

July 25, 001

## **Sheets on Congressional Proposals to Use \$28 Billion to Expand Coverage for Low-Income Parents**

This year's federal budget resolution has a reserve fund of \$28 billion that can be used to help reduce the number of uninsured people in the United States. One of the main proposals that is under discussion and that is likely to be considered by the Senate Finance Committee would give states the option to expand insurance coverage for low-income parents of children who are eligible for Medicaid or the State Children's Health Insurance Program (SCHIP).

An earlier paper (Jocelyn Guyer, *Congress Has a \$28 Billion Opportunity to Expand Coverage for Families with Children*, Center on Budget and Policy Priorities, July 2001 at [www.cbpp.org](http://www.cbpp.org)) discussed the general context and the importance of prompt action by Congress. The attached package of fact sheets provide information on a few key aspects of the proposal to expand health insurance coverage for low-income parents:

- *Insuring Parents Helps Children: A Fact Sheet.* Discusses how previous state initiatives to expand eligibility for parents have led to substantial increases in the enrollment of low-income children and how this helps improve children's access to health care.
- *The Vast Majority of Low-Income Uninsured Parents Are Part of Working Families: A Fact Sheet.* Explains that most low-income uninsured parents are in working families who are unable to obtain private job-based insurance.
- *Helping Married Families by Expanding Parents' Insurance Coverage: A Fact Sheet.* Explains that three-fifths of uninsured, low-income parents are married and that expansions of eligibility can reduce the risk that women lose insurance if they marry.
- *Improving Rural Parents' Health Insurance Coverage: A Fact Sheet.* Discusses the fact that rural families are more likely to be uninsured and more likely to use Medicaid, so that they could be aided by efforts to expand parents' insurance coverage.

## INSURING PARENTS HELPS CHILDREN: A FACT SHEET

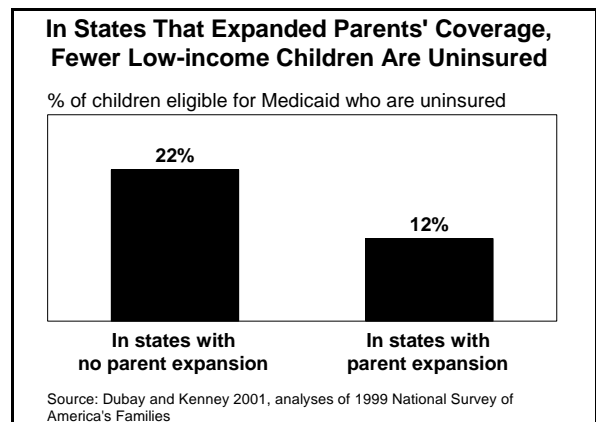
The idea that expanding health insurance coverage to low-income parents also helps their children gain coverage was stressed by then-governors Tommy Thompson of Wisconsin and Christine Todd Whitman of New Jersey when they announced their states' initiatives to expand coverage for low-income parents whose children are eligible for Medicaid or the State Children's Health Insurance Program (SCHIP). In addition, Gary Stangler, the human services commissioner in Missouri under governors Ashcroft and Carnahan, noted that after his state expanded parents' eligibility, "With no outreach, no advertising, no partnerships to spread the word, enrollment soared....Helping adults greatly contributed to the enrollment of children."<sup>1</sup>

This brief fact sheet reviews the compelling evidence that expanding coverage to low-income parents so all members of the family can be covered under the same program, can help more children gain coverage and help them use health services more effectively. Expanding coverage for low-income parents, thus, would build upon the successes and strengths of state and federal child health initiatives.

### Insuring Parents Increases Children's Coverage

Since the enactment of SCHIP in 1997, every state has expanded child health insurance coverage. Most states now offer coverage to low-income children living in families whose incomes are less than twice the poverty level (\$29,260 per year for a family of three). However, about seven million children who are eligible for SCHIP or Medicaid were uninsured in 1999, the last year for which Census data are available; these children make up about 95 percent of all low-income uninsured children.<sup>2</sup> Expanding coverage for parents can facilitate enrollment of these eligible but uninsured children, because the whole family can apply for coverage together in the same plan.

