



June 2007, Issue 39

Young Adults Increasingly Lack Health Insurance

Helen Levy

Nearly one in six Americans had no health insurance in 2005, nearly one-half of whom (42%) were between ages 18 and 34. A key reason for the high rate of uninsurance, as Helen Levy documents in her chapter in *The Price of Independence*, is the considerable job instability during this time of life.¹ As the Network on Transitions to Adulthood has shown, the transition from school to stable employment is taking longer today (see, for example, the Network policy brief by [Henry Farber](#)), and fewer jobs are offering health insurance.

Although some might argue that health insurance is less pressing in young adulthood given that youth are typically healthier, the early twenties is a time of heightened risk for car accidents, violence, substance use, and other risks. Policymakers have offered several proposals to increase health care coverage among young adults, but as Levy shows, each stands to overlook important subgroups of youth.

Males Are More Likely to Be Uninsured in Early Adulthood

Most teenagers are covered by a parent's private insurance policy; Medicaid covers a substantial fraction as well. At some point, however—and the day of reckoning is earlier for those not continuing their education—eligibility for this coverage runs out. At that point, young adults must either obtain health insurance through an employer (theirs or their spouse's), buy their own insurance, shift to more limited adult public health insurance, or go without.

Levy finds that coverage through a parent's policy begins to decline after age 17, and it fades out almost completely by age 24.² For those still enrolled full-time in school, the decline in parental coverage starts about four years later, at age 21.

This gap in insurance is also longer for men, who rely less on public coverage (Medicaid or Supplemental Security Income) or a spouse's plan. At age 22, 37% of men are uninsured compared with 30% of women. By age 30, the gap has narrowed, although men are still slightly more likely to lack insurance than women (see Figure 1).

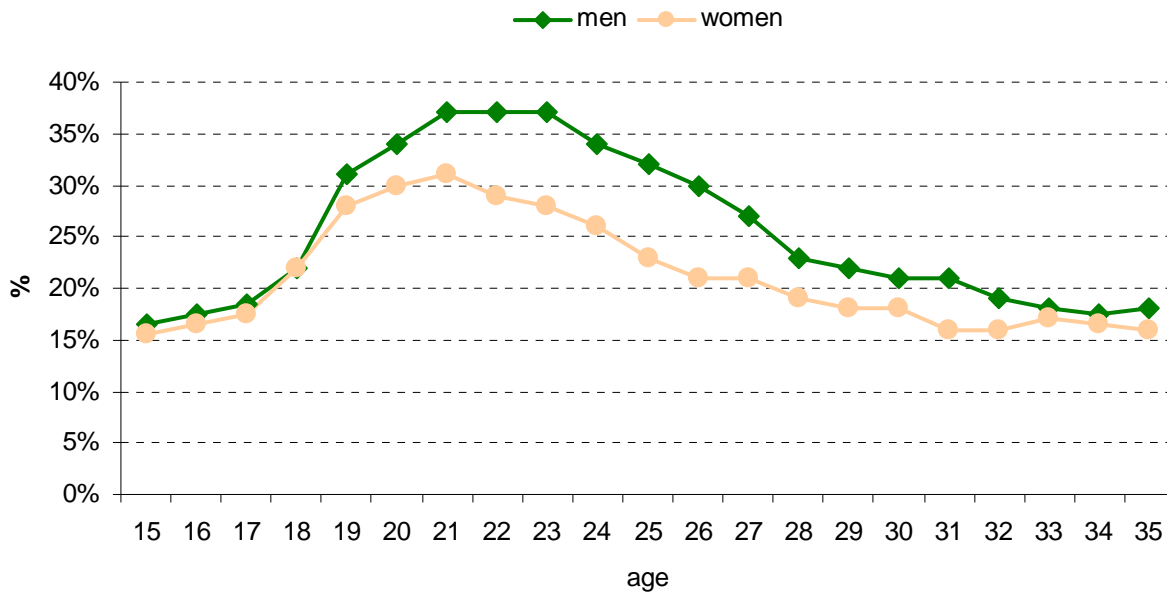
On average, young adults are without insurance for 16 months. Over a two-year period, more than one-half of all young men between age 18 and 25 (and two-thirds between ages 21 and 23) will be uninsured. Furthermore, the probability of being uninsured has increased since the 1970s, and the peak age of uninsurance occurs a year later for those born in the 1970s and 1980s than those born in the 1960s. Apparently, the lengthening timetable for adulthood as documented by the Network applies to health insurance as well.³

