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Uninsured Hispanic Americans

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Too many Hispanic Americans do not have access to even basic health insurance coverage. In fact, by every measure, a lack of access to affordable health insurance disproportionately affects America's large and growing Hispanic community. According to Aetna U.S. Healthcare, the highest uninsured rate in the United States is among people of Hispanic origin. Over one-third, or 39 percent, of Hispanics were uninsured compared with only 14 percent for non-Hispanic whites.[2] According to the Commonwealth Fund, in small- to medium-sized companies with fewer than 100 workers, 63 percent of white workers have health benefits compared with 38 percent of Hispanic workers.[3] This recent data confirms recent U.S. Census Bureau findings that 34.2 percent of Hispanics are uninsured, compared with 12 percent non-Hispanic whites.[4]

There is a strong relationship between uninsurance and the kind of employment a person has. The reason is simple: Most Americans get their health insurance through their place of work. Moreover, in getting their health insurance through the workplace, they are also eligible to get large and, under current law, unlimited federal tax breaks for the purchase of health insurance. There is no such tax relief for workers who get health insurance outside the workplace or for workers and their families who cannot get employer-based health insurance. Today, 65 percent of the uninsured are in working families where the breadwinner works full time.[5] Because Hispanic workers are heavily concentrated in the service industry and in small businesses--working for firms that do not or cannot offer them health insurance coverage--they are disproportionately found outside of the normal channels of health insurance in the United States.

People who are working should not be discriminated against by the federal tax code in their purchase of health insurance simply because they buy a policy outside of their place of employment. There is a better policy. The best option to expand health insurance for Hispanic workers is to give them direct tax relief, either in the form of tax credits, if they are paying taxes, or vouchers--in effect, refundable tax credits--if they do not have taxable income. This will establish equity in the tax code and the health insurance market, reduce the need for these families to depend on government insurance programs like Medicaid or other forms of public assistance, expand health insurance coverage, and mainstream millions of uninsured Hispanic workers into America's private insurance market.

WHY HISPANICS ARE MORE LIKELY TO BE UNINSURED

The health insurance market in the United States is uniquely job based. All Americans, both employers and employees, get tax relief if and only if they get their health insurance coverage through their place of employment. If the employer offers health insurance, the employer gets unlimited tax relief in the form of a tax deduction as part of the cost of doing business. Likewise, under this arrangement, employees also get unlimited tax relief for purchasing health insurance through their employer. But, instead of a tax deduction, an employee gets what is technically called a "tax exclusion" on the value of the job's health

benefits. If an employee does not get his health insurance through the place of work, he gets little or no tax relief; indeed, the federal tax code punishes workers who buy health insurance outside the workplace by making that worker buy health benefits with after-tax dollars. For most workers, this cost is a huge disincentive for obtaining health insurance on their own.

The main reasons so many Hispanics do not have health insurance are they generally have lower incomes and they work for smaller firms. Employment and income level are the leading indicators of health insurance coverage in this country. The lower the income, the more likely a worker will not have coverage. If they are working independently or with a firm that does not provide health insurance, they simply do not have coverage because they cannot afford it. Small firms with fewer than 25 employees are the least likely to provide employment-based health insurance. Based on the 1990 Census, odds are that Hispanic workers--with a per capita income of only $10,773 and a solid majority employed by small businesses, particularly the service industry--will not be offered health insurance at the workplace and will not be able to afford it on their own.

TOO POOR, BUT NOT POOR ENOUGH

If a worker is employed by a large corporation, the chances are that both the benefits package and the tax benefits are very generous. However, if a worker is middle- or low-income and is employed by a smaller company, the tax benefits are less generous. Low-skilled workers often do not work for large companies or command a wage that enables them to buy health insurance, and they get little if any government assistance in purchasing it. If a worker decides to purchase individual policies, they will soon realize it is prohibitively expensive. This is the problem facing America's working poor.