- In general, when parents are insured, their children are insured as well. Over 90 percent of the low-income children with insured parents are themselves insured. By contrast, fewer than half (48 percent) of the children with uninsured parents have coverage.<sup>3</sup>
- Research has found that when states broaden eligibility for parents, more eligible children gain coverage. A recent Urban Institute study found that the proportion of low-income children who were eligible for Medicaid but uninsured was about half as large in states that have broadened Medicaid coverage for low-income parents as in states without such expansions.<sup>4</sup>
- A Center on Budget and Policy Priorities analysis demonstrated that the proportion of eligible children who participated in Medicaid rose faster in states that implemented expansions that covered parents than in states that did not. Young children's participation rates increased from 51 to 67 percent after the states implemented family-based expansions, while changing from 51 to 54 percent in states without such expansions.<sup>5</sup>



## Children with Insured Parents Use Health Services More Effectively

In addition to stimulating greater insurance coverage among children, insuring parents can improve their children's use of health services. When parents have seen a doctor, their children are two or three times more likely to see one, too.<sup>6</sup> This may reflect the fact that it is easier to use health services when the whole family is covered under the same health plan and can use the same providers.

- A new study from Pennsylvania State University assessed how insurance coverage affects low-income children's use of preventive health services. The use of well-child visits, which are recommended by the American Academy of Pediatrics, was highest when both children and parents were enrolled in Medicaid. Children in such families used preventive care more than low-income children with other combinations of insurance coverage, including situations where both children and parents had private coverage, where the children had Medicaid but the parents were uninsured, and where the children were uninsured.<sup>7</sup>
- Evaluations of state expansions that covered parents and children alike have documented impressive improvements in health care access for adults and children, such as increases in the use of preventive and primary care services like Pap smears for women and well-child visits for children. Those who gained insurance coverage were better able to obtain medical care when they needed it and were more satisfied with their health care than comparable adults and children who were uninsured.<sup>8</sup>

## References

1. Comment by Gary Stangler on "Supporting Work Through Medicaid and Food Stamps," by Bob Greenstein and Jocelyn Guyer in Rebecca Blank and Ron Haskins, editors, *The New World of Welfare*, Washington, DC, Brookings Institution, forthcoming.
2. Matthew Broaddus and Leighton Ku, "Nearly 95 Percent of Low-income Uninsured Children Now Are Eligible for Medicaid or SCHIP," Center on Budget and Policy Priorities, Dec. 6, 2000.
3. Jeanne Lambrew, "Health Insurance: A Family Affair," Commonwealth Fund, May 2001.
4. Lisa Dubay and Genevieve Kenney, "The Effects of Family Coverage on Children's Health Insurance Coverage," Urban Institute, presentation at the Academy for Health Services Research and Health Policy Conference, Atlanta, June 12, 2001.
5. 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, Sept. 5, 2000.
6. Karla Hansen, "Is Insurance Enough? The Link Between Parents' and Children's Health Care Use," *Inquiry*, 35(3):294-302, 1998.
7. Elizabeth Gifford, Robert Weech-Maldonado and Pamela Farley Short, "Encouraging Preventive Health Services for Young Children: The Effect of Expanding Coverage to Parents," Pennsylvania State Univ., presentation at the Academy for Health Services Research and Health Policy Conference, Atlanta, June 12, 2001.
8. Lorenzo Moreno and Sheila Hoag, "Covering the Uninsured Through TennCare: Does It Make a Difference?" *Health Affairs*, 20(1):231-39, Jan/Feb. 2001. Lorenzo Moreno and Cheri Vogel, "The Effects of Insurance Expansions for Adults and Children: The Hawaii Experience," Mathematica Policy Research, April 27, 2001.

## THE VAST MAJORITY OF LOW-INCOME UNINSURED PARENTS ARE PART OF WORKING FAMILIES: A FACT SHEET

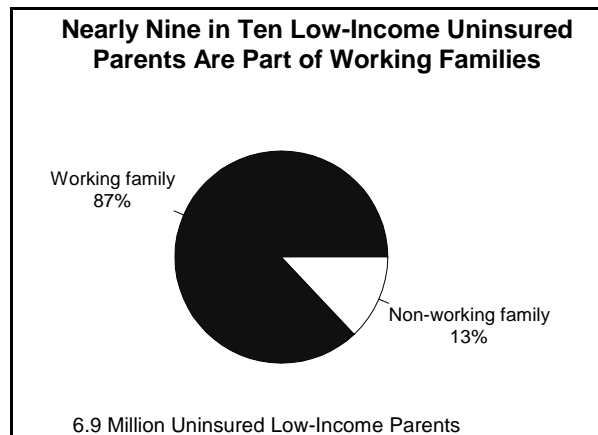
Although it is commonly thought that low-income parents who are uninsured lack coverage because they have little or no connection to the workforce, the reality is that the vast majority of low-income uninsured parents are part of working families. In fact, as explained in more detail in this fact sheet, low-income parents are far more likely to be uninsured if they are working than if they are not. (For purposes of this fact sheet, low-income is defined as those with family income below 200 percent of the poverty line, \$29,260 a year for a family of three.)

