

## What is Behind the 8 Percent Drop in Uninsurance: Changes in CPS Health Insurance Measurement and the Effect on State Policy

In March 2000, the Census Bureau added a verification component to the Current Population Survey (CPS) health insurance module. For the first time, respondents were asked directly whether they were uninsured. The Census Bureau found that using the verification items results in a more accurate estimate of the rate of uninsurance. Without the verification question, the 1999 estimate of the number of uninsured was 42.6 million; with the verification question, the 1999 estimate of the uninsured population was 39.3 million, a decrease of 7.7 percent.<sup>1</sup> The change is attributable to a modification in how coverage is measured and does not represent an actual reduction in the rate of uninsurance. This issue brief describes the change in the Census Bureau's approach to estimating the number of uninsured, and the effect of the change on state policy.

### THE RESIDUAL APPROACH

Prior to March 2000, the CPS March Supplement health insurance module did not directly ask survey respondents whether they were uninsured. Respondents were asked if they had any of the types of health insurance listed below during the past year.

- Medicare
- Employer-based
- Medicaid

- SCHIP
- State specific health insurance programs
- CHAMPUS/VA/Military Health Care
- Indian Health Service
- Private Insurance

This is the "residual" approach to measuring health insurance coverage. Respondents were classified as being uninsured if they did not answer "yes" when asked if they had any of the various types of insurance. (Respondents with only Indian Health Service were not considered insured.)

### PROBLEMS WITH THE RESIDUAL APPROACH

Research conducted by the Urban Institute and others (the Center for Studying Health System Change, for one) found that the residual approach was problematic.<sup>2</sup> The Urban Institute's National Survey of America's Families began asking respondents directly whether they were uninsured. They found that some of the people who answered "no" to each type of health insurance were, in fact, insured. This direct uninsurance "verification" question was followed by another opportunity for the respondent to declare what type of insurance she or he had.



## DIRECT VERIFICATION QUESTION

In an attempt to replicate the Urban Institute's study for use in the CPS, the Census Bureau, for the first time, added a direct verification question to the March 2000 demographic supplement. The Census Bureau wanted to evaluate this question before adopting it for use in making health insurance coverage estimates.

The Census Bureau's research found that when the direct verification questions were used, about 7.7 percent of those previously classified as not having health insurance reported that they were, in fact, insured. The Census Bureau used the lower figure in its 2000 estimates of the number of uninsured.

Had the verification question methodology been used to produce the health insurance report covering calendar year 1999, the estimated number of people without health insurance in 1999 would have been reported as 39.3 million rather than 42.6 million. The difference does not represent an actual decline in the number of people without health insurance, but rather means that past estimates of the uninsurance rate were biased upward (more people were considered uninsured than actually were uninsured). The verification question corrects for the bias.

## STATE COVERAGE ESTIMATES

The Census Bureau will be adjusting its state estimates of health insurance coverage based on the results from the verification question. The two-year average decrease in each state's uninsurance rate is included in Table 1. The uninsurance rate for all states declined. The largest decline was 14.5 percent in Rhode Island and the smallest decline was 2.9 percent in Wyoming. Nineteen of the fifty-one states (including the District of Columbia) experienced a statistically significant percentage decline greater than the national two-year average of 8.1 percent. This is strong evidence for a state effect in the decline of uninsurance due to the addition of a verification item. The states with statistically significant differences are denoted in Table 1.

## EFFECT ON STATE HEALTH POLICY

The changes to the CPS will affect the implementation of state health policy in at least three ways. First, states that use the CPS data to budget and forecast public program participation will have to adjust their forecasting models. Second, the new CPS numbers will be used to determine the state's federal allocation for the State Children's Health Insurance Program (SCHIP). Finally, the changes in the CPS will affect state policy by putting another number into the mix for estimating the number of uninsured.

**Adjustment of forecasting models:** CPS data are often used for estimating the number of people who are eligible for a public program. The changes in the measurement will necessitate changes in how states use the CPS for budgeting and forecasting. For example, if a state had estimated 100,000 eligible people for a program, the new estimate, on average, would decrease that estimate to 92,300 eligible people (7.7 percent). If the state had a 50 percent take-up rate, with 50,000 people enrolled, the take-up rate for forecasting should be adjusted to 54 percent.

**Federal funding of SCHIP:** The State Children's Health Insurance program uses the Current Population Survey's health insurance data to allocate federal funds to states. The higher the number of uninsured, low-income children in a state, the more money the state receives for its SCHIP program. The decreasing number of uninsured will give more weight to other components of the allocation formula (namely, the number of low income children), and could cause states that experience larger relative declines in the number of uninsured children to receive less SCHIP money.

