loss, low rates of obtaining health insurance, or both? Second, we examine which groups have the highest (lowest) probability of losing (gaining) health insurance. Of special interest is identifying the factors that are independently associated with health insurance loss or gain. Finally, the large sample sizes and longitudinally matched CPS data allow us to explore the relationship between changes in job characteristics and health insurance loss or gain over a two-year period. We examine whether and how much job loss, full-time to part-time work, large employer to small employer, and other changes in job characteristics are associated with health insurance loss. We also examine the factors associated with gaining health insurance.

Previous Studies

The literature on health insurance dynamics has concentrated on two areas: studies of the effects of health insurance on job mobility and analyses of the duration and characteristics of uninsurance spells. In this section, we provide

a brief overview of the findings from each of these literatures. Research on year-to-year transitions in health insurance is limited, and, to our knowledge, the independent effects of both demographic and employment characteristics on health insurance gain and loss have not been examined in the previous literature.

Health Insurance and Job Turnover

Health insurance literature has established a relationship between health insurance and labor supply. Research has shown that when the source of health insurance is not linked to one's own employment, individuals are less likely to be employed (Gruber and Madrian 2001). This is particularly the case among married women, whose propensities to work depend on the availability of health insurance from their husbands.

This link between health insurance and labor supply may also have the inverse effect—the presence of health insurance may reduce job mobility. The literature on job turnover and health insurance has concentrated largely on the role of health insurance in creating “job lock,” a phenomenon that results when employees opt to stay at their jobs because of their health insurance coverage. A problem with examining the effects of health insurance on job mobility is the potential endogeneity of health insurance coverage with other unmeasurable job characteristics. Jobs that provide health insurance might also be qualitatively better jobs for other reasons, leading to a reduced desire to leave these jobs for reasons unrelated to health benefits. The literature has dealt with this endogeneity problem in several ways (Gruber and Madrian 2001), and studies demonstrate wide divergence in estimated effects of health insurance on job lock. For instance, Madrian (1994) estimates that job lock results in a 25 percent reduction in job turnover. In response to Madrian (1994), Kapur (1998) uses comparable data and different econometric specifications and finds no evidence of job lock. In a review of the job lock literature, Gruber and Madrian (2001) con-

clude that job lock estimates range from a lower bound of 10 percent to an upper bound of 25–30 percent. Consistent with this, research has shown that job lock may pertain only to certain groups (Gilleskie and Lutz 2002). Even where job lock exists, the literature seems to indicate that it is a short-term problem, due at least in part to the availability of employer-provided insurance for former employees through the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (Gilleskie and Lutz 2002; Gruber and Madrian 1994).

Expanding the consequences of job lock to the children of low-income parents, Marquis and Kapur (2003) find that parents who do not have health insurance coverage remain in their jobs for shorter durations than those who have health coverage. When they control for other factors, the authors find that the role of insurance coverage diminishes, suggesting that other factors also play an important role in parents' job-moving decisions.

Health Insurance Dynamics

The literature on health insurance dynamics emphasizes that a dynamic approach to studying health insurance coverage represents an improvement over point-in-time analyses. If spells of uninsurance are short and end with regained insurance coverage, we might be less concerned about the problem of insurance. If, however, those who are uninsured remain uninsured for long periods, or repeatedly gain and lose insurance, we might be more concerned about the well-being of the uninsured.

Studies of health insurance dynamics have mostly focused on the duration of uninsurance spells and the characteristics of individuals with longer spells. One of the pioneering studies in this area found that half of uninsurance spells end within four months, and 15 percent last more than two years (Swartz and McBride 1990). More recent data published by the Congressional Budget Office (CBO) indicate an increase in the share with longer spells—41

percent of uninsurance spells lasted less than four months and 18 percent lasted more than two years (CBO 2003). The CBO study also documents that poor, less educated, and Latino families are more likely than others to have uninsurance spells that last more than two years. Certain factors lead to higher probabilities of exit from spells of uninsurance, including higher educational attainment, non-poverty family income, and prior employment in various industries (e.g., manufacturing, trade, utilities, finance/insurance/real estate, and business and professional services) (Swartz, Marcotte, and McBride 1993). Focusing specifically on poverty and uninsurance, McBride (1997) finds that one-quarter of the uninsured are poor individuals who have been uninsured for more than a year. Forty-two percent of the uninsured have incomes less than 150 percent of the federal poverty line and have been uninsured for more than a year.

Taking a slightly longer time perspective than other studies, Short and Graefe (2003) identify that the majority of individuals who were uninsured lacked insurance for more than 12 months over a four-year period. During this four-year period, one out of three working-age adults had a lapse in coverage of some duration. They identify several patterns of insurance coverage associated with these lapses, including onetime coverage gaps as well as repeated gaps in coverage.

Although much of the literature on health insurance transitions relies on monthly data, Monheit, Vistnes, and Zuvekas (2001) provide estimates of annual transitions in health insurance from using the 1996 Medical Expenditure Panel Survey (MEPS). They find that 30 percent of individuals who were uninsured in January 1996 gained insurance in the subsequent year. Conversely, among those with private insurance in January 1996, 8 percent lost coverage during the subsequent year (19 percent for those with public insurance).

These estimates point to the importance of studying health insurance dynamics; however,

previous studies have not examined in detail the job characteristics associated with individuals who gain and lose health insurance. The CBO report includes statistics on spell duration for those in different firm sizes, but is purely descriptive. This study contributes to the literature by identifying the groups most at risk of losing and gaining health insurance from one year to the next. Sample sizes in the CPS are large enough to examine transitions among very detailed demographic groups and employment characteristics. Finally, we model both sides of the transition: entry into insurance and exit from insurance. The large sample sizes available in the CPS are especially important for identifying factors associated with gaining health insurance because the analysis relies on the uninsured sample in the first survey year.

Data

We use data from the 1996 to 2004 Annual Demographic and Income Surveys (March) of the CPS. The survey, conducted by the U.S. Census Bureau and the Bureau of Labor Statistics, is representative of the entire U.S. population and interviews approximately 50,000 households and more than 130,000 people. It contains detailed information on health insurance coverage, employment, demographic characteristics and income sources.

Although the CPS is primarily used as a cross-sectional dataset offering a snapshot at a point in time, it is becoming increasingly common to follow individuals for two consecutive years by linking surveys. Households in the CPS are interviewed each month over a four-month period. Eight months later they are re-interviewed in each month of a second four-month period. The rotation pattern of the CPS makes it possible to match information on individuals in March of one year who are in their first four-month rotation period to information from March of the following year, which represents their second four-month rotation period. This creates a one-year panel for up to half of all respondents in the first survey. To match these data, we use the

same criteria as Madrian and Lefgren (2000) for matching the CPS March ADF from 1996 to 2000, but use modified criteria for the 2001 to 2004 data.¹ Across the 1996–2004 CPS surveys we find that roughly 75 percent of CPS respondents in one survey can be identified in the subsequent year's survey.

