Overview of U.S. Health Coverage

History of the U.S. Health Insurance System

In the first half of the 20th century, the increasing effectiveness and rising costs of hospital care drove the development of private insurance. During the World War II labor shortage, companies began competing for workers by offering health insurance as a fringe benefit. Employer-based insurance grew rapidly in the 1950s, becoming the dominant form of health coverage in the United States. However, the elderly and the poor were left without access to affordable coverage. To improve health care accessibility for these populations, Medicare and Medicaid were enacted in 1965. Today, the majority (64 percent) of the population has private insurance, while more than 34 percent of the population has public insurance, and the number of uninsured Americans has begun to decrease as a result of recent federal health reforms.[1]

Distribution and Trends in Health Coverage

Private Insurance

Employer-sponsored insurance is the most common source of health coverage for Americans under age 65. An employer may cover the entire cost or only part of the employee's health insurance premiums. The employer may or may not offer coverage for the employee's spouse.
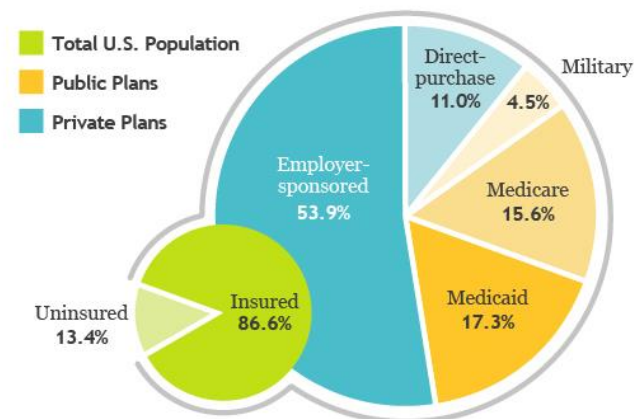
- Funding: For single coverage, the employee contributes an average of $1,081 while the employer contributes an average of $4,944. For family coverage, the employee contributes an average of $4,823 while the employer contributes an average of $12,011.[2]

- Trends: Coverage rates for employer-sponsored insurance have been falling (from 65 percent in 2001 to 55 percent in 2013). From 2004 to 2014, premiums for family coverage have increased 69 percent. In addition, the share of the insurance premium paid by the employer continues to decrease.[3]

Coverage by Type of Health Insurance, 2013

Total U.S. Population
Public Plans
Private Plans

Direct-purchase 11.0%
Military 4.5%
Employer-sponsored 53.9%
Medicare 15.6%
Medicaid 17.3%
Uninsured 13.4%
Insured 86.6%

Note: Military health care includes TRICARE, Civilian Health and Medical Program of the Department of Veterans Affair (CHAMPVA), and the Department of Veterans Affairs. *Source: U.S. Census Bureau, Health Insurance Coverage in the United States: 2013, Current Population Reports, September 2014.*

Direct purchase/individual insurance is a form of private insurance in which the individual pays a premium directly to the insurance company. This type of coverage can be expensive and covers 11 percent of the population.[4] The rate of direct purchase coverage is likely to increase with the availability of financial help in the Health Insurance Marketplaces.

Public Insurance

Medicare refers to the federal health coverage program for seniors (age 65 and older) and people with permanent disabilities, end-stage renal disease and Lou Gehrig's disease. Medicare covers basic health care services, including hospitalizations, physician services and prescription drugs. Because of gaps in the Medicare benefit package, many beneficiaries have some type of supplemental insurance, such as employer-sponsored insurance, Medicaid, Medigap policies and/or Medicare Advantage plans.

- Funding: Funding for Medicare comes primarily from payroll tax revenues, general revenues and premiums paid by beneficiaries. In 2013, spending on Medicare was estimated to be 14 percent of federal spending with $583 billion spent on benefit payments. Medicare spending is expected to increase to $686 billion in 2020.[5]

- Trends: Medicare covers 54 million people. Thirty percent of beneficiaries are enrolled in Medicare Advantage plans, which are one-fourth of benefit spending. Since the passage of the Affordable Care Act (ACA), Medicare total and per capita spending has grown at a slower rate and is expected to grow slower than private health insurance.[6]

Medicaid refers to the health coverage program for low-income individuals who fit into certain eligibility groups such as children, parents, pregnant women and people with disabilities. Each state sets its own guidelines and determines eligibility and services by income, assets and medical need. Through the Children's Health Insurance Program (CHIP), each state provides health insurance for uninsured children in families with incomes too high to qualify for Medicaid but too low to afford private insurance. As of April 2014, more than half of the states cover children at or above 250 percent of the federal poverty level, through either Medicaid or CHIP.[7]

- Funding: Medicaid is financed jointly by the state and federal governments and administered by the states. From 2007 to 2011, Medicaid spending grew 7 percent; however, spending per enrollee grew by only 2 percent.[8] The federal match or federal medical assistance percentage (FMAP) for Medicaid ranges from 50 to 74 percent in each state.[9]

- Trends: Medicaid covers over 66 million people, approximately one in every five adults. In addition, more than one in three children in the U.S. received coverage through Medicaid and CHIP. Medicaid accounts for two-thirds of acute care spending and approximately 30 percent of spending on long-term care.[10]

Military and veterans' health care is provided through one of three sources: Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), TRICARE or the Department of Veterans Affairs.

State-specific plans refer to state health insurance programs for low-income uninsured individuals, which may be known by different names in different states.

The Uninsured

The majority of the uninsured are low- or moderate-income adults in working families for whom coverage is unaffordable. Just under a third (27 percent) of the uninsured have family income below the poverty level (or $19,530 for a family of three); over two-thirds (71 percent) are from families with one or more full-time workers.[11]

- Funding: When the uninsured receive care, costs are shifted to those who can pay through insurance premiums and taxes.

- Trends: In 2013, more than 41 million nonelderly people (15 percent of the population) were uninsured. Adults were more likely than children to be uninsured, and the main reason given for being uninsured was affordability of coverage.[12]

Endnotes

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About Missouri Foundation for Health: Missouri Foundation for Health is a resource for the region, working with communities and nonprofits to generate and accelerate positive changes in health. As a catalyst for change, the Foundation improves the health of Missourians through partnership, experience, knowledge and funding. To learn more please visit mffh.org.