

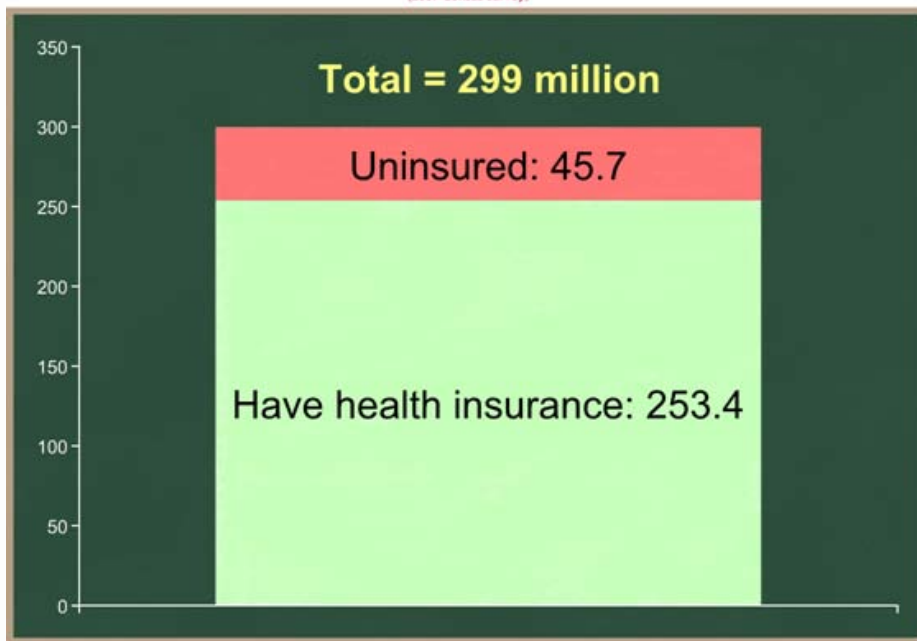
9 APRIL

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When discussing health insurance we frequently hear that there are “46 million uninsured” in America. This figure is from a monthly survey of about 50,000 households done by the Bureau of Labor Statistics and the Census Bureau. This [Current Population Survey \(CPS\)](#) then uses statistical techniques to paint a picture of the entire U.S. population.

Advocates for expanding taxpayer-subsidized health insurance, and their allies in the press, repeat this 46 million number constantly. It paints the following technically accurate but misleading picture:

Raw health insurance data  
(2007 Census survey)



This looks really bad. At least there are more than 250 million people with health insurance – that is clearly a good thing that we never hear it in the press. Still, there’s a lot of red there. It means that in 2007 (15%) of Americans lacked health insurance, according to the CPS. Advocates, some elected officials, and the press round that number up to “1 in 6 Americans”. We hear that there are “46 million uninsured,” and then we jump to the conclusion that government needs to help 46 million people buy health insurance, subsidized by taxpayers.

Let’s look inside that 45.7 million number and see what we can learn. Here is our key graph:

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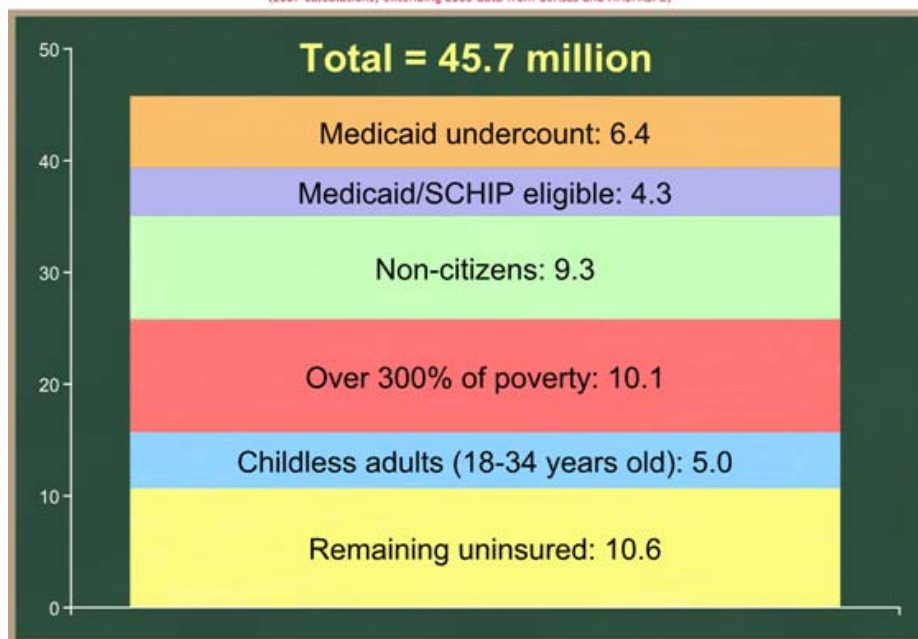
**The President's new economic proposal**

Cohn’s piece comes pre-rebutted by Keith Hennessey in a post last week on his (indispensable) blog...