Using the matched CPS data, we can identify whether an individual's health insurance status changes over time, as well as changes in employment, hours worked, and employer size. One drawback to these data is that when respondents leave a particular household they are not followed to their next household. A consequence of this is that when households dissolve due to marital breakup, the CPS does not reinterview both marital partners. We are therefore unable to reliably examine insurance gain and loss due to marital status changes, and focus instead on gain and loss due to changes in employment characteristics.

We examine the extent to which individual demographic and employment characteristics are associated with health insurance gain and loss from year to year. Included in our analysis are sex, race/ethnicity, education, age, hourly wage, family income, home ownership, labor force status, class of worker, employer size, and industry. Appendix Table A.1 provides descriptive statistics for these variables.

The health insurance variables used for this analysis refer to the respondent's health insurance in the year prior to the March survey. The one-year transition identifies any changes in coverage people experience over the course of one year to what they experience over the course of the next year. We rely on labor market variables that cover the same time period. The transitions can therefore be thought of as covering two full years, the 12 months prior to the first survey year and the 12 months prior to the second survey year.

Comparisons among estimates of health insurance coverage using the CPS and other datasets that include a point-in-time measure of health insurance reveal similar numbers of

uninsured individuals. Estimates from the SIPP, MEPS and National Health Interview Survey (NHIS) indicate that roughly 40 million individuals were uninsured at the time of the survey in 1998 (CBO 2003). Estimates from the CPS for the number of individuals with no insurance for the entire year are also roughly 40 million, suggesting that the CPS overstates the number of individuals uninsured over the entire year. Indeed, estimates from the SIPP and the MEPS, which also include multiple observations over the year, indicate that 21.1 and 31.1 million people, respectively, are uninsured for the entire year. Thus, CPS respondents may be underreporting health insurance coverage at any point over the previous calendar year because of recall bias or because they simply report their current coverage (see Bennefield 1996, Swartz 1986 and CBO 2003 for further discussion). Although these problems may alter the interpretation of our results, the measure of health insurance status does not change from year to year, and thus allows for an analysis of transitions in status. We assume that respondents interpret the question correctly.

The percentage of individuals who report not having insurance over the previous year provides an estimate of the percentage of individuals who are currently experiencing an uninsured spell of at least one year. We can also estimate the percentage of individuals who are currently experiencing an uninsured spell of at least two years by examining the percentage of individuals who were uninsured in the first survey year and the second survey year. Estimates from our matched CPS sample indicate that 15 and 8 percent of adults are currently experiencing an uninsured spell of at least 1 and 2 years, respectively. Although not directly comparable, estimates from the SIPP indicate that approximately 13 percent of individuals are currently experiencing an uninsured spell of more than 12 months (CBO 2003).

Results

Health Insurance Transition Rates

Table 1 reports health insurance coverage and transition rates using the CPS sample. The coverage rates measure health insurance at any point in the previous year and capture all types of health insurance coverage. In total, 85.6 percent of adults in the CPS sample have health insurance in the reference year, which we refer to as the first survey year or year t . Among the 14.4 percent of individuals without insurance in the first survey year, column 2 shows that 46.2 percent gain insurance in the subsequent year. For those who are insured in year t , column 3 reports that 7.5 percent lose coverage in the subsequent year.

By examining transitions into and out of coverage, we are able to better understand the reasons some groups have higher and lower rates of uninsurance. For instance, men and women have coverage rates that differ by approximately 2 percentage points. The rates of health insurance loss for men and women are nearly identical, but the rates of gain among the uninsured are not. Men have a lower propensity to gain insurance than women; 43 percent of uninsured men gain insurance in the subsequent year compared to 49 percent of women. Thus, the low rate of health insurance coverage for men relative to women is due entirely to the lower re-insurance rate among uninsured men.

Examining health insurance patterns by race and ethnicity, we find that the health insurance coverage rate for African Americans is 80.5 percent, compared to 89.2 percent for white, non-Latinos. This difference is due almost entirely to higher rates of insurance loss, which are nearly double for African Americans than for whites. Latinos have even lower rates of coverage at 66.9 percent. Unlike African Americans, the lower rate is due both to a lower rate of health insurance gain (33.3 percent compared to 50.4 percent for whites) and a higher rate of

health insurance loss (16.3 percent compared to 5.8 percent for whites). Asians also have a lower rate of health insurance coverage than whites, at 81.5 percent. Similar to African Americans, the difference is due entirely to higher rates of insurance loss.

Large differences in health insurance coverage and transition rates can be seen by education level as well. High school dropouts are 28 percentage points less likely to be covered than college graduates, and 18 percentage points less likely to be covered than high school graduates. More than one third of all high school dropouts are uninsured. The low rate is caused by a health insurance rate of 17.4 percent and a health insurance gain rate of 34.4 percent.

Finally, health insurance coverage varies by region of the country. Residents of the South and West have lower rates of coverage overall, compared to those in the East and Midwest. These lower rates stem from both higher rates of insurance loss among the insured and lower rates of insurance gain among the uninsured.

Table 2 reports health insurance coverage and transition rates by labor force and employment characteristics. Labor force and job characteristics are measured in the first survey year and refer to labor force participation and employment in the year prior to the survey.

In total, 77.5 percent of those without a job during the full year had health insurance. Of the 22.5 percent who were not insured, 42 percent gained insurance in the subsequent year and among those with insurance, 10.6 percent lost coverage during the following year. Unemployed individuals fare far worse than those who are not in the labor force in both their static and dynamic measures of health insurance coverage. Those who spend all of the first survey year unemployed have an insurance coverage rate of 61.7 percent. Just 34.4 percent gain health insurance during the subsequent year, a percentage far lower than those who are not in the labor force. Among the insured, 17.7 percent lose it during the subsequent year. Individuals who are

not in the labor force retain coverage at higher rates than those who are unemployed, possibly because they are covered on another policy, such as that of a spouse or a government program.

Employed workers are more likely to be insured than those without employment. A total of 86.9 percent of those who had any employment in year t were insured. Among those without insurance who were employed, 47.2 percent gained insurance during the subsequent year. Among those with insurance, 7.1 percent lost it during the subsequent year. Those working full-time (35+ hours per week) and full-year (50+ weeks per year) have the highest rates of insurance coverage and health insurance gain, and the lowest rate of health insurance loss among the employment groups. Working full-year, even if it is in a part-time job, protects against health insurance losses, but does not necessarily improve health insurance gains over part-year employment. Those working part-year, particularly when accompanied by unemployment in the remainder of the year, have the lowest rates of insurance coverage and the highest rates of health insurance loss. As was shown in the statistics for those who are not working, being unemployed is far more damaging to health insurance status and the probability of health insurance loss than being out of the labor force.

