CSHP

Rutgers Center for State Health Policy

Health Insurance Coverage in New Jersey: Recent Trends and Policy Challenges

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ISSUE BRIEF

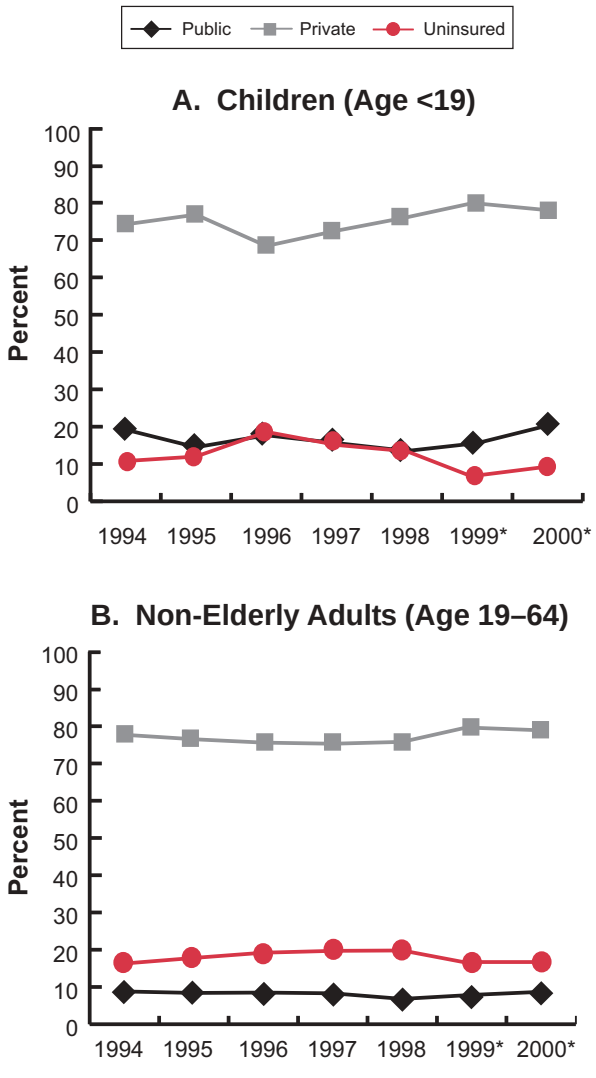
Assuring access to affordable health insurance coverage for New Jersey residents has been a high priority for policymakers. To help inform New Jersey legislators of the latest trends and policy challenges in assuring health insurance coverage, Rutgers Center for State Health Policy will publish a series of issue briefs addressing health insurance coverage in the state.

This first brief provides an overview of coverage in the state and a profile of the uninsured based on data available from the U.S. Census Bureau. Future briefs will discuss trends and policy challenges related to state-subsidized health coverage and the private health insurance market. The series focuses on the population under age 65, because this group is at the greatest risk of not having health insurance coverage. The vast majority of elderly New Jersey residents have access to coverage through the federally administered Medicare program.

Recent Coverage Trends

New Jersey has been a leader in promoting access to affordable health insurance coverage for its residents. In the early 1990s, the state instituted the most comprehensive insurance reforms in the country in the individual-purchase and small-group insurance markets. More recently, New Jersey significantly expanded public programs to help low-income children and families gain access to affordable health insurance through its NJ FamilyCare program. As of September 2002, there were 93,409 children and 178,243 adults enrolled in FamilyCare. At the same time, a robust economy and competitive job market led to increased employer-based health insurance coverage. The expansion of public funding for coverage and a strong private market can be credited with a significant decline in the state's uninsured rate among the non-elderly, from a high of 19.1% in 1996 to 14.4% in 2000. Graph 1 illustrates that, consistent with national trends, the decline in the number of uninsured has been much greater among children than non-elderly adults, due largely to expansion of public coverage through the NJ KidCare program, which took place in the late 1990s.

Graph 1: Health Insurance Coverage Among New Jersey Residents, 1994–2000



Source: U.S. Census Bureau, *Current Population Survey*, 1995-2001.
* Estimates in 1999 and 2000 reflect the revised *Current Population Survey* questions which slightly modify estimates of the percent uninsured.

Major Developments in New Jersey's Public Coverage Programs Since 1997	
1997	Established NJ KidCare (PL 1997, c272) to provide subsidized coverage for children living below 200% of the federal poverty level (FPL). Enrollment began February 1998. NJ KidCare eligibility expanded to 350% FPL in July 1999.
2000	Established NJ FamilyCare Health Coverage Act (PL 2000, c71) to expand NJ KidCare to uninsured parents of NJ KidCare–eligible children up to 200% FPL, to uninsured childless adults up to 100% FPL, and to the General Assistance population. Enrollment began October 2000.
2001	Closed NJ FamilyCare enrollment to childless adults in September 2001.
2002	Closed NJ FamilyCare enrollment to parents that are new applicants (currently enrolled parents are not affected) and General Assistance clients in June 2002, and instituted other program changes.

