Low- and Moderate-Income Working Families: Poor Access to Job-Based Insurance and High Uninsured Rates

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The Problem

Two-thirds of the 7 million uninsured Californians are children and adults in low- and moderate-income working families. Many of these families work for employers who do not offer health benefits. With family incomes below 300% of the federal poverty guidelines (less than $40,000 for a family of three), most cannot afford to purchase health insurance privately, and many cannot afford to pay the employee contribution for an employer’s health plan when it is offered. The result is that:

- Low- and moderate-income working families are much less likely than those with higher incomes to have employment-based health insurance.
- Children and adults in low- and moderate-income working families are therefore far more likely to be uninsured.

Public programs offset low job-based insurance coverage for many Californians and for residents of some other states. Expanding these programs in California would dramatically expand health insurance coverage and access to health services.

Policy Options

- Cover moderate-income uninsured children up to 300% of poverty. California could expand eligibility in the new Healthy Families Program that provides health insurance coverage to children, drawing in substantial federal funds to offset the cost. Seven other states now cover children with family incomes greater than California allows, including four states that cover children up to 300% of poverty.
- Cover parents of uninsured low-income children. Parents who have access to employment-based health insurance would be encouraged to accept family coverage in their employer’s plan, with the state program paying into this plan the monthly cost of covering a child in a Healthy Families plan.

This policy would be cost-neutral unless the state provides additional subsidies.
- Apply for a federal waiver to enable families and individuals above current income eligibility levels to buy into the Medi-Cal and Healthy Families programs on a sliding scale. Those who meet regular eligibility criteria would be covered at no cost or low cost to them, while those who do not qualify for current programs could pay a sliding-scale premium. This policy, adopted by an increasing number of states, could offer affordable coverage to all uninsured Californians.

The Evidence

Fewer than half (46%) of Californians in working families with low or moderate incomes receive job-based insurance, compared to 84% of those with incomes above that level (Exhibit 1). More than one in three low- and moderate-income workers and their families are uninsured, compared to just 9% of Californians above that income level.

Even among adults and children in families...
headed by a full-time full-year employee, only 55% of those with family incomes below 300% of poverty have job-based insurance, compared to 88% of those with incomes above that level.

The central importance of income in determining if people obtain health insurance coverage is underscored by how little rates differ by how much people work: 43% of full-time full-year working adults with low or moderate incomes are uninsured, compared to 46% for those who work full-time for less than the full year and 39% for part-time workers.

High uninsured rates affect low- and moderate-income working adults in all age groups. Uninsured rates are only slightly higher for workers ages 19-29 and 30-44 (43%) than those who are 45-64 years of age (39%).

Although all groups of low- and moderate-income working adults have higher uninsured rates compared with middle- and upper-income workers, less affluent workers’ rates differ by ethnicity and citizenship status. More than half (54%) of low- and moderate-income Latino workers are uninsured, well above the high uninsured rates experienced by other ethnic groups: 43% of Asian-Pacific Islanders, 32% of non-Latino whites, and 27% of African-American workers. These differences reflect large ethnic-group differences in job-based insurance.

Uninsured rates among noncitizens are nearly twice those of low- and moderate-income working citizens—61% vs. 33%—reflecting mainly their different rates of job-based coverage—32% of noncitizens vs. 52% of citizens.

Access to employment-based health insurance varies also by the size of the worker’s firm. Job-based coverage ranges from 29% of less affluent employees who work for firms with fewer than 10 workers, to 59% of those who work in firms with 500 or more workers. And uninsured rates vary inversely—from 55% of those in the smallest firms to 29% of those in the largest.

Job-based insurance rates are low for low- and moderate-income workers in agricultural, construction, retail, service, and nondurable goods manufacturing sectors of the state’s economy. And they have correspondingly high uninsured rates.

These low rates of employment-based health insurance reflect the large share of employers in these sectors who do not offer health benefits to any of their workers. Among uninsured employees in California, nearly three-fourths work for an employer who did not offer coverage at all. Low- and moderate-income working families without access to job-based coverage would have to pay $4,000 or more for privately purchased health insurance—a clearly unaffordable expense for most such families.

But even among those whose employer offers health benefits, the average employee share of $1,800 or more for family coverage would be unaffordable for lower-wage families.

The absence of coverage results in less preventive care and other necessary health services. Nearly one-third of uninsured adults report that they did not seek health care during the year due to cost, a rate more than four times higher than that of insured adults. And the uninsured are less likely to receive clinical preventive services, including checkups, blood pressure screenings, and Pap tests, mammograms, and clinical breast exams for women.

The costs of expanding coverage to more low- and moderate-income working adults and children would be offset by the improved health status and by federal funds that are available to California.