An overwhelming majority of the uninsured in the Hispanic community are working poor. Most Americans are personally familiar with such cases. But, for purposes of illustration, consider Martha Sanchez, a single mother of two in Miami. Martha works as a receptionist for a small law firm, earning approximately $10 per hour. Her employer does not provide health insurance, and she cannot afford to buy an individual health insurance policy.

This is the case for many Hispanic workers. They are not poor enough to qualify for Medicaid, a government health program, but are too poor to afford private health insurance. In addition, there is a high degree of mobility in the Hispanic workforce. And, as noted, the current system of employment-based health insurance is simply leaving too many working people who have families and are willing to work without affordable insurance.

WHAT CONGRESS CAN DO

So what can Congress do to help someone like Martha Sanchez get health insurance? Members of Congress can start implementing policies that promote equality and equity between employer-based health insurance coverage and consumer-based coverage. Congress needs to end the discrimination against people who buy health insurance outside their place of business. There are several ways to do this:

1. **Establish tax credits to help the uninsured purchase health insurance.** Congress could establish reasonable tax incentives for individuals without access to employer-sponsored coverage. To reach more of the working poor, Congress could enact refundable tax credits or vouchers to enable low-income workers to purchase health insurance. To make these tax credits fully accessible to low-income workers and small businesses, these tax breaks could be blended into the payroll withholding system; in other words, the worker could withhold the cost of health insurance from the payroll tax. Congress could also offer employers the authority to pay the premiums on behalf of their employees if they wish.

With a refundable tax credit available to workers who do not have access to, or do not choose to participate in, employer plans, Members of Congress can advance a consumer-friendly, market-oriented approach to address this pressing national problem. This approach would give workers more security and better choices, and would reduce the number of uninsured workers in the United States, particularly among Hispanic workers and their families.

2. **Promote pooling and the creation of health insurance supermarkets.** Congress could promote the creation of insurance "healthmarts" that transfer the choice of plans in the current employer-based system to the employee. This initiative would provide employees with the freedom to choose from a menu of plans and select the one that best meets their needs. Congress should work with the states to eliminate legal and regulatory obstacles to such pooling. This would help promote more affordable, accessible, and accountable coverage for consumers.

3. **Allow individuals and families to get at least the tax breaks available in employer-based plans for their purchase of health coverage through fraternal and community-based organizations.** At the very least, Congress should equalize tax laws so that consumers getting health insurance through associations and community-based organizations have access to the same tax breaks as do large businesses and their employees. Such social organizations could sponsor a health insurance plan and act as agents on behalf of their members to ensure that health care benefits and services are compatible with the special needs and conditions of their member communities. This would promote a much stronger community-based health insurance system than we have today. And it would promote a better understanding on the part of health care providers about the needs of the communities that they serve.

Members of Congress, and other policymakers, should recognize that disease and health patterns differ among America's ethnic and racial groups. For instance, African-Americans are more prone to suffer from hypertension and cardiovascular diseases than other ethnic groups. Likewise, a much higher incidence of diabetes is found in the U.S. Hispanic community than in the population at large. Having community-based organizations that understand these differences sponsor their own health insurance plans, with doctors working on behalf of these community organizations, is one way to provide superior and cost-effective medical services to their members.

In this respect, Congress and the Administration should work closely with Hispanic health organizations like the National Association of Hispanic Health and Human Services Organizations and the Inter-American College of Physicians and Surgeons to develop a public education campaign that promotes the importance of private health insurance. At the same time, Hispanic organizations should encourage young Hispanics to seek careers in medicine. While advances in medicine are the hallmark of the U.S. health-care system, there are still too many doctors in this country who do not understand the special needs and particular concerns of this bilingual and bicultural community.

4. **Overhaul federal tax law to promote affordable private and portable health insurance.** Congress could promote changes in America's tax laws to help low-income workers and small-business owners have access to affordable health insurance. Perhaps the best, and most important change, would be to substitute a tax credit for the current tax exclusion for individual employees in the purchase of health insurance. While this would mean that an employee's health benefits, just like wages, would be subject to taxation, it would also mean that the employee would get a credit that could be used to offset the cost of health insurance, and this credit would follow the employee from job to job. This kind of change would enhance personal ownership of health insurance, and thus enhance the security of health insurance coverage. It would also promote real portability in America's health insurance system.