Overall, unemployment, especially over the entire year, and part-time status are associated with lower rates of health insurance coverage. Our estimates of transition rates from the CPS clearly indicate that these differences are driven by both higher probabilities of losing health insurance and lower probabilities of gaining health insurance for these groups.

As noted above, the previous literature has shown that employees in smaller firms are less likely to be covered by health insurance. The estimates reported in Table 2 support this finding, indicating that health insurance coverage increases almost monotonically with detailed employer size. Our findings also show that as

employer size increases, the probability of moving from no insurance into insurance increases as well. And, as employer size increases, the probability of losing health insurance declines. Working at a very small firm is particularly damaging to health insurance coverage. Those working at very small firms of fewer than 10 employees have a health insurance loss rate that is the same as those who do not work during the year. In contrast, working at a firm that has 100 or more employees results in health insurance loss rates that are much lower than the U.S. average. Finally, fewer than 7 percent of workers at firms with 500 or more employees are uninsured and only 5.4 percent of these workers lose health insurance over the following year.

As one might expect, government employees are far more likely to be covered than those working for a private employer. Self-employed individuals are less likely than the other two groups to have health insurance, with rates comparable to those who have no job. The rate of health insurance gain for government employees is very high and the rate of insurance loss is quite low—the extremes we see in the table. Those working for private employers and in self-employed jobs have higher rates of loss and lower rates of gain. Self-employed workers are at a high risk of losing health insurance from one year to the next (9.3 percent) and if uninsured have a low probability of regaining insurance (41.7 percent).

Factors Associated with Risk of Health Insurance Gain and Loss

The estimates reported in Tables 1 and 2 point to the importance of examining transition rates in understanding the reasons that some groups face higher and lower rates of health insurance coverage. It is likely, however, that many of the characteristics associated with high rates of insurance loss and low rates of insurance gain are correlated. For example, less-educated workers are more likely to be unemployed, both of which contribute to health insurance loss. To identify the independent effects of these char-

acteristics, we estimate probit regressions for health insurance transitions.² We first examine the factors associated with the probability of losing health insurance from the first to second survey years, which are reported in Table 3. We are reluctant to identify these as causal factors, and instead view them as characteristics that place certain individuals at higher risk of health insurance loss.

Specification 1 of Table 3 includes a detailed set of demographic characteristics as control variables. Findings indicate that being a minority is associated with a higher probability of health insurance loss. African Americans are 2.4 percentage points more likely to lose insurance than whites, Latinos are 3.3 percentage points more likely, and Asians are 1.6 percentage points more likely to lose health insurance. Being an immigrant increases the probability of losing insurance by 4.2 percentage points net of race and ethnicity. As was shown in the raw statistics, being less educated is associated with higher rates of insurance loss at all reported levels relative to college graduates. Being a high school dropout is associated with the largest probability of health insurance loss, at 8.2 percent, relative to college graduates. As expected, the independent effects of these characteristics on health insurance loss are smaller in this multivariate analysis. For example, the raw difference in health insurance loss rates between African Americans and whites is 5.7 percentage points compared to the 2.4 percentage point difference after controlling for other characteristics, such as education.

Specification 2 adds measures of income and wealth. In particular, we include the log hourly wage, the log family income, and a measure of whether the respondent owned a home for year t .³ The inclusion of these explanatory variables reduces the magnitude of marginal effects of the demographic characteristics, but produces qualitatively comparable results for these variables. More advantaged individuals and families are at lower risk of health insurance loss. A 10 percent increase in family income, for instance, is asso-

ciated with a 0.15 percentage point reduction in health insurance loss, and a 10 percent increase in hourly wages is associated with a 0.08 percentage point decline in health insurance loss. Owning a home is associated with a reduction in health insurance loss of 1.2 percentage points. These findings corroborate point-in-time estimates indicating that higher-income families are at a lower risk of lacking health insurance. Our results pinpoint that one reason for this lower risk is their lower probabilities of health insurance loss.

In Specification 3 of Table 3, we include a set of explanatory variables that control for different employment status, such as unemployment, not in the labor force (NILF) and part-time work, and working multiple jobs during the year. Adding this set of controls seems to strengthen many of the marginal effects on the demographic and asset/income variables. The employment variables also show some interesting patterns. As seen in Table 2, being unemployed for part of the year places people at a high risk of health insurance loss (3.7 percent) relative to working full-time full-year. Working part-time relative to full-time is also associated with increased risk of health insurance loss of 2.3 percentage points. Working at multiple jobs during the year is also associated with a small increase in the probability of health insurance loss.

Specification 4 adds class of worker (government or self-employed relative to privately employed) and employer size variables. Government employment is associated with a decrease in the risk of health insurance loss relative to private employment, and self-employment is associated with a 1.6 percentage point increase in loss. Employer size is also important, with people working at larger employers far less likely to lose insurance. Workers at firms with 1–9 employees are 3 percentage points more likely to lose health insurance than are workers at firms with 500 or more employees.

In summary, we find that demographic characteristics, wealth and income, and employment characteristics all contribute to the probability of health insurance loss. At the highest risk for

health insurance loss are high school dropouts, Latinos, immigrants, those working part-year and unemployed part of the year, and those working at very small employers of 1–9 employees. Many of the variables included in the models reported in Table 3 are statistically significant, in part due to the large sample sizes of the CPS.

Table 4 reports estimates for comparable specifications to those reported in Table 3 for the probability of gaining health insurance from the first survey year to the following survey year. The sample includes individuals who do not have health insurance in the first survey year. The results are somewhat different from those for health insurance loss. First, we find a striking pattern among the demographic characteristics. Uninsured African Americans are more likely than uninsured whites to gain insurance between year t and year $t+1$. Controlling for education and other individual characteristics, African Americans have a 3.7 percentage point higher likelihood of gaining health insurance than whites. The raw difference was essentially zero. In contrast, Latinos are 6.7 percentage points less likely to gain insurance than whites, and immigrants are 10.6 percentage points less likely than natives to gain insurance. Similar to the models for health insurance loss, having a lower level of education puts individuals at a disadvantage in terms of health insurance gain. Those without a high school diploma are 18.7 percentage points less likely to gain health insurance than those with a college degree. High school graduates have an 11.8 percentage point lower probability of gaining insurance than college graduates.

The variables denoting economic status show, not surprisingly, that those who own homes, have higher family incomes, and earn larger hourly wages are more likely to gain insurance. Contrary to the health insurance loss models, however, being unemployed is not the state with the highest risk of remaining uninsured. Being uninsured in a full-year part-time job, relative to a full-year full-time job, is associated with

the lowest probability of becoming insured—a 9.2 percentage point decline in the probability of insurance in year $t+1$. Being unemployed is also a strong risk factor for continued uninsurance, particularly if one is unemployed for the full year.

