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COVERAGE OF PARENTS HELPS CHILDREN, TOO

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Summary

The nation has made an important commitment to reducing the number of uninsured children. Over the past decade, the creation of the State Children's Health Insurance Program (SCHIP) and related changes made by states in their Medicaid programs have boosted children's enrollment and led to a marked reduction in the number of uninsured children. Nonetheless, almost 9 million children (18 or younger) remain uninsured, and about two-thirds of them are low-income children who are eligible for public coverage but are not enrolled. Most of these eligible but uninsured children are children in low-income working families.

A growing body of research demonstrates that one highly effective way of boosting coverage among these low-income children is to broaden health insurance programs so that the programs also cover their parents. The research shows, for example, that states that have expanded Medicaid coverage for low-income parents have experienced significantly greater gains in enrollment among eligible children than states that did not expand parents' coverage.

KEY FINDINGS

- **An extensive body of research shows that covering low-income parents increases enrollment by eligible children in health insurance programs, thereby reducing the number of children who are uninsured.**
- **Parental coverage also appears to improve children's use of health care, such as preventive care.**
- **Policies that cut back coverage for low-income parents are likely to result in reduced coverage for children as well, and hence in more children becoming uninsured.**
- **Covering low-income parents also increases their own insurance coverage and access to care.**

Such findings are especially relevant now, because two actions that Congress may take (or fail to take) in coming months could reduce coverage among low-income working parents. A program known as Transitional Medical Assistance (TMA), under which low-income parents who work their way off welfare may receive Medicaid coverage for 12 months after doing so, expires on December 31, 2006.[1] To maintain this program — which is regarded as successful, has traditionally enjoyed bipartisan support, and was originally created under President Ronald Reagan in 1988 — Congress will need to act in its upcoming "lame duck" session to continue the program. To date, Congress has taken no action on this matter.

[1] If TMA expires on December 31, pre-existing rules, under which parents working their way off welfare received only four months of transitional coverage, will go into effect.

In addition, at the state level, a number of states have cut back parents' Medicaid coverage in recent years as a budget-cutting measure. For example, between 2001 and 2005, Missouri lowered the Medicaid net income eligibility limit for parents from 100 percent of the poverty line to just 22 percent, disqualifying nearly all working-poor parents.

Finally, nine states (Arkansas, Arizona, Illinois, Minnesota, New Jersey, New Mexico, Oregon, Rhode Island and Wisconsin) use a modest portion of their SCHIP funds to provide health insurance coverage for some low-income parents.[2] Some Members of Congress have begun floating the idea of disallowing the use of SCHIP funds to cover parents when SCHIP is reauthorized next year.

An extensive body of research indicates that such actions (or in the case of the impending expiration of Transitional Medical Assistance, the lack of action) almost certainly would result in the loss of coverage for some eligible low-income children. The research also shows that expansions of parents' coverage lead to enrollment gains among children. The research, conducted by a number of research teams across the country using a variety of data sources and research methods, yields the following findings:

- **Covering low-income parents in programs such as Medicaid and SCHIP increases enrollment by eligible children, with the result that fewer children go uninsured.** Studies show that expansions of coverage for low-income parents lead to greater Medicaid or SCHIP participation by eligible children and reduce the percentage of eligible children who remain uninsured. The studies also indicate that covering parents helps eligible low-income children retain their coverage when it comes up for renewal so that fewer children lose insurance at that time, improving the continuity of children's coverage and reducing the number of periods without insurance. In reviewing the research concerning health insurance and families, the highly regarded Institute of Medicine (an arm of the National Academy of Sciences) concluded: "Extension of publicly supported health insurance to low-income uninsured parents is associated with increased enrollment among children."[3]

- **When their parents are insured, children gain better access to health care and improve their use of preventive health services.** Even among children who *are* covered by Medicaid or SCHIP, enrolling their parents produces gains. Insured children whose parents also are insured are more likely to receive health care services they need, such as preventive health care, than insured children whose parents lack coverage.