Short of replacing the employee's tax exclusion with a tax credit and establishing a national tax credit system, Congress could make sure that all individual purchasers of health insurance and the self-employed are able to deduct the full cost of premiums. Although there are limited deductions for health insurance today, Congress is moving in the right direction, but it should finish the job.

To promote risk-pooling among small businesses, Congress may wish to consider tax breaks. Small businesses could get a tax credit that could be phased in, beginning with small firms with 10 or fewer employees.

5. **Don't make things worse for families by increasing health care costs and making insurance even less affordable.** The focus of policymakers at the federal as well as the state level should be on finding ways to reduce regulatory burdens and government mandates, and on reforming liability laws while promoting personal responsibility. Uninsurance and under-insurance are complex problems, and

these steps would be key components of the solution.

However, instead of decreasing regulation of the health care system and reducing costs for individuals and families, too many Members of Congress are fixated on expanding regulation and litigation, a path that will increase health care costs and make health insurance less affordable. For example, legislative proposals circulating in Congress would allow new avenues for suing private health plans, and possibly the employers who provide them, for punitive and compensatory damages. If enacted, these proposals could easily contribute to employers dropping health insurance coverage for their workers; and there is no safety net, either in the form of tax credits or health insurance supermarkets, to pick up that coverage. As Greg Scandlen, a health policy analyst at the Cato Institute in Washington, D.C., remarks:

Employers are fed up with health care, and who can blame them? Fifty years after the start of the tax exclusion for health benefits, and 25 years after the enactment of the Employee Retirement Income Security Act, employers find themselves spending more than ever on health benefits and getting nothing but grief for it.[6]

If policymakers continue to make it more expensive and more risky for employers to provide health insurance, the number of uninsured Hispanic workers will skyrocket. And this is exactly the kind of result that the U.S. Hispanic community cannot afford.

CONCLUSION

Access to affordable private heath insurance is a problem that disproportionately affects the U.S. Hispanic community. While there are a variety of reasons for this, the major reason is the job situation of Hispanics. In large numbers, they are working poor; they are concentrated in low-wage, service-industry jobs where employers do not offer health insurance. They are too poor to buy private health insurance, and they are not poor enough to qualify for Medicaid and other government health programs.

While some policymakers would like to consign a large number of America's working poor to Medicaid, or some expanded version of Medicaid in which individuals and families will only get the benefits government officials give them, there is a superior alternative. The best option is to change the tax treatment of health insurance and give low-income working families without health insurance either tax credits or vouchers to help them purchase private health insurance best suited for their families. Such a new system, with a level playing field between employment- and nonemployment-based health insurance, would open up new opportunities for privately run ethnic, fraternal, and religious organizations, particularly in the Hispanic community, to sponsor health options and plans, run clinics, and establish new medical practices that are sensitive to the particular health-related needs of the community.

The tax treatment of health insurance, and thus the character of the health-insurance market, is governed by federal law. Congress should be working on ways to lower the number of uninsured people in this country, rather than on ways to make matters worse. Thus, Congress must break down the barriers to a more open and equitable system, expand coverage, and build the necessary bridges between individuals as well as families and affordable health insurance.

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1. This paper is based on Testimony before the Health and Environment Subcommittee of the House Commerce Committee, U.S. House of Representatives, June 16, 1999.

2. Aetna U.S. Healthcare, "Concerning the Uninsured Worker: An Introduction to a Critical Issue for All Americans," May 1999, p. 2.

3. *Ibid*.

4. U.S. Census Bureau, "Persons Without Health Insurance for the Entire Year, by Race and Hispanic Origin, 1997," at *http://www.census.gov/hhes/hlthins/hlthin97/hi97t2.html*.

5. Aetna U.S. Healthcare, "Concerning the Uninsured Worker."

6. Greg Scandlen, "Long the Primary Conduit for Coverage, Employers Less Willing to Shoulder Burden," *Business Insurance*, August 2, 1999.

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