

## **Who Cannot Afford Health Insurance?**

**Sophia T. Anong<sup>1</sup>, Virginia Tech**  
**Sharon A. DeVaney<sup>2</sup>, Purdue University**

### **Abstract**

Economists assume that consumers are rational and maximize utility subject to constraints. Behavioral economists show that utility and expenditure functions are subject to consumer preferences. This research attempted to determine if being uninsured is a decision made by consumers that is rational and constrained by income as reported by consumers.

The empirical analysis focused on this question and response in the 2007 Survey of Consumer Finances: “There is a list of reasons why some people don’t have health insurance. Which number best describes why you/some members of your family living here are not covered?” Those who answered “Too expensive, can’t afford health insurance” were coded as 1 for binary logistic regression. All five implicates of the data set were used.

Over 15% of the weighted sample said they did not have health insurance because they could not afford it. The analysis showed that those who said that health insurance was too expensive were younger, Hispanic, single, single parents, married couples without children, less educated, and smokers. Those who spent equal to income were more likely to say they could not afford health insurance compared to those who spent less than income. Compared to those who were not eligible for Medicaid, those who were eligible for Medicaid were less likely to say that health insurance was not affordable. A similar result was observed in regard to Medicare. Compared to those who were not eligible for Medicare, those who were eligible for Medicare were less likely to say that health insurance was not affordable. As expected, those with more financial assets were less likely to say they could not afford health insurance. Some families with income levels up to 250% of poverty said they could not afford health insurance.

It appears that “affordability” is a relative term. This suggests that affordability should be measured in absolute terms. For example: health insurance burden compared to total household expenses. This would be comparable to the existing measure for housing expense.

<sup>1</sup> Assistant Professor, Department of Apparel, Housing, and Resource Management, Virginia Tech, Blacksburg, VA 24061, Phone: 540-231-8515, Fax: 540-231-1697, Email: [sanong@vt.edu](mailto:sanong@vt.edu)

<sup>2</sup> Professor Emeritus, Department of Consumer Sciences and Retailing, Purdue University, 80 E. Stirrup Trail, Monument, CO 80132, Phone: 719-488-6687, Email: [sdevaney@purdue.edu](mailto:sdevaney@purdue.edu)