- **Expanding coverage for parents strengthens insurance coverage and health care access for the parents themselves.** More than one-third of all low-income parents — 36 percent — have no health insurance. As would be expected, the research shows that expanding eligibility for health insurance programs to cover more low-income parents reduces the percentage of low-income parents who are uninsured. Increased Medicaid coverage for low-income parents also has been found to boost their use of preventive health care such as Pap smears and breast

[2] Arkansas, New Mexico and Oregon provide SCHIP-funded coverage for parents under premium assistance programs, as compared to their regular SCHIP or Medicaid programs. Arkansas' program is scheduled for implementation in 2007.

[3] Committee on the Consequences of Uninsurance, Institute of Medicine, *Health Insurance Is a Family Matter*, Washington, DC: National Academy Press, 2002.

exams, and to lower the extent to which low-income parents postpone or skip necessary health care due to cost.

Background: Health Insurance Coverage Among Low-income Children and Parents

Eligibility for Medicaid and SCHIP is usually determined on an individual basis: a child may eligible for health insurance, but her mother may not be. Eligibility generally is considerably more restrictive for parents than for children.

- In 2005, the median income eligibility limit under Medicaid and SCHIP for a child was 200 percent of the poverty line ($32,200 for a family three that year).

- In contrast, the median Medicaid income limit for parents stood at 67 percent of the poverty line (about $10,800 for a family of three), or about one-third of the income limit for children.[4]

A key reason that Medicaid income limits for parents often are extremely low is that many states set their Medicaid income limits for parents at the same level as their income limits for cash welfare assistance. Those limits usually are far below the poverty line. States are allowed to set Medicaid eligibility limits for parents at higher levels than that and many do so, but many other states do not.[5] In Texas, for example, the income limit for parents was $4,800 for family of three (30 percent of the poverty line) in 2005. In Arkansas, the limit in 2005 was $3,060 (19 percent of the poverty line).

The advent of SCHIP, as well as the changes that a number of states made over the past decade to simplify the procedures for enrolling children in Medicaid, led to increased insurance coverage among children. As Figure 1 illustrates, Census data show that the number of uninsured low-income children has fallen markedly since 1997.[6]

But parents have not fared as well. The number of uninsured low-income parents *increased* over the first half of this decade, from 6.0 million uninsured low-income parents in 2000 to 7.2 million uninsured low-income parents in 2005. While the gains in SCHIP and Medicaid coverage for children were sufficient to offset the losses of employer-sponsored coverage for children, this was not the case for parents.

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[4] Donna Cohen Ross and Laura Cox, "In a Time of Growing Need: State Choices Influence Health Coverage Access for Children and Families," Kaiser Commission on Medicaid and the Uninsured, Oct. 2005.

[5] States can expand Medicaid eligibility for parents beyond the limits used for state welfare programs; states may do so either under demonstration project waivers (based on Section 1115 of the Social Security Act) that are approved by the Centers for Medicaid and Medicare Services (CMS) or under Medicaid rules that allow states to use less restrictive methods to count income (and thereby effectively to raise Medicaid income limits for parents). Under Section 1115, states also may secure waivers to use a portion of their SCHIP funds to cover parents; to secure such a SCHIP waiver, a state must already extend SCHIP eligibility to children with incomes up to 200 percent of the poverty line.