### Most Low-Income Uninsured Parents Are in Working Families

In 1999, the latest year for which these data are available, 6.9 million low-income parents caring for children age 18 or younger — one of every three in the country — were uninsured. Nearly nine of every ten low-income uninsured parents — 87 percent of them — are members of working families.

Low-income parents are at high risk of being uninsured even though they are working, in large part because they often do not have access to affordable employer-based coverage through their own or a spouse's job. For example, among workers who earn less than \$20,000 a year, almost half are not offered health insurance by their employers, and many who are offered insurance at work decline it because they cannot afford the insurance premiums.

It can be particularly difficult for low-income parents who work in certain types of jobs to secure coverage. People who work in fields like agriculture, forestry, fishing, mining or construction are about twice as likely to be uninsured as others and those in retail and service sector jobs also are more likely to lack coverage. Employers in these sectors are less likely to offer health insurance to their workers. Parents who work in small businesses also are much less likely to be offered employer-based insurance. In addition, some parents work for employers that offer coverage, but the parents are not eligible to participate because they have only recently started their jobs or work part-time. Finally, in most companies, the share of the insurance premium that an employee must pay is the same no matter how much a worker earns, so low-income workers can have a harder time affording insurance when it is offered. The bottom line is that millions of parents work hard but are unable to obtain affordable health insurance through their employers.



### Parents' Eligibility Levels Are Often Set Far Below the Poverty Line

At the same time, low-income working parents are largely ineligible for publicly-subsidized coverage. The majority of states provide coverage to *parents* only if the parents are poor enough to qualify for welfare. Half of all states provide coverage to a working parent with two children only if the parent's earnings fall below roughly \$10,000 a year, an amount that leaves the family nearly \$5,000 below the poverty line. In the typical (or median) state, a working parent with two children becomes ineligible for coverage when her earnings reach 69 percent of the poverty line. In some states, the

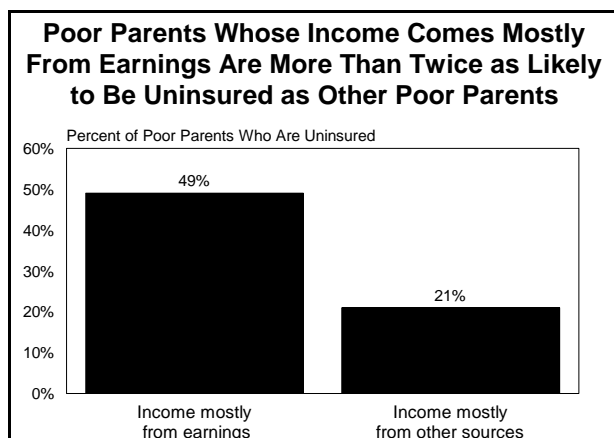
eligibility cutoff for parents is even lower. In Alabama, a parent with two children is ineligible for Medicaid if the parent's earnings exceed \$3,048 a year, an amount that leaves the family more than \$11,500 below the poverty line.

In most states, low-income parents thus face the prospect that if they or other family members earn enough to stay off welfare, they must forego health insurance coverage. (For additional information on state-specific eligibility thresholds for working parents, see Jocelyn Guyer, *Congress Has a \$28 Billion Opportunity to Expand Coverage for Families with Children*, Center on Budget and Policy Priorities, July 2001 at [www.cbpp.org](http://www.cbpp.org)).

### **Low-Income Working Parents Are More Likely to Be Uninsured**

As a result of the low income eligibility limits for publicly-subsidized coverage that apply to parents in many states and the limited availability of employer-based coverage at low-wage jobs, low-income working parents are more likely to be uninsured than their unemployed counterparts. In 1999, for example, 36 percent of low-income parents who secured a majority of their income from earnings were uninsured. In comparison, a little more than one in five low-income parents (22 percent) who derived a majority of their income from sources other than earnings were uninsured.

The uninsured rate of those parents in poor families whose primary source of income is earnings is particularly high — close to half (49 percent) of these parents are uninsured. In comparison, a little more than one in five poor parents (22 percent) who derived a majority of their income from sources other than earnings were uninsured.