Finally, employer size variables are large and significant in the health insurance gain models. Working at a very small firm of nine or fewer employees is associated with a 12.4 percentage point lower probability of health insurance gain among the uninsured. Employment with a firm of 10–24 employees is associated with an almost 8 percentage point lower probability of becoming insured. These results strongly suggest that coming from a small firm is a serious disadvantage in gaining insurance among the uninsured.

Many of the factors associated with increased risk of health insurance loss are also associated with a decreased risk of gaining health insurance, such as being a high school dropout, Latino, immigrant, or employee at a very small firm. However, other contributing characteristics are unique to the health insurance gain model. For example, African Americans are substantially more likely than whites to gain health insurance, and being unemployed full-year is associated with a low rate of health insurance gain. A simpler cross-sectional analysis of health insurance coverage would not have identified these differences in the dynamic patterns.

Employment Characteristics in Years t and $t+1$ and Insurance Transition

The estimates reported in Tables 3 and 4 highlight the characteristics that place individuals at highest risk for insurance loss and lowest probability for insurance gain. In this section, we expand those results and combine employment status and characteristics in both t and $t+1$ to examine how employment and health insurance relate in a dynamic model. Tables 5, 6, and 7 present tabulations of health insurance loss and gain by employment status and characteristics at both year t and year $t+1$. To place some structure on the presentation of these re-

sults we focus on a few changes instead of the numerous possible combinations of changes in job characteristics.

Table 5 reports matrices of health insurance loss and gain by employment status in year t and year $t+1$. The first matrix shows, for example, that continuing from no job in year t to no job in year $t+1$ is associated with a 9.3 percent loss in health insurance. Continued employment over year t and year $t+1$ (though perhaps not at the same job) is associated with a 6.6 percent loss in insurance. Mobility between the two states is associated with health insurance loss at much higher rates. For instance, movement from a job in year t to no job in year $t+1$ is associated with a 19.9 percent decline in health insurance. These results suggest that job loss is a key contributor to health insurance loss. Movement from no job in year t to a job in year $t+1$, however, is also associated with a large loss of health insurance at 16.0 percent. This may be the result of waiting periods associated with gaining health insurance or other characteristics of the jobs into which individuals are moving.

Interestingly, there is far less contrast in the health insurance gain model across the four cells. Movement from either a job or no job in year t to no job in year $t+1$ is associated with a 41 to 42 percent gain in insurance. Movement from either employment state into a job in year $t+1$ is associated with slightly higher rates of insurance gain, particularly if one is employed in both periods. But the difference among the four states is relatively small, compared to the differences seen in the health insurance loss matrix.

To explore this further, we present comparable transition matrices by employment characteristics among those who were employed in both year t and year $t+1$. Table 6 shows the transition matrix by employer size, and Table 7 shows it for employment status. The patterns in Table 6 point to the importance of employer size in both the health insurance loss and gain probabilities. Movement from any employer size into the smallest size (1–9 employees) is associated with the highest rates of

insurance loss and the lowest rates of insurance gain. Insurance loss rates decline and gain rates increase as employer size increases. The differences between the largest and smallest employer sizes is striking, and is consistent with the conclusion of the previous analyses that employer size is a key driver behind health insurance loss and gain.

The estimates reported in Table 7 are less consistent, but also underscore the conclusions drawn from previous analyses. In particular, unemployment in years t and $t+1$ appear to be strongly associated with health insurance loss, but less so with health insurance gain. Moving from part-year employment and part-year unemployment into any other state is associated with the highest rates of health insurance loss. And moving from any state into part-year employment and part-year unemployment is associated with comparably high rates of insurance loss. In contrast, movement into full-time, full-year work is associated with the lowest rates of insurance loss.

The transition matrix for health insurance gain is quite different, indicating that part-year employment in year t or year $t+1$ (with or without unemployment) is associated with the lowest rates of health insurance gain. Movement into full-time full-year employment is associated with the highest rates of gain.

Summary and Conclusions

Our analysis of transitions in health insurance coverage offers support for cross-sectional findings that certain groups are at highest risk for uninsurance. Demographic characteristics, such as being a minority or having less education, are important predictors of uninsurance and health insurance loss. When we model health insurance gain among those without insurance, we find that Latinos, immigrants, and less-educated individuals have low rates of gaining health insurance. Thus, for these groups, their low rates of insurance coverage stem from both the increased propensity to lose insurance when covered, and their decreased ability to obtain

health insurance over the course of a two-year period. In contrast, our estimates indicate that African Americans have higher rates of gain than whites, all else equal. The relatively low rate of health insurance coverage among African Americans is entirely due to high rates of losing health insurance and not due to low rates of gaining insurance.

Cross-sectional findings also point to the importance of job characteristics, such as hours worked per week (part-time vs. full-time) and employer size in determining health insurance status. Again, our findings support the cross-sectional work, but offer greater detail about the determinants of health insurance dynamics. In particular, being unemployed in year t (either for the full year or part of the year) places one at a high risk for insurance loss, as does being employed part of the year without unemployment in the remaining months. Although unemployment status appears to be a key factor in health insurance loss, any part-time, part-year, or unemployed periods are associated with lower rates of health insurance gain. Among those who are uninsured, even working the full year in a part-time position leads to a 9.2 percentage point decline in health insurance gain, relative to full-year, full-time work. This might be due to part-time workers not being offered employer health insurance at the same rate as full-time workers, even in the same job. When they are already insured, they have lower rates of insurance loss than others who are less attached to the labor market. However, when these full-year part-time workers are uninsured, they are less likely to gain insurance.

Another important risk factor associated with both insurance gain and loss is employer size. Risk of health insurance loss decreases almost monotonically as employer size increases. Those in firms with fewer than 10 employees are at highest risk of loss; they are 3 percentage points more likely to lose insurance than those in large firms of 500 or more employees. More damaging, however, is that these employees are substantially less likely to gain insurance when

they are uninsured and employed at a very small firm. Working for a firm of fewer than 10 employees is associated with a reduced gain of insurance of 12.4 percentage points, compared to those working at very large firms.

These findings rely on models that control for demographic and employment characteristics in year t only. It is important to also examine how health insurance gains and losses are affected by year t and year $t+1$ work behavior. When we examine health insurance transitions in the context of employment transitions, we find that health insurance loss is highly related to changes in employment, but that health insurance gain is less related. Losing a job, which one would expect to be associated with health insurance loss, is associated with a 20 percentage point loss in health insurance. Health insurance gain is associated with having a job in year $t+1$, but not to the extent that one might expect. Those who move from a job in year t to no job in year $t+1$ have a 42 percent rate of health insurance gain. Moving from no job in year t to a job in year $t+1$ is associated with a 45 percent gain in insurance.