¹ Sheldon Danziger and Cecelia Rouse, editors, *The Price of Independence: The Economics of Early Adulthood* (New York: Russell Sage Foundation, forthcoming 2008). For more information see www.transad.pop.upenn.edu/publications/priceofindependence.htm

² Levy uses data from the 1996 and 2001 panels from the Survey of Income and Program Participation (SIPP) and the Annual Social and Economic (ASEC) Supplement to the March Current Population Survey (CPS) between 1989 and 2006. To determine what explains the low rates of coverage, she creates probability models for roughly 34,000 respondents aged 15–35.

³ Rick Settersten et al., *On the Frontier of Adulthood* (Chicago: University of Chicago Press, 2005).

Figure 1. Probability of No Health Insurance, by Age and Sex
Source: SIPP 1996 and 2001 panels



Employment and Financial “Maturity” Explains Much of the Insurance Gap

Two possible reasons for this gap are youth’s lack of financial adulthood, if you will. They have yet to find a stable job, or have attained other signs of financial “maturity,” such as buying a house, marrying, and settling down. The other is that insurance markets may be out of sync with needs. Young adults, for example, who are relatively healthy, may face overly high prices for insurance because community rating requirements may limit insurers’ ability to vary premiums by individuals, resulting in lower demand for coverage. Or insurers may have less information than consumers about risk and, therefore, low-risk individuals (in this case, young adults) are not fully insured.

Levy’s results suggest that employment instability and other financial characteristics (such as marital status, spouse’s work history, race-ethnicity, homeownership, and the youth’s family income) explain about half the lack of coverage among young adults. Market imperfections may therefore explain a significant share as well. Further evidence on the relative importance of these two explanations will shed light on whether public policy should focus on insurance markets or elsewhere to help ensure young adults’ financial security.



Policy Implications

Although young adults might seem to be the group least in need of health care—after all, they’re young—they are in fact at risk for several health hazards. Frank Furstenberg reports in the *Journal of Adolescent Health* that young adults face higher violence and accidents than other age groups.⁴ They are also at higher risk for sexually transmitted diseases and HIV, and substance use. Kathleen Mullan Harris recently documented a strong and unprecedented decline in health during the transition to young adulthood in the current generation.⁵

Several policies have been proposed to increase health insurance coverage for this age group, such as requiring students to obtain coverage through their colleges, extending Medicaid eligibility and the State Children’s Health Insurance Program past age 18, and extending the age of eligibility for dependent coverage on parental policies. However, as Levy argues, each of these policies would reach some, but not all, uninsured adults. Mandating insurance coverage in college would cover less than 20% of the uninsured twenty-somethings (only 17% of Levy’s sample was enrolled in college). Several states have expanded the maximum age for dependent coverage, yet coverage begins to drop off well before the current eligibility cut-offs. Therefore, the age extension may be targeting the wrong age group. Efforts to facilitate a quicker transition to a stable position in the labor force, such as school-to-work job training or vocational education programs, could help some young adults. However, this must be balanced with the possibility that job churn is a benefit to many young adults because it allows them to find a satisfying job fit.

Increasing insurance rates during the transition to adulthood will clearly require several related policies working in tandem. Given the extended transition to adulthood, it is also worth considering whether current policies and insurance market rules are predicated on an outdated set of expectations of when “adulthood” is attained, and therefore they may lag behind the new reality of adulthood in the twenty-first century.

Based on Helen Levy, “Health Insurance and the Transition to Adulthood,” in The Price of Independence: The Economics of Early Adulthood, edited by Sheldon Danziger and Cecilia Rouse (New York: Russell Sage Foundation, 2008). For more information see www.transad.pop.upenn.edu/publications/priceofindependence.htm

Helen Levy is Assistant Research Scientist in the Department of Health Management and Policy at the University of Michigan.

⁴ Frank Furstenberg, “Growing Up Healthy: Are Adolescents the Right Target Group?” *Journal of Adolescent Medicine* (in press). Available at www.transad.pop.upenn.edu/downloads/furstenberghhealth.pdf

⁵ Kathleen Mullan Harris et al., “Longitudinal Trends in Race/Ethnic Disparities in Leading Health Indicators From Adolescence to Young Adulthood,” *Archives of Pediatric Adolescent Medicine*, 160 (January 2006).