### **References**

1. The data on the number and characteristics of uninsured parents in this fact sheet are based on CBPP's tabulations of the March 2000 Current Population Survey which provides information on the health insurance status and income of individuals in 1999. CBPP defined "parents" to include household heads and their spouses between the ages of 18 and 65 living with children.
2. Lisa Duchon, Cathy Schoen, Elisabeth Simantov, Karen Davis, and Christina An, "Listening to Workers: Challenges for Employer-Sponsored Coverage in the 21st Century," Commonwealth Fund, January 2000.
3. See, for example, Paul Fronstin, "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2000 Current Population Survey," *Employee Benefits Research Institute Issue Brief*, Dec. 2000 or, Jon Gabel, et al. "Embraceable You: How Employers Influence Health Plan Enrollment," *Health Affairs*, 20(4):196-208, Jul./Aug. 2001.

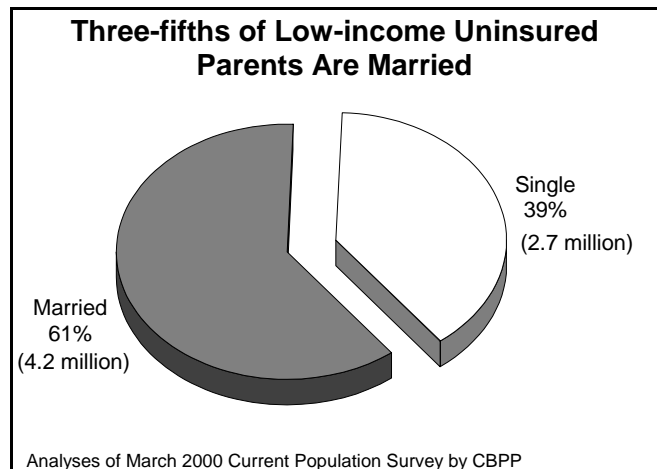
## HELPING MARRIED FAMILIES BY EXPANDING PARENTS' INSURANCE COVERAGE: A FACT SHEET

Three out of every five low-income parents who lack insurance are married. Research indicates that earlier expansions of Medicaid eligibility for children in two-parent families encouraged marriage by helping to assure that parents could maintain their children's insurance coverage when they married. Expanding *parents'* insurance coverage would reduce the risk that a single parent might lose her insurance if she marries, as well as strengthen insurance coverage among low-income married families.

### Insurance Coverage and Marital Status

Data from the Census Bureau's most recent annual survey of the U.S. population indicate that:

- About one-third (34 percent) of low-income parents with children under age 18 are uninsured. (As used here, "low-income" means the family's income is below 200 percent of the poverty line, or \$29,260 for a family of three.) Among low-income parents, the percentage of married parents who lack insurance (33 percent) is about the same as the percentage of single parents who lack insurance (34 percent). The *number* of uninsured married parents is much larger than the number of uninsured single parents, however, since there are more married parents in general.
- As the chart shows, 61 percent of low-income uninsured parents — or 4.2 million people — are married. (This includes parents who are uninsured, but whose spouses have coverage.)
- Expansions of Medicaid eligibility for parents would particularly aid married parents. Single-parent families predominate among families with incomes low enough to qualify for Medicaid today in the typical, or median, state. In the typical state, Medicaid eligibility ends when parents have earnings equivalent to 69 percent of the poverty line, or about \$10,000 for a family of three. The incomes of low-income married parents are usually somewhat higher, since there is a greater chance that at least one parent is working full-time and the second parent also may have earnings.



- Most states have raised income limits for children's health care coverage to about 200 percent of the poverty line. If income limits for parents were raised to that level, *two of every three* uninsured parents who would become newly eligible for coverage — 67 percent — would be married parents. (This number is higher than the 61 percent figure shown in the pie chart because the chart also includes parents who are currently eligible for Medicaid but are unenrolled.)

## Research on the Relationship Between Marriage and Insurance Eligibility

Research by Aaron Yelowitz, now at the University of Kentucky, found that earlier efforts to expand insurance coverage in two-parent families encouraged marriage. Yelowitz examined the implications of expansions in Medicaid coverage for children that occurred in the late 1980s and early 1990s. Before this time, Medicaid eligibility was primarily linked to welfare, which was mostly confined to single-parent families. That created a disincentive for marriage: if, for example, a single mother married, her children might lose insurance coverage both because she was no longer a single parent and because the family's income might rise above the state's Medicaid eligibility limits if her new husband was working. Because the Medicaid eligibility expansions for children applied to children in single- and two-parent families alike, they reduced this disincentive and, in so doing, increased the probability of marriage.

