

No Health Insurance: How Do Alaskans Cope?

By Rosyland Frazier and Virgene Hanna

December 2007

UA Research Summary No. 9

Institute of Social and Economic Research • University of Alaska Anchorage

It's no surprise that a lot of the Alaskans who don't have health insurance say they just can't afford it. That's what individual Alaskans and representatives of small businesses told us, when we held focus groups in Anchorage, the Mat-Su and Kenai Peninsula boroughs, and Kodiak.

But the focus groups, held from late 2006 through early 2007, did much more than just confirm what many Alaskans—and millions of other Americans—say about the costs of health insurance. Participants also said:

- Uninsured Alaskans don't see health care as an entitlement. They believe they ought to pay and are willing to pay—but they can't afford the going rates. On average, people in the focus groups said they could pay \$100 a month per person for health insurance.
- Many owners of small businesses that don't offer employee health insurance would like to, and have looked into getting it, because it helps attract and keep employees. But they say they can't afford it.
- Seasonal workers often don't have insurance, or tend to lose it when their jobs end—and the percentage of seasonal workers in Alaska is the highest anywhere in the country.
- Choices for uninsured Alaskans are to skip medical care for as long as possible, go to hospital emergency rooms, get basic care at clinics with sliding fee scales, or pay out-of-pocket and incur debts.
- Uninsured Alaskans are grateful for all public programs that help provide medical care, but especially for Denali KidCare. That's for uninsured children and pregnant women with family incomes somewhat too high for the standard Medicaid program, which provides coverage for Alaskans with low incomes. But participants in the focus groups said they'd like to see Medicaid and Denali KidCare opened to uninsured Alaskans with higher incomes, with payment on a sliding scale.

This summary of findings from the focus groups is based on a longer report, *Understanding Barriers to Health Insurance of Uninsured and Sporadically Insured Alaskans*, by Rosyland Frazier, Virgene Hanna, and Meghan Wilson. That report is available on ISER's Web site (www.iser.uaa.alaska.edu).

We held the focus groups under contract with the Alaska Department of Health and Social Services, as part of the state's effort to learn more about the barriers a substantial number of Alaskans face in getting health-care coverage. There were 16 focus groups, attended by 89 individual Alaskans, 30 representatives of small businesses, and 5 Alaskans who sell health insurance.

Keep in mind that those who attended our focus groups were not a random sample of Alaskans. We advertised for people without health insurance. We met with these small groups to talk about why some Alaskans don't have health insurance, and why many small businesses don't offer employee health insurance.

WHY NO HEALTH INSURANCE?

The figure below shows that 73% of individual Alaskans who came to the focus groups had no health insurance. Expense was the reason most commonly cited, making up 60% of the responses. Other reasons cited less frequently were not knowing how to get insurance, having pre-existing conditions that make insurers unlikely to cover them, and feeling they didn't need health insurance.

The small businesses represented at the focus groups had anywhere from 2 to 50 employees, and nearly three-quarters didn't offer employee health insurance. Cost was again the most common reason cited—36% of responses—but the complexities of the options and the administrative burden were also frequently cited. Whether employees could afford their share of the premiums, had other coverage, or were ineligible because they were temporary or part-time workers also influenced decisions of business owners.

Figure 1. Top Reasons Participants Cited for Not Having or Offering Health Insurance



WHY HOLD THESE FOCUS GROUPS?

Holding focus groups is a standard research technique for, among other things, reaching people who may be hard to contact by telephone, locating specific groups, and learning about people's experiences—in their own words and with their own insights.

When the Alaska Department of Health and Social Services wanted to learn more about Alaskans who either don't have health insurance or are insured sporadically, it contracted with ISER to hold focus groups. Through various types of advertising, we recruited both individual uninsured Alaskans and owners of small businesses.

There are, as Figure 2 shows, a lot of Alaskans without health insurance—about 12.5%, or one in eight. That was an estimated 85,000 Alaskans in 2005. An additional number are insured only sporadically.

Also, 40% of Alaskans employed in private industry work for small businesses (50 or fewer employees). As Figure 3 shows, only 31% of small private businesses in Alaska offer health insurance for their employees, compared with 43% nationwide.

