

# YOUNG AMERICANS AND HEALTH INSURANCE REFORM:

## Giving Young Americans the Security and Stability They Need

### Introduction

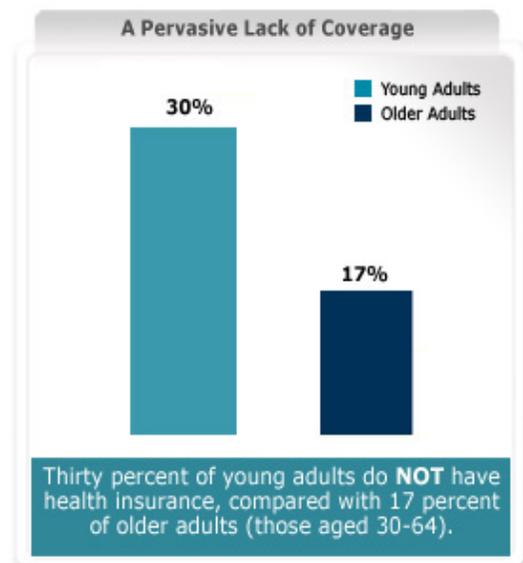
Young adults are a cohort that often times falls through the cracks in our broken health care system. A mainstay of coverage for children – dependent coverage under a parent’s employer health plan – can vanish overnight after a teenager’s nineteenth birthday. As health care costs skyrocket, finding affordable coverage becomes more and more difficult for young adults who are starting their careers and establishing their financial independence. And as employer-based coverage erodes, young adults are more likely to lose coverage. This report highlights the struggles that young adults face in the current health care system and demonstrates why health insurance reform is so vital for them.

### A Pervasive Lack of Coverage

Young adults aged 19 to 29 make up nearly one-third of the uninsured population and have the highest uninsurance rate of any age cohort. Thirty percent of young adults do not have health insurance, compared with 17 percent of older adults (those aged 30-64).<sup>1</sup>

This lack of insurance exists despite the fact that many young people are employed. Twenty-eight percent of young adults who are employed are uninsured, while only 16 percent of working older adults are uninsured. In part, this is because nearly half of employed young adults only work part-time, and part-time workers are less likely to be offered coverage.<sup>2</sup> It is also because young adults are more likely to work in small businesses, which are less likely to offer coverage. Indeed, for firms employing less than 10 workers, the erosion in coverage over time has been striking – from 57 percent of firms offering coverage in 2000 to 49 percent offering coverage in 2008.<sup>3</sup> Among young adults working in small businesses with less than 10 employees, the uninsurance rate reaches 50 percent.<sup>4</sup>

Young adults working in small businesses are not only less likely to get insurance, but they are also more likely to lose that insurance over time. This instability in the insurance market stems from young adults changing jobs more often and working for firms that drop coverage. Among young adults working in firms of fewer than 50 employees and who had coverage in 2006, one in four lost that insurance in the following two years – more than twice the rate of older adults.<sup>5</sup>



Source <sup>1</sup>



Source <sup>5</sup>

Among the unemployed, young adults are also more likely to be uninsured than older adults (36 percent versus 23 percent).<sup>6</sup> This is in part because young adults are less than half as likely to be married,<sup>7</sup> making it difficult to find insurance through a spouse's employer. And while some states have passed laws to expand dependent coverage to young adults, there are often several restrictions, including a requirement that you must be a full-time student.<sup>8</sup>

### *Financial Barriers to Obtaining Coverage*

Beyond a lack of reliable employer-based coverage, young adults have additional financial barriers to obtaining coverage compared to older adults. They are more likely to be low-income (38 percent versus 25 percent),<sup>9</sup> and coverage in the individual insurance market is costly, even for a relatively healthy person.

### *The High Cost of Insurance for Young Women*



Source <sup>10</sup>

Cost barriers are particularly problematic for young women. In 33 states, insurance companies are permitted to charge higher premiums based on age, gender, and health status without any restrictions whatsoever. Younger women are often charged higher premiums than men during their reproductive years. Holding other factors constant, a 22-year-old woman can be charged one and a half times the premium of a 22-year-old man.<sup>10</sup> Such a premium hike can mean the difference between coverage that is affordable and coverage that is prohibitively expensive.

### *Reduced Access to Care*

The lack of coverage in the current insurance system prevents many young adults from obtaining appropriate medical care. In one recent survey, two-thirds of young adults who had a gap in coverage said they had forgone needed health care because of cost, including failing to fill a prescription, not seeing a doctor when sick, or skipping a recommended test or treatment.<sup>11</sup> Two-thirds of uninsured young adults also have no usual source of care, compared with 17 percent of young adults who do have insurance.<sup>12</sup>

### *The Myth of the “Young Invincibles”*

While it is commonly believed that young adults are healthy and do not need care, there are many medical conditions that can go neglected if young adults lack insurance. One in six young adults have a common chronic condition such as high blood pressure, asthma, or cancer; one-quarter of young adults are obese; and one in six young adults end up in the ER because of an injury – the highest rate of injury-related ER visits among any age group.<sup>13</sup>

## *Devastating Financial Consequences*

A lack of adequate coverage also can have devastating consequences for people just starting their financial independence. In a recent survey, more than one-third of all young adults (with or without health insurance) reported problems with paying medical bills, including having trouble making payments, being contacted by a collection agency, or significantly changing their way of life in order to make payments. One in four young adults reported medical debt.<sup>14</sup>

This problem is significantly worse for those without insurance. Nearly half of uninsured young adults (49 percent) reported problems with medical bills, and nearly 40 percent carried medical debt.<sup>15</sup>

## *The Benefits of Health Insurance Reform for Young Adults*

Health insurance reform will fill the holes in the current health insurance system that leave too many young adults without high-quality, affordable coverage and saddled with medical debt.

**Insurance Security.** Young adults are just starting jobs and careers and often do not have access to reliable job-based coverage. Health insurance reform will allow all young adults to remain on their families' health insurance policies as dependents until the age of 26. But for those who do not remain as dependents, reform will create a health insurance exchange that will offer a choice of plans to those without job-based coverage so young adults can decide how much coverage they want. The exchange will ensure that young adults always have access to affordable, quality coverage, whether they change jobs, move, or hold part-time or temporary jobs.

**Preventive Care for Better Health.** Simple prevention as a young adult can prevent a small health problem from getting worse. Health insurance reform offers free prevention to all insured people and invests in public health to create a system that prevents illness and disease instead of just treating it when it is too late and costs more.

**Strengthen Employer-Based Coverage.** Young adults are more likely to work for small businesses, for whom skyrocketing health care costs have made health insurance unaffordable. Health insurance reform will provide a tax credit to small businesses to provide premium relief, so that small businesses can provide needed coverage to their employees.

**Relief from Large Medical Bills.** Right now, too many young adults are starting off their adult life burdened with medical debt. Health insurance reform will expand insurance options for young adults and provide premium subsidies to ensure coverage is affordable. It will also put a cap on what insurance companies can force young adults to pay in out-of-pocket expenses, co-pays, and deductibles. Finally, reform will require premium rate reviews to ensure that young adults are not subject to arbitrary increases in their premiums and will crack down on excessive insurance overhead by applying standards on how much insurance companies can spend on administrative costs.

## *Sources*

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Data Analysis provided by the Office of the Assistant Secretary for Planning and Evaluation, HHS and the  
Center for Financing, Access and Cost Trends, Agency for Healthcare Research and Quality  
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