Various employment characteristics help to explain why certain employees are more or less likely to gain or lose insurance. Most strikingly, movement from any size firm into a very small firm of fewer than 10 employees is associated with the lowest rates of gain. Among the uninsured, those who stay employed by a very small firm in both periods have a rate of insurance gain of 32 percent. In contrast, movement to a very large firm is associated with insurance gain of 68 percent. The statistics on insurance loss and employer size are equally striking. Movement from any employer size into a small or very small employer is associated with higher than average rates of health insurance loss, and much higher rates than among those moving into employment with larger employers. These estimates are consistent with small firms being less likely to provide health insurance coverage or providing less attractive coverage (e.g., higher premiums and less choice) than large firms.

Less clear-cut findings result from the analysis of hours worked and part-year or full-year status. It appears that movement to and from

part-year unemployment is associated with the highest rates of insurance loss. Movement to and from any part-year employment is associated with lower rates of insurance gain, and movement into full-time full-year work is associated with the highest rates of insurance gain.

Policy Implications

There are a number of implications in these findings for employer-mandated insurance and other policies aimed at increasing health insurance coverage among specific at-risk populations. First, our findings emphasize the critical role that employer size plays in health insurance acquisition and loss. Legislation such as SB 2 does not address health insurance coverage at very small employers, but our research shows that it is precisely these firms that are associated with the highest rates of insurance loss and the lowest rates of gain. Workers at firms with fewer than 10 employees represent 19 percent of the workforce in the 25 to 55 age group. Those working at very small employers have a 3 percentage point higher probability of losing insurance than workers in very large firms, but a 12 percentage point lower probability of gaining insurance. In other words, workers at these small firms are four times less likely to gain insurance than they were to lose insurance relative to workers in large firms. The low rates of insurance coverage and insurance gain for this group are partly, but not entirely, due to the correlation between employment in very small firms and self-employment. Nearly half of those who are employed in firms of fewer than 10 employees are self-employed, placing them at a high risk for uninsurance. Alternative policies that attempt to address coverage for this high-risk group need to be careful about the potential negative effects for small businesses on hiring workers, and the potential adverse selection of pooling insurance purchases across employers.

A second implication of our findings is that the transition from unemployment is a point of needed attention. As mentioned previously, COBRA is available to many workers during periods of unemployment. According to Madriani (1998), only 20 percent of unemployed

workers qualifying for COBRA elected to use the program. Some of those who opted not to use COBRA may have moved immediately into a new job situation with health benefits or had a spouse's benefits to cover them. Although not reported in the tables, our data indicate that among those who spend all or part of both survey years unemployed, roughly 20 percent lose insurance. It may be that these individuals have exhausted their COBRA benefits. Part- or full-year unemployment is significantly related to the probability of health insurance loss even after controlling for other factors. Being unemployed part-year, for instance, is associated with a 4 percentage point increase in the probability of insurance loss in the next year and a 7 percentage point decrease in the probability of health insurance gain. In other words, those who combine employment and involuntary unemployment during a year are two times less likely to gain insurance in the next year than they were to lose it initially. SB 2 and similar proposals do not address the issue of lack of insurance among the unemployed. Our research, however, indicates that the unemployed are one of the groups at highest risk of health insurance loss. Part-time workers are another group targeted by SB 2 and similar proposals. Our estimates indicate that part-time workers, when they work year-round and consistently over the two years examined, are at relatively low risk for health insurance loss. They have slightly more than a 2 percentage point probability of losing insurance relative to those who work full-time, but are 9 percentage points less likely to gain insurance in the following year.

Part-time workers are the worst-off group we examined in terms of loss-to-gain ratio, being four and a half times less likely to gain insurance than to lose it. Part-time workers are a group that might benefit from employer-mandated insurance policies, however, there is a risk that employment opportunities may decline for this group as a result.

Finally, our work emphasizes the importance of demographic characteristics in placing adults at risk for uninsurance. Disadvantaged minorities and less-educated workers are at high

risk of health insurance loss, and generally low probability of gaining insurance. For instance, Latinos are 3 percentage points more likely to lose insurance, relative to whites, but 8 percentage points less likely to gain insurance. Immigrants are similarly 4 percentage points more likely to lose insurance than non-immigrants, but 11 percentage points less likely to gain it. High school dropouts are also disadvantaged, being more than two times less likely to gain insurance than to lose it relative to college graduates. Although policies such as SB 2 have not explicitly targeted these demographic groups, it is clear that any policies aimed at improving health insurance coverage should consider ways to offer coverage to the demographic groups in greatest need. This may be a difficult task, however, because estimates from our probit regressions indicate that demographic characteristics are associated with health insurance loss and gain even after controlling for detailed job characteristics.

Taken together, we find that both demographic characteristics and employment characteristics are important factors that determine who loses and gains insurance. Health insurance reforms that aim to create purchasing pools or reinsurance programs for small employers and the self-employed in order to reduce risk are likely to target key groups at risk of uninsurance (Custer 2004; Ideman 2004). However, to the extent that other factors, such as part-time employment and job turnover, continue to be critical factors in creating health insurance volatility, it is unclear whether these policies will improve health insurance coverage for other working adults who are also at risk.

In conclusion, the findings presented above indicate that health insurance coverage is alarmingly low for several demographic and employment groups. The provisions of California's SB 2, however, exempted or excluded some of the most at-risk groups. For some of these groups—especially small employers and part-time employees—it may be extremely difficult, however, to create alternative policies that do not have deleterious employment effects.

Endnotes

1. We remove the supplemental samples to the 2001 to 2004 ADES, which are generally not reinterviewed in the following March, before matching years.
2. For comparison, Appendix Table A.2 provides estimates of the probability of health insurance in a static model. The signs of the estimates are generally consistent with the signs of the estimates from the health insurance gain and loss regressions. An interesting exception is the African Americans coefficient—African Americans are more likely to gain health insurance than whites, but are less likely to have health insurance, all else equal.
3. Individuals who were not working were coded as having a log wage of zero.