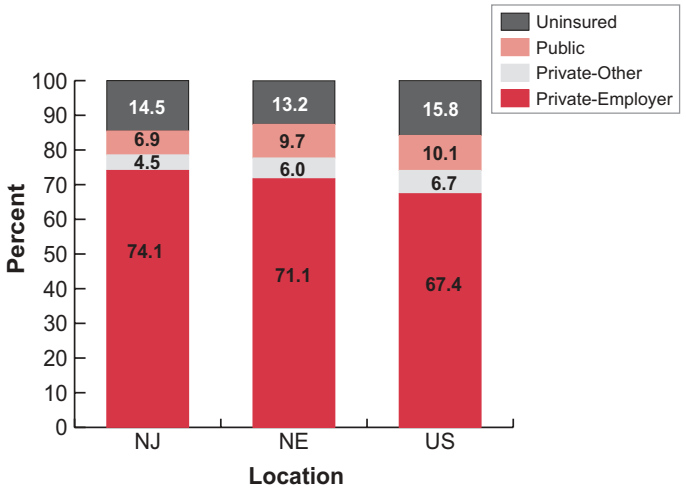
Sustaining progress toward reducing the number of uninsured is becoming more difficult. High enrollment rates coupled with state revenue shortfalls led the state to freeze enrollment of adults in NJ FamilyCare (see Table, above) and institute other cost-saving program changes. In the private sector, health insurance premiums have begun to rise sharply in New Jersey, paralleling national trends. Rising premium costs combined with a softening economy may lead to a leveling off or decline in the number of individuals and families with employer-sponsored coverage.

In the individual-purchase market (i.e., where individuals or families purchase coverage directly from an insurer or HMO), reforms in the early 1990s initially appeared to spur greater availability of affordable coverage. However, during the mid- to late-1990s, as employer coverage grew, the number of individuals and families that purchased coverage directly from an insurer or HMO declined. Evidence from program data has emerged to indicate that those who remained covered under individually purchased plans may be disproportionately high risk and high cost, raising questions about whether this last-resort source of private coverage is sustainable. At its peak in the fourth quarter of 1995, New Jersey's Individual Health Coverage Program covered 186,130 persons, but enrollment fell to 82,383 in 2002. During the same period, coverage through the Small Employer Health Benefit Program purchased by businesses of 50 workers or fewer increased from 779,299 persons in the fourth quarter of 1995 to 875,306 in 2002—an increase of nearly 100,000 persons covered.

In 2000, nearly three-quarters of non-elderly state residents received health insurance through an employer, which was significantly higher than employer coverage nationally or regionally (See Graph 2).[1] In contrast, fewer non-elderly residents in New Jersey purchase private health insurance directly from an insurer or HMO compared with their counterparts nationally.

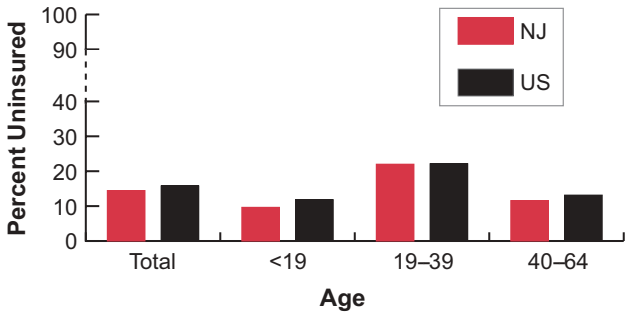
The percentage of New Jersey residents that is uninsured is lower than the national figure, but slightly higher than the nine-state Northeast Census Division.[2] Public coverage in New Jersey is also lower than national or regional percentages. However, these data are for 2000 and do not include the effects of the NJ FamilyCare expansion, which extended coverage to low-income single adults in 2001.

Graph 2: Health Insurance Coverage by Source for Non-Elderly (Age <65) in New Jersey, the Northeast[2], and the United States, 2000

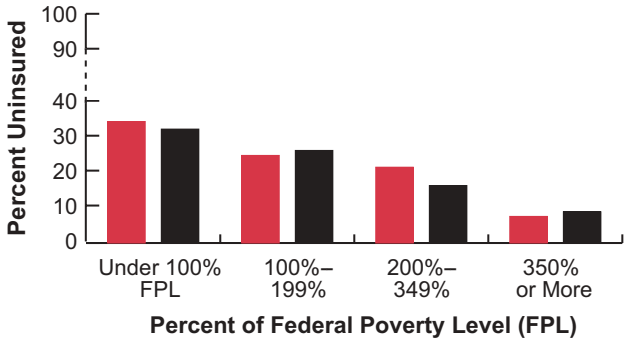


Source: US Census Bureau, *Current Population Survey*, 2001.