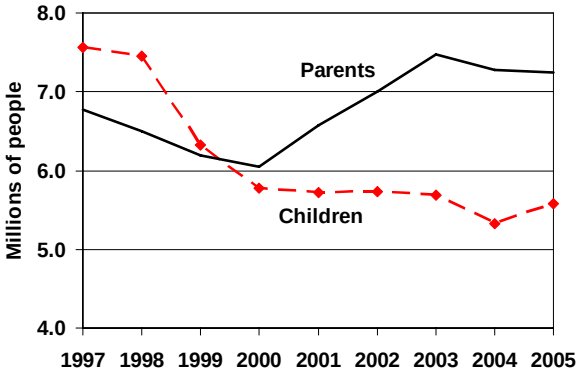
[6] Both the CPS and the Center for Disease Control and Prevention's National Health Interview Survey (NHIS) indicate that the percentage of low-income children who are uninsured has fallen substantially since 1997. The CPS data, reflected in Figure 1, show that the percentage of low-income children who are uninsured rose slightly in 2005, while the NHIS data indicate that the percentage of low-income children who are uninsured continued to decline in 2005. Although the general trends in the two surveys are similar, it is not clear why the CPS and NHIS results for 2005 diverge slightly.

More than a third (36 percent) of low-income parents (i.e., of parents with incomes below 200 percent of the poverty line) were uninsured in 2005. In contrast, 19 percent of low-income children were uninsured. About two-thirds of the low-income parents who were uninsured (62 percent) were mothers.

More than four of every five low-income uninsured parents (81 percent) are members of working families. Uninsured low-income working parents are especially likely to be employed by small businesses. Almost half of low-income parents who work for firms with fewer than 25 employees are uninsured.[7]

FIGURE 1

Over the Past Decade, Fewer Uninsured Low-income Children But More Uninsured Low-income Parents



7.2 million or 36% of all low-income parents are uninsured.

5.6 million or 19% of all low-income children are uninsured.

Source: Those below 200% of poverty. CBPP analyses of Current Population Survey data. Census methods changed in 2000 and 2004, so data are not completely comparable.

Research Findings on the Effects of Covering Parents on Enrollment Among Eligible Children

In 2000, we issued a study examining whether there is a connection between Medicaid coverage for parents and coverage for children.[8] We compared trends from 1990 to 1998 in the participation of eligible low-income children in Medicaid in one set of states — states that, during those years, raised their Medicaid income eligibility limits for parents above their cash welfare income limits — to trends in other states that did not take such action. Although children under six with incomes below 133 percent of the poverty line were eligible for Medicaid in *all* states during this period, children's participation grew much more robustly in the states where parent eligibility was expanded than in states where it was not, as Figure 2 demonstrates. Not surprisingly, these family-based expansions also increased Medicaid participation among low-income parents.

Parents sometimes do not enroll their children in Medicaid or SCHIP because they do not know about the programs, do not realize their children are eligible, or encounter enrollment barriers such as excessive documentation requirements or complicated applications forms or procedures. Even if they gain coverage for their children, the children may subsequently lose it because of complicated requirements for periodically renewing their coverage. Covering *both* parents and children (as opposed to children only) generally makes it simpler and provides more incentive for families to obtain and keep coverage, because a single visit to the eligibility office or submission of a single

[7] These statistics are based on CBPP analyses of the March 2006 Current Population Survey. Working families are defined as those earning more than $5,150 per year, the amount earned by working at the minimum wage for 1,000 hours in a year. The risk that a low-income parent is uninsured is similar whether a family resides in a central city, a suburb or a rural area.

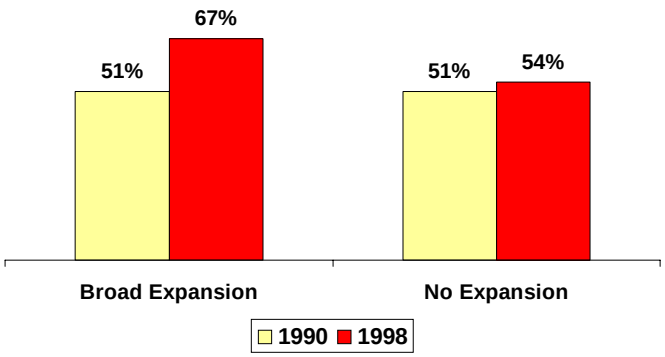
[8] Leighton Ku and Matthew Broaddus, "The Importance of Family-based Insurance Expansions: New Research Findings about State Health Reforms," Center on Budget and Policy Priorities, September 5, 2000.

form may lead to coverage for all members of the family. Broader eligibility also may raise the visibility of Medicaid and SCHIP to these families.

