FYI: Characteristics of Uninsured and Underinsured 50- to 64-Year-Olds

More than one in every four adults age 50–64 lacks adequate health insurance or does without any health insurance at all. If this is to change, proposals must take into account the economic and social characteristics unique to those in this age group who are uninsured or underinsured, and recognize that insurance outside the traditional employer-based group model is often prohibitively costly for this age group, if it is available at all. This report looks at certain facts about the age 50 – 64 cohort and their effects on accessing health insurance.

In 2005, 7.1 million individuals age 50–64, or 14 percent of people in that age group, were uninsured for the entire year, a number that will grow in years to come even if the percentage remains static unless policy changes reverse the trend. Moreover, this number understates the problem because it doesn’t capture those who were uninsured for any part of the year. In 2003, roughly another 14 percent of insured adults ages 50–64 were underinsured, meaning that they spent at least 10 percent of their income on out-of-pocket medical expenses (excluding premiums). Inadequate coverage—much like no coverage at all—creates obstacles to care and other burdens. Underinsured adults are almost as likely as the uninsured to go without needed medical care and to incur medical debt.

Those age 50–64 who now have health insurance are vulnerable to losing access to coverage due to changes in their personal circumstances. They may lose coverage because of job loss, a spouse’s retirement, or eligibility for Medicare, death of a spouse, disability or employer benefit cutbacks. Such transitions may mean lost access to employer coverage or financial changes that make coverage options unaffordable. This results in moving some who now have insurance into the ranks of the uninsured. Those age 50–64 seeking insurance outside of traditional employer-based or similar group health plans are also likely to face very high or unaffordable premiums because insurers in the individual market commonly set rates that take into account both age and health status.

These findings are particularly problematic given that those in this age group are particularly likely to benefit from access to adequate health care. According to the Institute of Medicine, “Adults with chronic conditions and those in late middle age stand to benefit the most from health insurance coverage in terms of improved health outcomes because of their high probability of needing health care services.”

Work and Employment Status of Uninsured Individuals

One common misconception is that the uninsured are unemployed. In 2005, 63 percent of 50- to 64-year-olds without health insurance were employed (Figure 1). Of these uninsured who worked, the largest share worked full time for the entire year, and the remainder worked either part time or for part of the year. Of the 37 percent of the uninsured who did not work, just 38 percent (14 percent of the total sample) identified themselves as retired.
In 2005, the majority of uninsured workers ages 50–64 were self-employed or worked for small employers (Figure 2). Twenty-six percent were self-employed and 30 percent worked for employers with fewer than 25 employees.

Income of Uninsured Individuals

Uninsured individuals age 50–64 are far more likely to live in poverty than are those with health coverage (Figure 3). Nearly one in five uninsured individuals age 50–64 lived in families with incomes below the federal poverty level ($12,830 for a family of two) in 2005, and more than two in five lived in families with incomes under 200 percent of the poverty level ($16,038 for a family of two). Among 50- to 64-year-old retirees without health insurance, a somewhat higher proportion was poor (not shown). Just over 27 percent had a family income below the poverty level, and 51 percent had a family income under 200 percent of poverty (not shown).
Conversely, few (7 percent) of those age 50–64 with health coverage—employed or not—had incomes below the poverty level.

**Figure 3: 50- to 64-Year-Olds by Health Insurance Status and Federal Poverty Level, 2005**

<table>
<thead>
<tr>
<th>Uninsured People Age 50-64</th>
<th>19%</th>
<th>24%</th>
<th>57%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured People Age 50-64</td>
<td>7%</td>
<td>11%</td>
<td>83%</td>
</tr>
</tbody>
</table>

Note: Figure may not total 100 percent due to rounding.

More than one-third of those ages 50–64 who are uninsured are part of families with incomes above the poverty level but are still considered low income (not shown). In 2005, nearly 32 percent (not shown) of those in the uninsured group were in families with incomes of $20,000 or less, and 58 percent (not shown) had family incomes of $40,000 or less.

**Out-of-Pocket Health Care Expenditures of Uninsured Individuals**

Uninsured adults age 50–64 spend an average of $915 per year on out-of-pocket health care expenditures. In 2004, mean out-of-pocket health care expenditures for adults age 50–64 were 2.5 to 4 times higher than they were for younger uninsured populations (Figure 4). While incomes generally increase with age, they can flatten in the decade before age 65 as some individuals in that age group retire early or become disabled.

**Figure 4: Average Per Capita Out-of-Pocket Health Care Expenditures Among the Nonelderly Uninsured Population, 2004**

<table>
<thead>
<tr>
<th>0-17 years</th>
<th>18-49 years</th>
<th>50-64 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$217</td>
<td>$337</td>
<td>$915</td>
</tr>
</tbody>
</table>

Source: AARP Public Policy Institute analysis of 2004 Medical Expenditure Panel Survey.
Health Status of Uninsured Individuals

- Two in five uninsured adults age 50–64 report that they are in very good or excellent health. Another third of uninsured adults age 50–64 report that they are in good health (34 percent) (Figure 5). Nevertheless, more than half of those of the same age who are insured report excellent or very good health (53%). The uninsured are slightly more likely to report being in fair or poor health (21 percent) than are their insured peers (18 percent).

![Figure 5: 50- to 64-Year-Olds by Health Status and Health Coverage Status, 2004-2006](image)


Health Spending Burden of People who are Underinsured

- Roughly 28 percent of adults aged 50–64 years with or without coverage are underinsured. The rate of underinsurance varies by income and is highest among those who are poor (58 percent) or have low incomes (31 percent) (Figure 6).

![Figure 6: Percent of Population Age 50–64 that is Underinsured, by Poverty Level, 2003](image)


5 The definition of retired used here is that of the Census Bureau; it includes those who are not in the labor force and who identified retirement as the reason for not being in the labor force. It excludes those who identified another reason for not being in the labor force, who were unemployed or unable to find work, and who were employed.

6 The federal poverty level in 2005 was $9,570 for an individual and $12,830 for a family of two.

7 Persons with health care services burdens (i.e., family-level out-of-pocket expenditures on health care services, excluding premiums) of greater than 10 percent of their disposable income.