Alaskans who are self-employed or work seasonally—sometimes both—also face health-insurance challenges. Alaska has the largest seasonal variation in workers anywhere in the U.S., with the peak in July nearly 25% above the winter levels (Figure 4). Seasonal workers include thousands in commercial fishing but also many in construction, tourism, and other industries. Some seasonal workers hold other jobs in the off-season.¹ Some have spouses whose jobs provide coverage. But seasonal workers in general are less likely to have insurance, or tend to lose it when their jobs end.²

The self-employed in Alaska include commercial fishermen as well as a wide range of Alaskans from artists to businessmen to doctors, lawyers, and others we don't commonly think of as among the uninsured. But they often face the same kinds of barriers to health insurance as other Alaskans who don't work for large companies or for public agencies that provide employee health insurance.

WHO CAME TO THE ISER FOCUS GROUPS?

We held 16 focus groups, from late 2006 through early 2007. The number of Alaskans who attended the focus groups was small—89 individual Alaskans, 30 owners or managers of small businesses, and 5 Alaskans who sell health insurance. We want to emphasize that they don't represent scientific samples of Alaskans in general, the uninsured in particular, or all small businesses.

But they still provided us with useful information about why so many Alaskans don't have health insurance and why most small businesses don't offer it. At one focus group, Alaskans who sell health insurance gave us their perspective.

Figure 2. Health-Care Coverage, Alaska and U.S., Average 2004-06

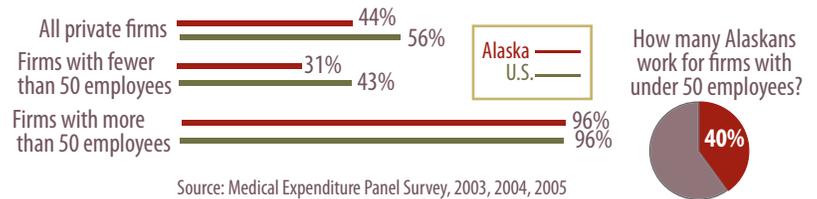
	Private Insurance	Medicaid	Medicare	Military	IHS only*	None
Alaska	63.5%	14.6%	8.2%	12.8%	4.2%	12.5%
U.S.	69.5%	13.0%	13.6%	3.7%	N/A	15.3%

Note: Totals add to more than 100% because some people have more than one type of coverage.

* U.S. Census Bureau figures classify people who receive care through the Indian Health Service as "uninsured." Based on a study by the University of Minnesota in the late 1990s, we estimated the share covered by IHS only and removed them from the uninsured category.

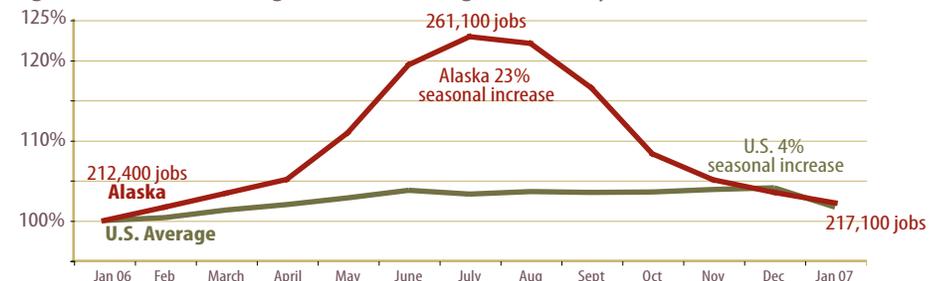
Source: U.S. Census Bureau, Current Population Survey

Figure 3. Share of Private Firms Offering Health Insurance, Average 2003-05



Source: Medical Expenditure Panel Survey, 2003, 2004, 2005

Figure 4. Seasonal Changes in Private Wage and Salary Jobs, Alaska and U.S., 2006



Source: Bureau of Labor Statistics data; graph by Neal Gilbertsen, Health Planning and Systems Development, Alaska Department of Health and Social Services

Before the focus group discussions, we asked participants to fill out questionnaires, asking about health-insurance issues and demographic information. We asked the business representatives to answer questions about characteristics of their businesses.

Individual Alaskans at the focus groups represented a range of age, race, marital status, and education (Figure 5). About two-thirds were middle-aged and half were married. More were from minorities than is true among Alaskans as a whole. Half had taken at least some college courses or had college degrees—which is close to the higher education levels among Alaskans in general.³ But a bigger percentage than in the general population hadn't graduated from high school.