— David Frum

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### Key subpopulations of the uninsured (2007 calculations, extending 2005 data from Census and HHS/ASPE)



First, I need to make a technical disclaimer. I had this same detailed breakdown for 2005 data, done by health experts when I was part of the Bush Administration. I now have a 2007 total (45.7 million), and so I have proportionately adjusted the components to match that new total. It is a back-of-the-envelope calculation, but I am confident that it is solid, and it does not move any component by more than two hundred thousand. In addition, the expert analysis I am using ensures that the subdivisions shown above do not overlap. I will slightly oversimplify that point in the following description of the breakdown to make the explanation readable.

Let us walk through the graph from top to bottom.

- There were 45.7 million uninsured people in the U.S. in 2007.
- Of that amount, 6.4 million are the *Medicaid undercount*. These are people who are on one of two government health insurance programs, Medicaid or S-CHIP, but mistakenly (intentionally or not) tell the Census taker that they are uninsured. There is disagreement about the size of the Medicaid undercount. This figure is based on a 2005 analysis from the Department of Health and Human Services.
- Another 4.3 million are eligible for free or heavily subsidized government health insurance (again, either Medicaid or SCHIP), but have not yet signed up. While these people are not pre-enrolled in a health insurance program and are therefore counted as uninsured, if they were to go to an emergency room (or a free clinic), they would be automatically enrolled in that program by the provider after receiving medical care. There's an interesting philosophical question that I will skip about whether they are, in fact, uninsured, if technically they are protected from risk.
- Another 9.3 million are non-citizens. I cannot break that down into documented vs. undocumented citizens.
- Another 10.1 million do not fit into any of the above categories, and they have incomes more than 3X the poverty level. For a single person that means their income exceeded \$30,600 in 2007, when the median income for a single male was \$33,200 and for a female, \$21,000. For a family of four, if your income was more than 3X the poverty level in 2007, you had \$62,000 of income or more, and you were above the national median.
- Of the remaining 15.6 million uninsured, 5 million are adults between ages 18 and 34 and without kids.
- The remaining 10.6 million do not fit into any of the above categories, so they are:
  - U.S. citizens;
  - with income below 300% of poverty;
  - not on or eligible for a taxpayer-subsidized health insurance program;

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- and not a childless adult between age 18 and 34.

As a policy matter, we care not about the total number of uninsured, but about the subset of that group that we think “deserves” taxpayer-subsidized health insurance. That is a judgment call that involves some value choices.

I will make one value choice for you and boldly assert that, if you are already enrolled in or eligible for one free or heavily subsidized health insurance program, we can rule you out as needing a second. That simple statement reduces the 45.7 million number down to 35 million, by excluding the Medicaid undercount and Medicaid/SCHIP eligible from our potential target population.

I think most people would also say that the 10.6 million I have labeled as “remaining uninsured” and shaded in yellow above are the most sympathetic target population.

It then gets tricky.

- Should people with incomes near or above the national median get health insurance subsidized by taxpayers?
- How about non-citizens? Should we distinguish between documented and undocumented non-citizens? Between those who pay taxes and those who do not? Remember that we are not talking about who should get emergency medical care, but instead who should get taxpayer subsidies to finance the purchase of pre-paid health insurance. Does that change your answer?
- Many young adults and childless couples are in good to excellent health. Do they deserve subsidies, when they may be making what they believe to be a rational economic decision and using their financial resources for things other than buying health insurance? Should a 25-year old Yale graduate triathlete making \$30K per year get his health insurance subsidized by taxpayers if he chooses not to buy it because his budget is tight?

There is no clear right or wrong answer to the above questions. You need to make your own value choices for them.