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**Table 1 Health Insurance Transition Rates for Selected Demographic Groups
Current Population Survey, Matched Annual Demographic Surveys (1996–2004)**

	Health Insurance Coverage		Health Insurance Gain (Among Uninsured)		Health Insurance Loss (Among Uninsured)	
	Percent	N	Percent	N	Percent	N
Total	85.6	166,123	46.2	23,093	7.5	143,030
Men	84.7	79,111	43.4	11,684	7.4	67,427
Women	86.5	87,012	49.1	11,409	7.6	75,603
White	89.2	129,230	50.4	14,171	5.8	115,059
African American	80.5	14,826	49.2	2,824	11.7	12,002
Latino	66.9	13,552	33.3	4,450	16.3	9,102
Asian	81.5	6,178	50.0	1,055	10.5	5,123
High School Dropout	65.6	16,807	34.4	5,614	17.1	11,193
High School Graduate	83.2	54,538	46.2	9,014	9.1	45,524
Some College	88.0	46,066	52.1	5,417	6.7	40,649
College Graduate	93.6	48,712	59.5	3,048	4.0	45,664
East	87.3	36,928	50.0	4,463	7.1	32,465
Midwest	89.7	41,336	52.5	4,211	5.9	37,125
South	83.4	48,688	43.6	7,847	8.5	40,841
West	83.0	39,171	43.3	6,572	8.2	32,599

Notes: (1) The sample consists of individuals (ages 25–55) in the first year surveyed. (2) Health insurance is measured in the first survey year, and health insurance transitions are measured from the first to second survey years. (3) All estimates are calculated using sample weights provided by the CPS.

**Table 2 Health Insurance Transition Rates for Selected Employment and Job Characteristics
Current Population Survey, Matched Annual Demographic Surveys (1996–2004)**

	Health Insurance Coverage		Health Insurance Gain (Among Uninsured)		Health Insurance Loss (Among Uninsured)	
	Percent	N	Percent	N	Percent	N
No Job—All	77.5	22,148	42.2	4,865	10.6	17,283
No Job—NILF	78.5	20,870	43.1	4,385	10.2	16,485
No Job—Unemployed	61.7	1,278	34.4	480	17.7	798
Has Job—All	86.9	143,975	47.2	18,228	7.1	125,747
Part-Year—No Unemployment	82.2	15,939	43.7	2,736	9.3	13,203
Part-Year—Unemployed	72.4	9,987	42.4	2,681	14.0	7,306
Full-Year—Part-Time	81.8	10,529	43.5	1,843	8.2	8,686
Full-Year—Full-Time	89.4	107,520	49.9	10,968	6.2	96,552
Employer Size: 1–9	73.8	28,993	39.4	7,299	10.7	21,694
Employer Size: 10–24	79.5	12,285	44.6	2,377	9.3	9,908
Employer Size: 25–99	85.6	18,111	47.7	2,430	8.4	15,681
Employer Size: 100–499	90.1	20,586	55.0	1,914	6.3	18,672
Employer Size: 500+	93.2	64,000	57.9	4,208	5.4	59,792
Private Employer	86.5	103,703	47.4	13,497	7.5	90,206
Government Employer	95.0	23,947	62.6	1,220	4.0	22,727
Self-Employed	77.8	16,325	41.7	3,511	9.3	12,814

Notes: (1) The sample consists of individuals (ages 25–55) in the first year surveyed. (2) Health insurance is measured in the first survey year, and health insurance transitions are measured from the first to second survey years. (3) All estimates are calculated using sample weights provided by the CPS.

Table 3 Probit Regressions for Probability of Health Insurance Loss Current Population Survey, Matched Annual Demographic Surveys (1996–2004)				
Specification				
Explanatory Variables	(1)	(2)	(3)	(4)
Female	0.0006 (0.0014)	-0.0065 ** (0.0015)	-0.0086 ** (0.0016)	-0.0055 ** (0.0016)
African American	0.0236 ** (0.0021)	0.0183 ** (0.0021)	0.0219 ** (0.0021)	0.0258 ** (0.0021)
Latino	0.0332 ** (0.0025)	0.0296 ** (0.0025)	0.0320 ** (0.0025)	0.0344 ** (0.0025)
Asian	0.0156 ** (0.0037)	0.0144 ** (0.0037)	0.0168 ** (0.0037)	0.0175 ** (0.0037)
Immigrant	0.0424 ** (0.0024)	0.0371 ** (0.0024)	0.0361 ** (0.0024)	0.0347 ** (0.0024)
High School Dropout	0.0821 ** (0.0024)	0.0594 ** (0.0026)	0.0521 ** (0.0026)	0.0509 ** (0.0026)
High School Graduate	0.0530 ** (0.0018)	0.0401 ** (0.0019)	0.0338 ** (0.0020)	0.0330 ** (0.0020)
Some College	0.0320 ** (0.0019)	0.0237 ** (0.0019)	0.0192 ** (0.0020)	0.0185 ** (0.0020)
Age	-0.0069 ** (0.0008)	-0.0052 ** (0.0008)	-0.0045 ** (0.0008)	-0.0047 ** (0.0008)
Age Squared /100	0.0072 ** (0.0010)	0.0053 ** (0.0010)	0.0046 ** (0.0010)	0.0049 ** (0.0010)
Log Family Income	-0.0149 **	-0.0092 ** (0.0010)	-0.0093 ** (0.0011)	(0.0011)
Log Hourly Wage	-0.0084 **	-0.0189 ** (0.0008)	-0.0165 ** (0.0014)	(0.0014)
Home Owner	-0.0118 **	-0.0105 ** (0.0017)	-0.0109 ** (0.0017)	(0.0017)
Not in the Labor Force–Full Year			-0.0131 ** (0.0043)	-0.0056 (0.0044)
Unemployed–Full Year			0.0101 (0.0077)	0.0169 * (0.0077)
Employed–Part Year			0.0283 ** (0.0023)	0.0268 ** (0.0023)
Employed–Part Year and Unemployed–Part Year			0.0369 ** (0.0027)	0.0367 ** (0.0027)

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Table 3 Probit Regressions for Probability of Health Insurance Loss (cont.) Current Population Survey, Matched Annual Demographic Surveys (1996–2004)				
Specification				
Explanatory Variables	(1)	(2)	(3)	(4)
Employed–Full Year, Part Time			0.0225 ** (0.0029)	0.0165 ** (0.0029)
Multiple Jobs			0.0045 * (0.0022)	0.0048 * (0.0022)
Government Job				-0.0156 ** (0.0024)
Self-Employed				0.0141 ** (0.0029)
Employer Size: 1–9				0.0298 ** (0.0025)
Employer Size: 10–24				0.0196 ** (0.0027)
Employer Size: 25–99				90.0156 ** (0.0023)
Employer Size: 100–499				0.0023 (0.0022)
Industry Controls	No	No	Yes	Yes
Mean of Dependent Variable	0.0720	0.0712	0.0712	0.0712
Log Likelihood Value	-35415	-33890	-33448	-33219
Sample Size	143,030	139,448	139,448	139,448

Notes: (1) The sample consists of individuals (ages 25–55) who have health insurance in the first year surveyed. (2) All independent variables are measured in the first year surveyed. (3) Marginal effects and their standard errors are reported. (4) All specifications include a constant and dummy variables for marital status, Native American, multiple race, disability, veteran status, Census divisions, central city status and year effects, and number of children and its square. (5) All estimates are calculated using sample weights provided by the CPS.