**Table 1.** Two-Year Average State Reduction in the Uninsurance Rate With Verification Compared to US Average Reduction: 1999-2000

States	Two-Year Average Uninsurance Rate With Verification (1999-2000)	Two-Year Average Reduction (1999-2000)	Difference Between State Average Reduction and US Average Reduction
United States	14.15%	8.07%	
Alabama	13.35%	7.27%	-0.80%
Alaska	18.80%	3.61%	-4.46%**
Arizona	18.05%	6.88%	-1.19%
Arkansas	14.20%	5.95%	-2.12%*
California	18.55%	7.30%	-0.77%
Colorado	14.25%	9.21%	1.14%
Connecticut	8.45%	12.82%	4.75%*
District of Columbia	14.05%	10.78%	2.71%
Delaware	10.15%	10.51%	2.44%
Florida	17.65%	6.39%	-1.68%**
Georgia	14.80%	6.36%	-1.71%
Hawaii	10.20%	11.80%	3.73%
Idaho	16.85%	8.58%	0.51%
Illinois	13.25%	9.53%	1.46%
Indiana	10.70%	11.41%	3.34%
Iowa	8.15%	11.91%	3.84%
Kansas	11.60%	4.09%	-3.98%**
Kentucky	13.05%	6.33%	-1.74%
Louisiana	20.40%	5.21%	-2.86%**
Maine	11.20%	8.11%	0.04%
Maryland	10.35%	11.51%	3.44%
Massachusetts	9.30%	12.61%	4.54%**
Michigan	10.00%	9.54%	1.47%
Minnesota	8.15%	10.26%	2.19%
Mississippi	14.35%	8.22%	0.15%
Missouri	8.75%	12.93%	4.86%**
Montana	18.15%	5.21%	-2.86%**
Nebraska	10.00%	7.37%	-0.70%
Nevada	16.95%	12.90%	4.83%**
New Hampshire	8.05%	12.44%	4.37%
New Jersey	12.25%	11.91%	3.84%**
New Mexico	23.95%	5.88%	-2.19%**
New York	15.15%	8.75%	0.68%
North Carolina	13.65%	7.17%	-0.90%

\* $p < .05$     \*\* $p < .01$

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**Table 1.** Two-Year Average State Reduction in the Uninsurance Rate With Verification Compared to US Average Reduction: 1999-2000 (continued from Page 3)

States	Two-Year Average Uninsurance Rate With Verification (1999-2000)	Two-Year Average Reduction (1999-2000)	Difference Between State Average Reduction and US Average Reduction
North Dakota	11.40%	6.08%	-1.99%
Ohio	10.55%	7.48%	-0.59%
Oklahoma	17.85%	5.61%	-2.46%*
Oregon	13.80%	5.46%	-2.61%*
Pennsylvania	7.95%	12.25%	4.18%**
Rhode Island	6.00%	14.46%	6.39%*
South Carolina	13.75%	10.57%	2.50%
South Dakota	11.30%	7.44%	-0.63%
Tennessee	10.30%	9.24%	1.17%
Texas	21.75%	5.23%	-2.84%**
Utah	13.30%	6.67%	-1.40%
Vermont	10.85%	8.29%	0.22%
Virginia	12.85%	8.22%	0.15%
Washington	13.55%	11.56%	3.49%*
West Virginia	14.95%	9.10%	1.03%
Wisconsin	8.55%	6.47%	-1.60%
Wyoming	14.70%	2.94%	-5.13%**

Source: 2001 and 2002 Current Population Survey

\* $p < .05$  \*\* $p < .01$

## Notes

<sup>1</sup> Rajan, Shruti, Stephen Zuckerman and Niall Brennan, "Confirming Insurance Coverage in a Telephone Survey: Evidence from the National Survey of America's Families," *Inquiry*, Fall 2000 (Vol. 37, No. 3), 317-327.

<sup>2</sup> Nelson, Charles T., and Robert Mills. 2001. The March CPS Health Insurance Verification and Its Effect on Estimates of the Uninsured. US Census Bureau: Washington DC. <http://www.census.gov/hhes/hlthins/verif.html>.

University of Minnesota  
Division of Health Services  
Research and Policy

2221 University Avenue  
Suite 345  
Minneapolis, MN 55414  
Phone 612-624-4802  
Fax 612-624-1493  
[www.shadac.org](http://www.shadac.org)