Now let us look at the effects on the totals for several hypothetical answers to these questions. Remember that the advocates, some elected officials, and press tell us that the numbers are: 46 million uninsured, 15% of the population, and 1 in 6 Americans “are uninsured.” I suggest you try to figure out which of the following is closest to your view.

1. Ann wants to subsidize everybody, but agrees that we don't need to double-subsidize. She excludes the Medicaid undercount and Medicaid/SHIP eligible from her target population and ends up with 35 million people. That is still an enormous amount, but it is 10.7 million less than the headline number she heard in the news. Her target population is now 11.7% of the total U.S. population, down from 15%. Put another way, she would like taxpayers to help between 1 in 8 and 1 in 9 Americans who she feels are deserving of subsidies to buy health insurance, rather than the 1 in 6 she heard in the press.
2. Bob agrees with Ann, but thinks that subsidies should go to the poor, or at least not to those who have above the median (or near median) incomes. His target population is therefore about 25 million people, way down from 46 million. That is 8.4% of the total U.S. population, or 1 in 12 Americans. That is still a huge problem, but it is very different from 1 in 6.
3. Carla agrees with Bob that subsidies should not go to those with incomes near or above the national median. She also thinks that undocumented citizens should get emergency medical care, but not taxpayer-subsidized pre-paid health insurance. I will guess a 50/50 split between documented and undocumented of the 9.3 million uninsured non-citizen, and I would appreciate it if someone could help me refine this. With this assumption, Carla's target population is about 21 million, or 7% of the total U.S. population. That is roughly 1 in 14 Americans.
4. Doug thinks only American citizens with incomes below the national median (and who are not already eligible for another program) should be eligible for additional aid. His

target population is therefore the bottom two bars on the graph, or 15.6 million people. That is 5.2% of the U.S. population, or 1 in 19 Americans. If Doug were to further limit subsidies to those below 200% of poverty or 150%, his target population would be a few million people smaller.

5. Edie agrees with Doug, but thinks that if you are a young adult without kids, you should fend for yourself. Her target population is 10.6 million people, or 3.5% of the total U.S. population. That is 1 in 28 Americans.

These are, of course, not the only possible answers, but I think they are a representative bunch. Even for the most “liberal” set of answers (Ann’s), the headline numbers we hear in the press overstate the extent of the problem by more than 10 million people.

Now even Edie’s narrowest 10.6 million target population is still a lot of people who lack health insurance. So why does it matter that the press gets the numbers wrong?

1. If we misdiagnose the problem, we could easily design the wrong policy solution. A solid quantitative understanding of who we would like to help and why is important.
2. Health insurance subsidies cost taxpayers tens of billions of dollars each year. If we target these funds well and prioritize, we can help more of the people whom we think are deserving of additional assistance, and fewer of those who need less help. If we target those funds poorly, we will waste a lot of money. This point is independent of the total amount we spend on subsidizing health insurance.
3. Health insurance competes with other policy goals for an enormous but still ultimately limited pool of taxpayer funds. We should neither overstate nor understate the problem to be solved, so that the tradeoffs with other policy goals can be considered fairly.

When you hear “46 million uninsured,” or “1 in 6 Americans don’t have health insurance,” remember that this is technically correct but misleading. The more important question is, “How many uninsured people need additional help from taxpayers?”

What’s your answer?

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(best matches are listed first)

1. [By focusing only on covering the uninsured, are we solving the wrong problem?](#)
2. [Health insurance for poor kids](#)
3. [Health spending fallacy](#)
4. [The Farm Bill will be vetoed](#)
5. [Taxpayers subsidizing rich farmers](#)
6. [Does the House really want to raise taxes on eight million uninsured people?](#)
7. [Parsing the President’s health care reform letter](#)

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**@CStevenTucker**

12 August at 12:30 am

Health Care is NOT a fundamental right. However there are positive things that Government can do to help reform our health care system. More on this here: [http://www.sbisvcs.com/real\\_health\\_care\\_reform.ht...](http://www.sbisvcs.com/real_health_care_reform.ht...) Obama's HR3200 is NOT the way to cure our society Health Care problems: <http://www.sbisvcs.com/blog.htm> For the REAL number of uninsureds in the us watch this short documentary film:

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**Trent H**

12 August at 3:17 pm

[@John J –](#)

John, I suggests that you get your information on the mortgage crisis from somewhere other than the left's talking points. 50% of United States foreclosures in 2008 came from 35 counties in 12 states. (USA Today) 20% of the United States' population lives in these 35 counties. (USA Today)