Since we conducted this study in 2000, a number of other researchers have analyzed more recent data sources and used other research methodologies. Their findings are consistent with those of our 2000 study. The recent research buttresses the conclusion that covering parents stimulates enrollment by eligible children.

FIGURE 2

States with Broad Family Expansions Increased Medicaid Participation Rates Among Young Low-income Children



Source: Ku and Broaddus, 2000. Analyses of Current Population Survey data.

- Lisa Dubay and Genevieve Kenney of the Urban Institute analyzed data from the National Survey of America's Families and found that public insurance (Medicaid or SCHIP) participation rates among eligible children were about 20 percentage points higher in states that had raised the Medicaid income limit for parents above the state's welfare income limit than in states that had not done so.[9]

- Anna Aizer of Brown University and Jeffrey Grogger of UCLA examined data from the Census Bureau's Current Population Survey (CPS) for 1995-2002. They found that expansion in Medicaid eligibility for parents led to increased enrollment among both children and their parents and to reduced levels of uninsurance among both groups. Parent expansions led the percentage of eligible children who enroll in Medicaid to rise by 5.3 percentage points and caused the percentage of children who are uninsured to fall by 4.1 percentage points. Their analyses also indicated that parent coverage expansions helped narrow insurance gaps among white, African American and Latino children.[10]

- Barbara Wolfe of the University of Wisconsin at Madison used CPS data to examine program characteristics associated with higher enrollment of children in SCHIP. One of her analyses found parent coverage to be associated with higher child enrollment.[11]

- Sylvia Guendelman of the University of California at Berkeley and her colleagues studied data from the California Health Interview Survey. They compared insured children whose parents were *uninsured* to insured children whose parents were *insured*. They found that children with

[9] Lisa Dubay and Genevieve Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Coverage Under Medicaid," *HSR: Health Services Research*, 38(5):1283-1301, 2003. In a more detailed assessment of changes in Massachusetts, Dubay and Kenney similarly found that the state's Medicaid expansion for parents resulted in increased Medicaid enrollment by eligible children and produced a significant decrease in the percentage of children who were uninsured.

[10] Anna Aizer and Jeffrey Grogger, "Parental Medicaid Expansions and Health Insurance Coverage," NBER Working Paper 9907, August 2003.

[11] Barbara Wolfe and Scott Scrivner, "The Devil May Be in the Details: How the Characteristics of SCHIP Programs Affect Take-up," *Journal of Policy Analysis and Management*, 24(3):499-522, 2005.

uninsured parents were more likely to experience breaks in their insurance coverage, while children whose parents were insured were more likely to have continuous coverage.[12]

- Benjamin Sommers of Harvard examined the retention of Medicaid and SCHIP coverage over a year. His analysis, based on CPS data from 1999 to 2004, indicated that children enrolled in Medicaid or SCHIP were about 38 percent to 76 percent more likely to retain coverage when their parents also were covered. He concluded that "Attempts to expand health insurance to the 8.5 million uninsured children in the U.S. would be much more effective if they covered parents and children in the same program."[13]

Covering Parents Also Improves Children's Health Care Access and Utilization

While covering uninsured children improves their access to health care,[14] research indicates that children's access to care improves to a greater degree when their parents also are covered.

- Amy Davidoff and her colleagues at the Urban Institute analyzed data from the 1999 National Survey of America's Families. They found that insured children had better access to care than uninsured children but that there were additional access gains when the children's parents also were covered. Those children whose parents were insured were more likely to have seen a health care provider and more likely to had a well-child health visit. The researchers concluded that extending public insurance coverage to parents "will have a positive spillover effect on access to care for children."[15]

- Elizabeth Gifford and her colleagues at Pennsylvania State University used the 1996 Medical Expenditure Panel Survey to examine children's use of preventive health services in the form of well-child visits. Only 29 percent of uninsured children had a well-child visit, compared with 43 percent of children who were covered by Medicaid but whose parents were uninsured. In contrast, 67 percent of the children whose parents also were covered by Medicaid had a well-

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[12] Sylvia Guendelman, Megan Wier, Veronica Angulo and Doug Oman, "The Effects of Child-only Insurance Coverage and Family Coverage on Health Care Access and Use: Recent Findings Among Low-income Children in California," *HSR: Health Services Research*, 41(1):125-47, Feb. 2006.