Table 4 | Probit Regressions for Probability of Health Insurance Gain
Current Population Survey, Matched Annual Demographic Surveys (1996–2004)

Specification				
Explanatory Variables	(1)	(2)	(3)	(4)
Female	0.0452 ** (0.0067)	0.0668 ** (0.0071)	0.0549 ** (0.0077)	0.0452 ** (0.0077)
African American	0.0373 ** (0.0099)	0.0524 ** (0.0102)	0.0413 ** (0.0102)	0.0249 * (0.0102)
Latino	-0.0667 ** (0.0113)	-0.0615 ** (0.0115)	-0.0671 ** (0.0115)	-0.0787 ** (0.0114)
Asian	0.0333 (0.0171)	0.0397 * (0.0175)	0.0340 (0.0174)	0.0287 (0.0173)
Immigrant	-0.1062 ** (0.0106)	-0.0894 ** (0.0109)	-0.0877 ** (0.0108)	-0.0824 ** (0.0108)
High School Dropout	-0.1871 ** (0.0116)	-0.1560 ** (0.0120)	-0.1280 ** (0.0123)	-0.1313 ** (0.0123)
High School Graduate	-0.1177 ** (0.0104)	-0.0971 ** (0.0108)	-0.0745 ** (0.0110)	-0.0771 ** (0.0109)
Some College	-0.0631 ** (0.0112)	-0.0553 ** (0.0115)	-0.0377 ** (0.0116)	-0.0392 ** (0.0115)
Age	-0.0111 ** (0.0037)	-0.0123 ** (0.0038)	-0.0123 ** (0.0038)	-0.0107 ** (0.0037)
Age Squared /100	0.0144 ** (0.0047)	0.0155 ** (0.0048)	0.0153 ** (0.0048)	0.0140 ** (0.0047)
Log Family Income		0.0161 ** (0.0037)	0.0064 (0.0037)	0.0053 (0.0037)
Log Hourly Wage		0.0278 ** (0.0036)	0.0505 ** (0.0063)	0.0499 ** (0.0063)
Home Owner		0.0512 ** (0.0073)	0.0484 ** (0.0073)	0.0487 ** (0.0073)
Not in the Labor Force–Full Year			-0.0227 (0.0189)	-0.0712 ** (0.0201)
Unemployed–Full Year			-0.0884 ** (0.0279)	-0.1357 ** (0.0286)
Employed–Part Year			-0.0710 ** (0.0111)	-0.0763 ** (0.0111)
Employed–Part Year and Unemployed–Part Year			-0.0664 ** (0.0112)	-0.0819 ** (0.0112)
Employed–Full Year, Part Time			-0.0922 ** (0.0131)	-0.0896 ** (0.0131)

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Table 4 Probit Regressions for Probability of Health Insurance Gain Current Population Survey, Matched Annual Demographic Surveys (1996–2004)				
Specification				
Explanatory Variables	(1)	(2)	(3)	(4)
Multiple Jobs			0.0231 (0.0104)	0.0122 * (0.0104)
Government Job				0.0049 (0.0169)
Self-Employed				-0.0481 ** (0.0118)
Employer Size: 1–9				-0.1235 ** (0.0115)
Employer Size: 10–24				-0.0776 ** (0.0128)
Employer Size: 25–99				-0.0653 ** (0.0126)
Employer Size: 100–499				-0.0079 (0.0135)
Industry Controls	No	No	Yes	Yes
Mean of Dependent Variable	0.4614	0.4655	0.4655	0.4655
Log Likelihood Value	-15135	-14202	-14037	-13913
Sample Size	23,093	21,823	21,823	21,823

Notes: (1) The sample consists of individuals (ages 25–55) who do not have health insurance in the first year surveyed. (2) All independent variables are measured in the first year surveyed. (3) Marginal effects and their standard errors are reported. (4) All specifications include a constant and dummy variables for marital status, Native American, multiple race, disability, veteran status, Census divisions, central city status and year effects, and number of children and its square. (5) All estimates are calculated using sample weights provided by the CPS.

Table 5 Health Insurance Transitions by Changes in Job Status Current Population Survey, Matched Annual Demographic Surveys (1996–2004)				
	Health Insurance Loss		Health Insurance Gain	
	No Job in $t+1$	Job in $t+1$	No Job in $t+1$	Job in $t+1$
No Job in t	9.28	15.99	40.96	44.95
Job in t	19.91	6.57	42.33	47.68

Notes: (1) The sample consists of individuals (ages 25–55) in the first year surveyed. (2) All estimates are calculated using sample weights provided by the CPS.

Table 6 Health Insurance Transition by Changes in Employer Size Current Population Survey, Matched Annual Demographic Surveys (1996–2004)					
Health Insurance Loss					
	1–9 Employees in <i>t</i>+1	10–24 Employees in <i>t</i>+1	25–99 Employees in <i>t</i>+1	100–499 Employees in <i>t</i>+1	500+ Employees in <i>t</i>+1
1–9 Employees in <i>t</i>	10.25%	12.04%	10.66%	10.90%	9.26%
10–24 Employees in <i>t</i>	13.57%	6.91%	7.36%	10.99%	8.35%
25–99 Employees in <i>t</i>	21.00%	12.40%	5.26%	5.65%	6.82%
100–499 Employees in <i>t</i>	19.72%	14.29%	7.48%	3.40%	4.57%
500+ Employees in <i>t</i>	19.93%	16.66%	10.08%	6.24%	3.02%
Health Insurance Gain					
	1–9 Employees in <i>t</i>+1	10–24 Employees in <i>t</i>+1	25–99 Employees in <i>t</i>+1	100–499 Employees in <i>t</i>+1	500+ Employees in <i>t</i>+1
1–9 Employees in <i>t</i>	31.64%	38.90%	52.55%	58.94%	67.74%
10–24 Employees in <i>t</i>	38.32%	36.94%	43.79%	60.31%	61.51%
25–99 Employees in <i>t</i>	34.19%	44.55%	43.85%	52.91%	62.83%
100–499 Employees in <i>t</i>	42.15%	49.57%	52.19%	57.25%	63.85%
500+ Employees in <i>t</i>	40.92%	45.11%	59.75%	63.38%	62.97%

Notes: (1) The sample consists of individuals (ages 25–54) in the first year surveyed. (2) All estimates are calculated using sample weights provided by the CPS.