Of the 89 people in the groups, 59 had jobs, but 40 of those— or 68%—had no health insurance. More than a third had incomes below the federal poverty line—considerably more than the current estimate of 8% of Alaska families living in poverty.⁴

Figure 6 shows that about three-quarters of the small businesses represented at the focus groups had 10 or fewer employees, and one-quarter had between 11 and 50 employees. Most were well-established, having been operating for at least 10 years, and all had at least some full-time employees.

Yet only 27% offered employee health insurance at the time of the focus groups—close to the 31% of all small firms in Alaska offering employee health insurance. Among those not offering insurance, two-thirds said they had looked into the possibility. But costs were a

major barrier. The complexity of insurance options, extra administrative work, and other factors also contributed.

WHAT DID PARTICIPANTS TELL US?

The front page summarized the main points Alaskans at the focus groups made. Here are a few more things they had to say.

- Being able to get preventive care and maintenance care for chronic conditions would be a major benefit of health insurance. Many participants emphasized that point—and said that without insurance, they often skip routine care that could identify problems early on.
- A few participants said they had taken extreme steps—including one who got a divorce—to become eligible for Medicaid, the public insurance program for Alaskans with low incomes. Some said they make too much to qualify for Medicaid but not enough to buy health insurance or pay medical costs themselves.
- Seasonal workers said their fluctuating incomes over the year changed their eligibility for Medicaid—and that re-applying was complex and confusing.
- Several participants reported that having some pre-existing condition—like diabetes—makes it nearly impossible to get coverage on their own. Health-insurance representatives also said that employers considering employee health insurance can be discouraged by policy riders that exclude coverage for many pre-existing conditions.
- The small business owners who offer insurance do so because they feel responsible toward their employees, and it helps them attract and keep good employees. Many owners who don't offer insurance would like to, for the same reasons.

• Several owners said they thought banding together in “purchasing alliances” would help reduce their health insurance costs, because risks would be spread more broadly. But those who sell insurance said that’s not necessarily true, because alliances are not the same as large companies. Businesses can opt in or out of an alliance, changing the size of the pool and the people in it. That in turn affects how the insurance companies gauge their risks and set premiums.

• Individuals and businesses both said they learned from focus groups—individuals learned about public programs they might be eligible for, and business owners learned about alternatives to traditional insurance policies.

WHAT DOES INSURANCE COST?

We’ve reported throughout this summary that focus group participants said they couldn’t afford the going rates for health insurance. But “can’t afford” means different things to different people—depending on what their

income is, what their other expenses are, and the size of their medical bills, relative to what insurance costs them. Also, insurance has many prices, depending on the deductible, the characteristics of the insured, and whether it’s employer-based or purchased directly.

It’s impossible to give a comprehensive picture of insurance rates here. But to give some idea of costs, Figure 7 shows a small sample of insurance premiums for direct-purchase policies—that is, policies people might buy for themselves, either because they’re self-employed or their employers don’t offer health insurance. Many who came to the focus groups fit that description.

The lowest premiums are for plans with less coverage and higher deductibles and for people with no history of serious illness. Figure 7 shows, for instance, that a single woman in her forties might pay anywhere from \$170 to \$425 per month and a family of four anywhere from \$500 to more than \$1,200.

WHERE DO THE UNINSURED GO?

Focus group participants also emphasized that the uninsured have very limited choices for medical care. Most said their options are hospital emergency rooms or community health centers. A volunteer group of doctors and other health-care providers in Anchorage has now formed Anchorage Project Access, to help provide medical care for uninsured Anchorage residents who need more care than health centers can provide.⁵ There is also anecdotal evidence that some business owners and individual Alaskans are trying to negotiate price and payment terms directly with doctors and dentists.

Figure 5. Who Attended Focus Groups for Individual Alaskans?