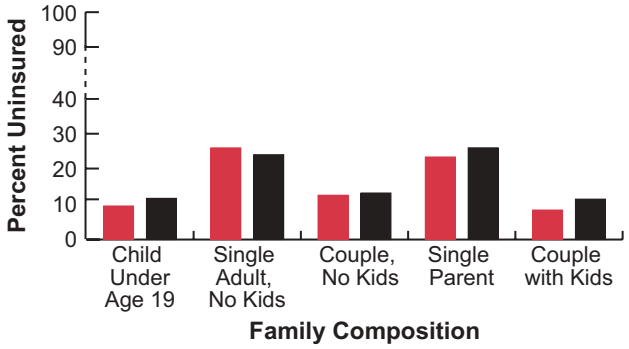
Graph 3: Adults Age 19–39 More Likely to be Uninsured, 2000



Graph 4: Lower Income Households at Greater Risk of Being Uninsured, 2000



Graph 5: Single Adults With and Without Children More Likely to Be Uninsured, 2000



Graph 6: Part-Time Workers and Those Out of Work More Likely to Be Uninsured, 2000

Source for Graphs 3–6: U.S. Census Bureau, *Current Population Survey*, 2001.

Who Is Uninsured in New Jersey?

Although New Jersey residents are slightly less likely to be uninsured than non-elderly adults nationally, some residents are at greater risk of being uninsured than others, as illustrated in Graphs 3–6.

A greater proportion of adults (in New Jersey and nationally) between the ages of 19 and 39 are uninsured compared with adults between the ages of 40 and 64 or children.

Even with the availability of public coverage, a greater proportion of people living in New Jersey households who earn less than the federal poverty level (FPL)[3] are uninsured compared with those living in higher income households, as is the case nationally. However, a greater proportion of NJ households earning 200% to 349% FPL[4] is uninsured compared with similar households nationally. The affordability gap for these modest income families may be higher in New Jersey due to high health care costs in the state.

A much greater proportion of single adults—both with and without children—are uninsured compared with other families in New Jersey and nationally. This may reflect greater access to health insurance through spousal coverage among married couples. Two-parent families in New Jersey are less likely to be uninsured than similar families nationally.

More people who are out of work or employed on a part-time basis are uninsured compared with those who are employed full-time or are not in the labor force. Dependents (children and adults) in New Jersey are significantly less likely to be uninsured than dependents nationally, suggesting that New Jersey has strong family and dependent coverage compared with other states.

Policy Challenges Facing the 2002–2003 New Jersey Legislature

New Jersey lawmakers face challenges as they seek to sustain or expand access to affordable health insurance coverage in the state.

Rising Private Premiums

In 2000, employer premiums in New Jersey were among the highest in the country. Between 1996–2000, premiums in the New Jersey employer-

based insurance market have been increasing at an average annual rate of 6% to 7%, slightly lower than national rates. National data for more recent periods show that premiums have increased at double-digit rates. A number of factors have been identified as contributing to the rise in premiums, including: the insurance underwriting cycle, the increasing cost of prescription drugs, reduced discounting of hospital costs, rising labor costs for nurses and other medical professionals in short supply, and reduced gate-keeping measures and capitation payment in managed care. As of 2000, premium increases did not appear to be leading to reductions in the percent of New Jersey employers offering health insurance. However, to offset rising premium costs, employers in the state are increasingly requiring employees to contribute a greater share of the premiums, particularly for single coverage. This appears to be having an impact on the proportion of employees who enroll in coverage, which has declined in recent years. Maintaining the affordability and accessibility of private health insurance coverage in New Jersey will be a significant policy challenge over the next several years.

Confronting Budgetary Constraints

As is true for most states across the country, New Jersey is facing significant budget deficits. Consequently, the state has already closed enrollment to new adult NJ FamilyCare applicants and has made other cost-saving program changes. Given budgetary projections, the state will continue to be challenged to sustain its public coverage initiatives.

A Note About the Data in this Brief

In March of each year the U.S. Census Bureau conducts a national survey that produces estimates of the uninsured for the prior year. March 2002 is the most current installment of these data, known as the Current Population Survey. CSHP analysts decided not to use the March 2002 data because of significant survey design changes implemented by the Census Bureau. These changes make it difficult to accurately interpret trends between the 2002 survey and earlier years.

Endnotes

1. All differences noted in the text are statistically significant.
2. The Northeast Census Division includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
3. In 2000, the FPL for a non-elderly, one-person household was $8,350. With each additional person in the household, FPL increases by $2,900.
4. $34,100 to $59,505 for a family of four in 2000.

Additional Resources

Bovbjerg, R.R. & Ullman, F.C. (2002). *Recent Changes in Health Policy for Low-Income People in New Jersey.* Urban Institute: Washington, DC.

Fox, K., & Cantor, J.C. (2002). Case Study of New Jersey's Coverage Initiatives. In *Assessing State Strategies for Health Coverage Expansion: Case Studies of Oregon, Rhode Island, New Jersey and Georgia*. The Commonwealth Fund: New York, NY.

Hempstead, K. (2001). Health Insurance Coverage in New Jersey, 1999 and 2000. *Topics in Health Statistics*, *01-06*. Center for Health Statistics, New Jersey Department of Health and Senior Services: Trenton, NJ.

Kaiser Family Foundation's State Health Facts Online. Provides state-level data on demographics, health, and health policy. September 23, 2002. http://www.statehealthfacts.kff.org/

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