Eight counties in Arizona, California, Florida and Nevada were the source of 25% of foreclosures. (USA Today)

Existing home sales rose to a seasonally adjusted annual rate of 4.7 million units in February, 2009, and only 860,000 homes were repossessed all of 2008. (AP)

The mortgage crisis came about due to banks being strong-armed by Congress to make risky loans ("affordable housing") to low income borrowers. In June, the President announced proposals for a major overhaul of the financial system. The proposals would force banks to make even MORE risky loans to low-income people. Even liberal newspapers like the Village Voice have admitted that "affordable housing" mandates are a key reason for the housing crisis and the massive number of defaulting borrowers. But Obama will not accept this reality. Instead, he wants to create a new "Consumer Financial Protection Agency" to rigorously enforce regulations pressuring banks to make loans to low-income borrowers, such as the Community Reinvestment Act. (Obama once represented ACORN, which pressures banks to make risky loans).

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**Van**

26 August at 5:12 pm

Can someone explain to me and my family on why is healthcare suppose to be a required entitlement for anyone. Is there some kind of reference in the Constitution that gives me the right to have this government option? If not, then how can the government force me to buy healthcare insurance and if not, fine me?? Something is wrong here!

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**Milton Recht**

26 August at 6:42 pm

August 22, 2009, Washington Post article by David B. Rivkin Jr. and Lee A. Casey, "Illegal Health Reform" argues it is unconstitutional for the government to require healthcare.

<http://www.washingtonpost.com/wp-dyn/content/arti...>

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**Milton Recht**

26 August at 6:48 pm

Corrected link below:

<http://www.washingtonpost.com/wp-dyn/content/arti...>

<http://www.washingtonpost.com/wp-dyn/content/arti...>

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**toby**

30 August at 5:52 am

No mention of how long the the uninsured are uninsured. One item I read said that one person uninsured for 2 periods in one year counted as "2".

– Take that for what you will, I don't have a link.

Is it 1 person for 12 months or 12 people for 1 month?

Thanks for the great analysis!

-T

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**kbh**

10 April at 4:12 pm

They came from the Office of the Assistant Secretary for Planning and Evaluation (ASPE) at HHS. They're based on the 2005 CPS.

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**esm**

11 April at 11:48 am

Why should the example of an uninsured tourist drive policy for 300 million citizens? Why don't you regard it as irresponsible for your acquaintance to not have prepared for visiting the US by acquiring insurance coverage prior to arrival? When I travel abroad I do.

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**BPM**

11 April at 6:31 pm

Why should we be liable for your European friend? Why did his insurance

coverage / government system not pay for his care? How would you define 'basic care'? Such a naive comment highlights a key problem in rationally and economically achieving meaningful health care reform. An overabundance of ignorance. By the way– the very premise of the comment is false given existing laws and regulations for emergency rooms at non-profit hospitals. Finally, I suppose he could have pulled out his own wallet and paid for his care instead of expecting others to do so– since he was able to pay for a trip across the world. Does he value his health less than his ability to travel abroad?

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**Leon**

12 April at 3:12 am

I would agree that the major driving factor of increasing prices in health care is, by far, technology. However, I would very much disagree that the recent advances in medical technology is at a point of "decreasing marginal return". For example, in terms of effectively treating atherosclerosis, a drug-eluting stent is actually, far, far superior to a bare-metal stent. And this increased performance is quantitatively three to four times better... at least in the short term. (Ironically, recent research has shown that drug-eluting stents actually work too well and in the long term causes restenosis of atherosclerotic lesions! So much so that many clinicians are switching back to bare-metal stents. So this is actually a bad example.)

My point is that medical technology, say in the field of advanced prosthetics, that uses the latest in polymer technology and are designed by very, very sophisticated (and expensive) modeling programs do generate, in my opinion, a return that justifies their cost. Or for example, the latest helical CT scan that is more expensive, but is such a dramatic improvement on previous generation technology. What I think that you are actually getting at with the "decreasing marginal return" is really the field of end-of-life health care in which extending an 85 year old person's life by say two to five weeks literally costs a hundred thousand dollars. That is where we in the medical technology world see a dramatic diminishing returns.

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**Leon**

12 April at 3:17 am

Here, here! It is so unfortunate that in this political climate of entitlement, our proposal is the "moral" equivalent of drowning orphans. Try again.

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