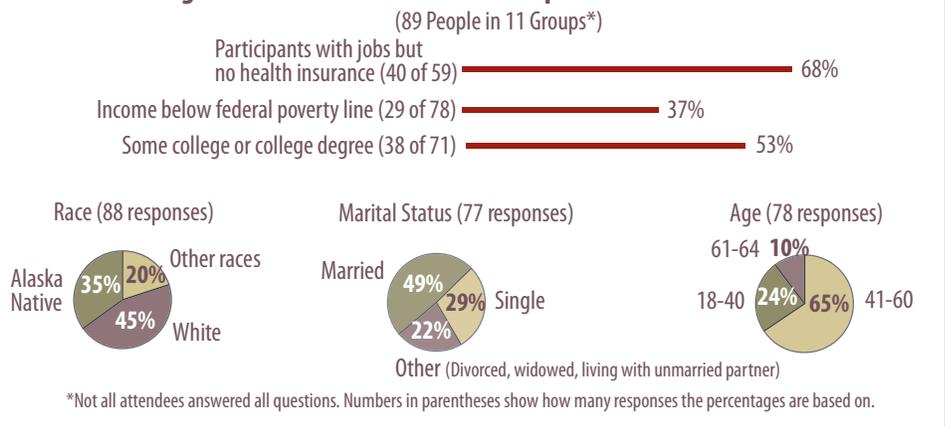
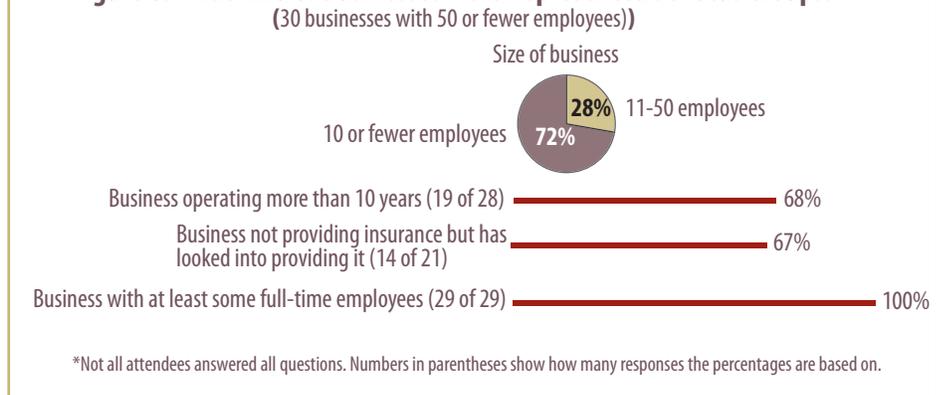


Figure 6. What Kind of Businesses Were Represented at Focus Groups?



We have no data on how much direct negotiation may be happening, and we don't currently have Alaska data on hospital costs for treating the uninsured in emergency rooms. We know that nationwide in 2005, uncompensated care—including not only costs of the uninsured but charity care—made up 5.6% of hospital expenses.⁶

We do have some data on community health centers, which are non-profits that charge uninsured patients on a sliding scale. Health centers get some federal money to care for the uninsured, but much of their income is from patients covered by public programs—Medicaid for the poor and Medicare for the elderly—and those with private insurance. Figure 8 shows health center information in two ways, both of which are important: (1) the make-up of patients at the centers; and (2) the percentages of all uninsured and other groups of Alaskans served by health centers.

- One in eight Alaskans visited health centers in 2006. More than 40% of the patients were uninsured, 28% had private insurance, 22% were covered by Medicaid or Denali KidCare, and 8% by Medicare.

- The centers are seeing a rapidly growing share of all uninsured Alaskans. Between 2002 and 2005, the share jumped from 21% to 38%. That increase likely shows the growing difficulty the uninsured face in getting health care from other providers.

- The health centers are also seeing more Alaskans covered by public insurance programs—particularly Medicare. In 2002, 7% of Alaskans covered by Medicare went to health centers—but by 2005 the share was 11%. That increase highlights another growing health-care issue in Alaska: many doctors will no longer accept Medicare patients. They say government Medicare payments are too low, compared with the costs of providing care.

CONCLUSION

A few focus groups clearly can't give us the whole picture of uninsured Alaskans. But what we heard at the focus groups, together with other data, gives us some insight into the special health insurance problems Alaska faces.

Small Alaska businesses are less likely to provide employee insurance than businesses nationwide—and 4 in 10 Alaskans employed in private industry work for small businesses. Also, the share of businesses offering employee health insurance has been declining across the U.S.⁷ Seasonal workers are less likely to have insurance, and Alaska's seasonal employment is the highest in the nation.

And finally, Alaska's medical costs are substantially above the U.S. average,⁸ which also makes health insurance pricier. Individuals and employers at the focus groups emphasized that they are willing to pay for health insurance—but they can't at the going rates.