[13] Benjamin Sommers, "Insuring children or insuring families: Do parental and sibling coverage lead to improved retention of children in Medicaid and CHIP?" *Journal of Health Economics*, in press, 2006. (Accepted April 2006).

[14] See, for example, Judith Wooldridge, et al. " Congressionally Mandated of the State Children's Health Insurance Program: Final Report to Congress," Mathematica Policy Research and the Urban Institute, Oct. 2005, Andrew Dick, et al., "SCHIP's Impact in Three States: How Do the Most Vulnerable Children Fare," *Health Affairs,* 23(5):63-75, Sept./Oct. 2004; Michael Seid, et al., "The Impact of Realized Access to Care on Health-Related Quality of Life: A Two-year Prospective Cohort Study in California's State Children's Health Insurance Program," *Journal of Pediatrics,* 149: 254-6, Sept. 2006; Amy Davidoff, et al. "Effects of the State Children's Health Insurance Program Expansions on children with chronic health conditions," *Pediatrics*. 2005 Jul;116(1):e34-42; Leighton Ku and Sashikala Nimalendran, "Improving Children's Health: A Chartbook About the Roles of Medicaid and SCHIP," Center on Budget and Policy Priorities, Jan. 2004.

[15] Amy Davidoff, Lisa Dubay, Genevieve Kenney and Alshadye Yemane, "The Effect of Parents' Insurance Coverage on Access to Care for Low-income Children," *Inquiry,* 40:254-268, Fall 2003.

Parent Coverage Also May Improve Earnings

A study that Barbara Wolfe conducted of Wisconsin's Medicaid coverage expansion for low-income parents (BadgerCare) found that parent coverage was associated with a 3 percent to 7 percent increase in mothers' earnings. Wolfe reasoned that being assured that parents would continue to have health insurance coverage when they earned more than the welfare income limits gave women incentives to work longer hours or to take jobs that paid more without worrying they would lose their health insurance.*

* BadgerCare offers eligibility for parents who have worked their way off welfare as long as the parents' incomes are below 185 percent of the poverty line. Wolfe's study examined earnings for more than a year after people left welfare. Barbara Wolfe, Thomas Kaplan, Robert Haveman and Yoon Young Cho, "Extending Health Care Coverage to the Low-income Population: The Influence of the Wisconsin BadgerCare Program on Labor Market Outcomes," Institute for Study of Labor Discussion Paper, Sept. 2005.

child visit.[16]

- Guendelman and her colleagues found that when parents are also insured, children are more likely to have a usual source of health care — that is, to have a regular doctor or clinic where they can go for care.[17]

The Institute of Medicine concluded in its report on health insurance and families: "If parents use health care, their children are more likely to use health care as well."[18]

Parents' Health Can Affect Children's Health

The Institute of Medicine also reported in its study: "The health of one family member can affect the health and well-being of other family members. In particular, the health of parents can play an important role in the well-being of their children."[19] The Institute noted that a parent's poor physical or mental health can create a stressful family environment that may impair the health or well-being of a child. For example, one study found that the children of parents who suffer from depression have a higher rate of mental health problems themselves and require greater amounts of mental health care and general health care.[20] These findings suggest that better insurance coverage and treatment for parents may ultimately improve the family environment in which children grow up and may contribute to better child health.

[16] Elizabeth Gifford, Robert Weech-Maldonado, Pamela Farley Short, "Low-income Children's Preventive Service Use: Implications of Parents' Medicaid Status," *Health Care Financing Review*, 26(4):81-94, Summer 2005.