Table 7 Health Insurance Transition by Changes in Employment Characteristics Current Population Survey, Matched Annual Demographic Surveys (1996–2004)				
Health Insurance Loss				
	Part Year No Unemployment in $t+1$	Part Year Unemployment in $t+1$	Full Year Part Time in $t+1$	Full Year Full Time in $t+1$
Part Year, No Unemployment in t	7.07%	11.48%	8.40%	8.40%
Part Year, Unemployment in t	14.32%	15.31%	16.34%	10.90%
Full Year, Part Time in t	6.87%	16.61%	6.87%	9.18%
Full Year, Full Time in t	10.08%	15.46%	13.90%	5.05%
Health Insurance Gain				
	Part Year No Unemployment in $t+1$	Part Year Unemployment in $t+1$	Full Year Part Time in $t+1$	Full Year Full Time in $t+1$
Part Year, No Unemployment in t	35.73%	33.02%	42.73%	51.16%
Part Year, Unemployment in t	38.22%	32.66%	38.05%	52.56%
Full Year, Part Time in t	45.53%	34.45%	39.94%	49.60%
Full Year, Full Time in t	46.27%	39.44%	42.07%	51.86%

Notes: (1) The sample consists of individuals (ages 25–55) in the first year surveyed. (2) All estimates are calculated using sample weights provided by the CPS.

**Table A.1 Means of Analysis Variables Used in Probit Regressions
Current Population Survey, Matched Annual Demographic Surveys (1996–2004)**

Explanatory Variables			
	Insurance Coverage	Insurance Loss	Insurance Gain
Female	0.5150	0.5202	0.4940
African American	0.1113	0.1046	0.1223
Latino	0.0984	0.0770	0.1927
Asian	0.0395	0.0376	0.0457
Immigrant	0.1266	0.1035	0.2293
High School Dropout	0.1105	0.0847	0.2431
High School Graduate	0.3249	0.3158	0.3903
Some College	0.2736	0.2814	0.2346
Age	40.5486	40.8676	38.9358
Log Family Income	10.8208	10.9385	10.1265
Log Hourly Wage	2.3523	2.4413	1.8190
Home Owner	0.7793	0.8068	0.6353
Not in the Labor Force—Full year	0.1284	0.1177	0.1899
Unemployed—Full Year	0.0081	0.0059	0.0208
Employed—Part Year	0.0931	0.0895	0.1185
Employed—Part Year and Unemployed—Part Year	0.0609	0.0515	0.1161
Employed—Full Year, Part Time	0.0606	0.0580	0.0798
Multiple Jobs	0.1063	0.1031	0.1298
Government Job	0.1389	0.1541	0.0528
Self-Employed	0.0933	0.0847	0.1520
Employer Size: 1–9	0.1675	0.1445	0.3161
Employer Size: 10–24	0.0733	0.0681	0.1029
Employer Size: 25–99	0.1073	0.1073	0.1052
Employer Size: 100–499	0.1228	0.1293	0.0829
Sample Size	166,123	143,030	23,093

Notes: (1) The sample consists of individuals (ages 25–55). (2) All independent variables are measured in the first year surveyed. (3) All estimates are calculated using sample weights provided by the CPS.

**Table A.2 Probit Regressions for Probability of Health Insurance Coverage
Current Population Survey, Matched Annual Demographic Surveys (1996–2004)**

Specification				
Explanatory Variables	(1)	(2)	(3)	(4)
Female	0.0165 ** (0.0016)	0.0359 ** (0.0017)	0.0362 ** (0.0018)	0.0272 ** (0.0018)
African American	-0.0234 ** (0.0025)	-0.0074 ** (0.0025)	-0.0152 ** (0.0025)	-0.0269 ** (0.0025)
Latino	-0.0518 ** (0.0029)	-0.0392 ** (0.0028)	-0.0433 ** (0.0028)	0.0492 ** (0.0028)
Asian	-0.0082 (0.0044)	-0.0050 (0.0043)	-0.0110 ** (0.0042)	-0.0143 ** (0.0042)
Immigrant	-0.0935 ** (0.0028)	-0.0748 ** (0.0027)	-0.0719 ** (0.0027)	-0.0666 ** (0.0026)
High School Dropout	-0.1739 ** (0.0028)	-0.1034 ** (0.0029)	-0.0830 ** (0.0029)	-0.0800 ** (0.0029)
High School Graduate	-0.1071 ** (0.0023)	-0.0641 ** (0.0023)	-0.0482 ** (0.0023)	-0.0467 ** (0.0023)
Some College	-0.0654 ** (0.0024)	-0.0390 ** (0.0024)	-0.0274 ** (0.0024)	-0.0262 ** (0.0024)
Age	0.0093 ** (0.0009)	0.0049 ** (0.0009)	0.0037 ** (0.0009)	0.0046 ** (0.0009)
Age Squared /100	-0.0086 ** (0.0012)	-0.0041 ** (0.0012)	-0.0030 ** (0.0011)	-0.0038 ** (0.0011)
Log Family Income		0.0523 ** (0.0011)	0.0405 ** (0.0011)	0.0391 ** (0.0011)
Log Hourly Wage		0.0231 ** (0.0009)	0.0455 ** (0.0016)	0.0370 ** (0.0016)
Home Owner		0.0161 ** (0.0019)	0.0129 ** (0.0019)	0.0132 ** (0.0018)
Not in the Labor Force–Full Year			0.0101 * (0.0049)	-0.0301 ** (0.0050)
Unemployed–Full Year			-0.0279 ** (0.0079)	-0.0659 ** (0.0079)
Employed–Part Year			-0.0499 ** (0.0027)	-0.0451 ** (0.0027)
Employed–Part Year and Unemployed–Part Year			-0.0647 ** (0.0029)	-0.0659 ** (0.0029)

continued on next page

Table A.2 (cont.)		Probit Regressions for Probability of Health Insurance Coverage Current Population Survey, Matched Annual Demographic Surveys (1996–2004)			
Specification					
Explanatory Variables	(1)	(2)	(3)	(4)	
Employed–Full Year, Part Time			–0.0617 ** (0.0032)	–0.0464 ** (0.0032)	
Multiple Jobs			–0.0068 ** (0.0025)	–0.0097 ** (0.0025)	
Government Job				0.0161 ** (0.0031)	
Self-Employed				–0.0256 ** (0.0030)	
Employer Size: 1–9				–0.1040 ** (0.0027)	
Employer Size: 10–24				–0.0773 ** (0.0030)	
Employer Size: 25–99				–0.0437 ** (0.0027)	
Employer Size: 100–499				–0.0199 ** (0.0028)	
Industry Controls	No	No	Yes	Yes	
Mean of Dependent Variable	0.8610	0.8647	0.8647	0.8647	
Log Likelihood Value	–59680	–54046	–52363	–50874	
Sample Size	166,123	161,271	161,271	161,271	

Notes: (1) The sample consists of individuals (ages 25–55) who have health insurance in the first year surveyed. (2) All independent variables are measured in the first year surveyed. (3) Marginal effects and their standard errors are reported. (4) All specifications include a constant, dummy and variables for marital status, Native American, multiple race, disability, veteran status, Census divisions, central city status and year effects, and number of children and its square. (5) All estimates are calculated using sample weights provided by the CPS.

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