Figure 7. Examples of Health Insurance Premiums for Direct-Purchase Policies, 2007*

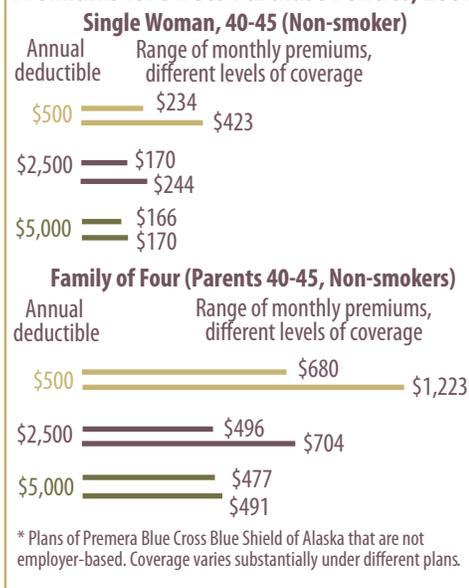
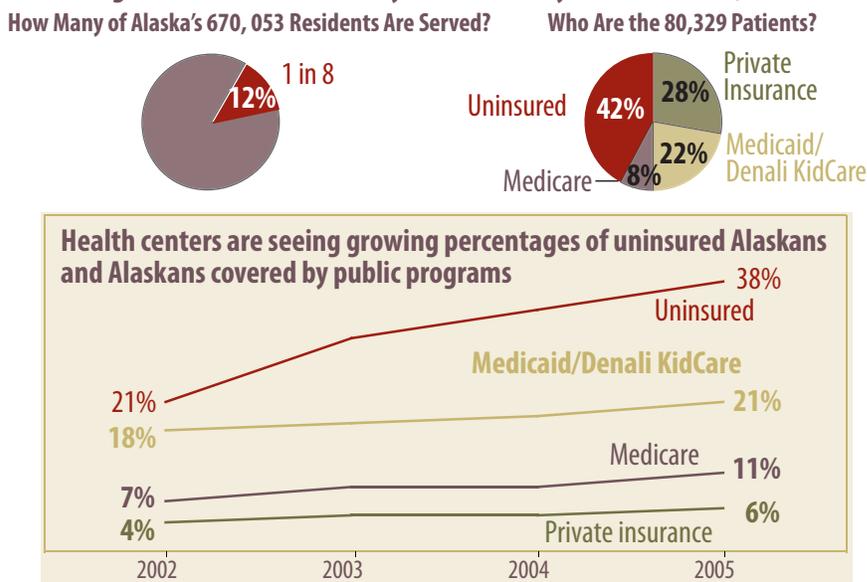


Figure 8. Alaskans Served by 24 Community Health Centers, 2006^a



^aCommunity health centers provide primary care and are open to all community residents. Uninsured patients pay on a sliding fee scale. Sources: Community Health Center Statistics, HRSA; Current Population Survey; Center for Medicaid and Medicare Statistics; Mark Foster and Associates

ENDNOTES

1. The Alaska Department of Labor estimates half the resident commercial fishermen also hold wage and salary jobs during the year. See "They don't just fish for a living," by Andrew Wink, Jeff Hadland, and Brian Laurent, in *Alaska Economic Trends*, November 2007.
2. The United Fishermen of Alaska recently did an informal survey of fishing permit holders and found that fishermen, especially in rural areas, are "underserved" in both access to health care and availability of insurance coverage. See *Alaska Fishermen's Health Care—Challenges and Opportunities*, United Fishermen of Alaska, August 2007.
3. For example, the 2006 American Community Survey found that 61% of Alaskans over 25 have spent time in college or hold degrees.
4. 2006 American Community Survey, U.S. Census Bureau, Table S1702.
5. See www.anchorageprojectaccess.org
6. American Hospital Association, *Uncompensated Hospital Care Cost Fact Sheet*, October 2006
7. Elise Gould, "The Erosion of Employment-Based Insurance: More Working Families Left Uninsured." EPI Briefing Paper No. 203. Economic Policy Institute, November 2007, page 11.
8. See "Alaska's \$5 Billion Health-Care Bill," by Mark Foster and Scott Goldsmith, *Understanding Alaska Research Summary* No. 6, March 2006.

The authors thank Mark Foster of Mark Foster and Associates for his help.

Editor: Linda Leask • Graphics: Clemencia Merrill