[17] Sylvia Guendelman, *op cit.*

[18] Committee on the Consequences of Uninsurance, Institute of Medicine, *op cit.*

[19] *Ibid.*

[20] Mark Olfsson, et al. "Parental Depression, Child Mental Health Problems and Health Care Utilization," *Medical Care*, 41(6):716-21, 2003.

Covering Parents Improves Their Own Insurance Coverage and Access to Care

A number of studies demonstrate that, as one would expect, expanding eligibility for parents increases their insurance coverage and improves their access to health services.

- Jeanne Lambrew of George Washington University found that the percentage of low-income parents who are uninsured was more than 40 percent lower in states that had expanded the Medicaid income eligibility limits for parents at least to the poverty line than in states without such expansions.[21]

- Aizer and Grogger found that Medicaid expansions for parents increased Medicaid enrollment by parents and reduced the percentage of low-income parents who are uninsured.[22]

- Susan Busch of Yale University and Noelia Duchovny (now at the Congressional Budget Office) examined CPS data for non-disabled parents and concluded that parent eligibility for public health insurance programs is associated with a 12 percent to 15 percent increase in Medicaid enrollment and an 11 percent decrease in the uninsurance rate among parents.[23]

- Barbara Wolfe and her colleagues found that Wisconsin's parent expansion program (BadgerCare) elevated coverage for low-income mothers. Wolfe observed, "BadgerCare was successful in increasing coverage for this group of vulnerable women as they left cash assistance and moved into the labor force."[24]

Similarly, research has shown that expanded eligibility for parents improves their access to care and increases their use of preventive and primary health services:

- Using data from the 1999 National Survey of America's Families, Dubay and Kenny found that, when compared with uninsured parents, parents with Medicaid coverage were more likely to receive health care they needed on a timely basis, more likely to have seen a doctor or dentist, more likely to have a usual source of health care, more likely to have a breast exam and more confident that they could get health care when they needed it.[25]

- Busch and Duchovny used data from the Behavioral Risk Factor Surveillance System to assess the effect of parent coverage expansions on health access. Parent eligibility expansions were associated with greater use of Pap smears and breast exams. In addition, parents were less likely

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[21] Jeanne Lambrew, "Health Insurance: A Family Affair" Commonwealth Fund, May 2001.

[22] Aizer and Grogger, *op cit.*

[23] Susan Busch and Noelia Duchovny, "Family Coverage Expansions: Impact on Insurance Coverage and Health Care Utilization of Parents," *Journal of Health Economics*, 24:876-89-, 2005.

[24] Barbara Wolfe, Thomas Kaplan, Robert Haveman and Yoonyoung Cho, "SCHIP expansion and parental coverage: An evaluation of Wisconsin's BadgerCare." *Journal of Health Economics* (in press, 2006). Accepted Dec 2005. The quote is from an interview with Wolfe conducted by the University of Michigan's Economic Research Initiative on the Uninsured, April 2005.

[25] Lisa Dubay and Genevieve Kenney, "Addressing Coverage Gaps for Low-income Parents," *Health Affairs*, 23(2):225-234, Mar/Apr 2004.

to forgo health care because they could not afford it.[26]

Conclusions

The nation has made significant progress in lowering the number of low-income children who lack health insurance coverage. Even so, almost 9 million children remain uninsured, and two-thirds of them are eligible for Medicaid or SCHIP coverage but are not enrolled. A key component of efforts to reduce the number of uninsured children consequently must be to increase participation among low-income children who already are eligible.

A large body of research shows that addressing this issue is tied to coverage for low-income parents. The research is clear that covering more low-income parents will result in significant gains in enrolling eligible children. The research also indicates that policy measures that would curtail — rather than broaden — parents' coverage would not only result in more uninsured parents but lead to more uninsured children as well.

[26] Busch and Duchovny, *op cit.*