Similarly, a single parent now on Medicaid who resides in a state that has not expanded eligibility for parents risks losing *her own* insurance coverage if she marries a man with a modest level of earnings. In many cases, her husband might not have private health insurance or might not be able to afford the additional premiums needed to purchase dependent coverage for his wife. Almost half of workers earning \$20,000 or less per year are not offered job-based health insurance, and many of those who are offered insurance cannot afford to pay the premiums. Expanding Medicaid eligibility for low-income parents would reduce the risk that a single parent who marries might consequently lose health insurance and would increase insurance coverage for low-income married families.

## References

1. Aaron Yelowitz, "Will Extending Medicaid to Two-Parent Families Encourage Marriage?" *Journal of Human Resources*, 33(4), 833-65, Fall 1998.
2. Duchon, Cathy Schoen, Elisabeth Simantov, Karen Davis, and Christina An, *Listening to Workers: Challenges for Employer-Sponsored Coverage in the 21<sup>st</sup> Century*, Commonwealth Fund, January 2000.
3. This is a brief discussion of a more complex topic. For more information, see Wendell Primus and Jen Beeson, "Safety Net Programs, Marriage and Cohabitation," prepared for the National Symposium on Just Living Together: Implications of Cohabitation for Children, Families, and Social Policy, Pennsylvania State University, Oct. 2000.

## IMPROVING RURAL PARENTS' HEALTH INSURANCE COVERAGE: A FACT SHEET

Lack of health insurance is a serious problem in rural America. Expanding coverage not only would benefit the low-income rural residents who would gain insurance, but also would strengthen the overall rural health system by increasing health care providers' revenues, thereby helping other rural residents.

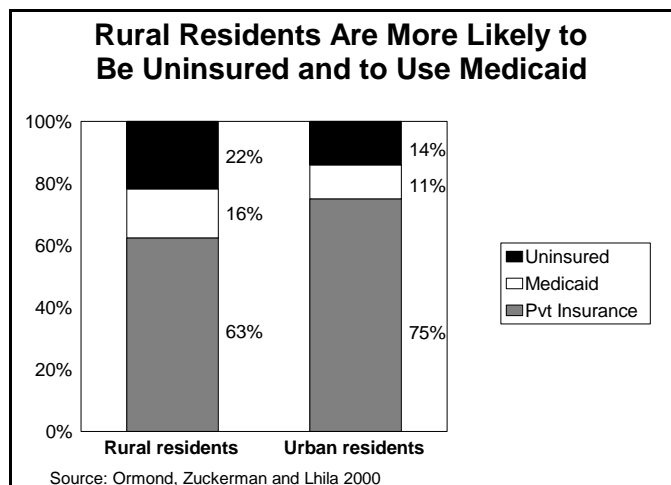
The proposal to expand coverage for parents would provide funding to states to help insure parents, in a fashion similar to the provision of funds to states under the State Children's Health Insurance Program (SCHIP). It would be an important step in reducing problems of uninsurance and poor access to health care in rural areas. The National Rural Health Association recently noted that an important strategy to improve the rural health care system is to "expand insurance coverage for the poor and near-poor. . . . It seems appropriate that, in this time of great national prosperity, further reducing the ranks of the uninsured would be a top national policy priority."

### Rural Residents Are More Likely to be Uninsured; Many Rely on Public Insurance

A study from the Urban Institute found that 22 percent of people under age 65 in rural areas were uninsured, compared to 14 percent of urban residents. Moreover, people in rural areas were less likely than urban residents to see a doctor or nurse.

Many rural residents work in agriculture, forestry, fishing, or related industries that are less likely to offer private employer-sponsored health insurance than other industries, like manufacturing. Many rural residents have multiple part-time or seasonal jobs, which also lowers job-related coverage. In addition, average incomes generally are lower in rural areas than in urban ones, depressing insurance coverage.

The difficulties in securing employer-sponsored insurance make public programs like Medicaid and SCHIP all the more important for low-income rural residents. The Urban Institute study found that one-sixth (16 percent) of non-elderly people living in rural areas obtained insurance through Medicaid or similar state programs, compared to 11 percent of urban residents. People living in rural areas are already familiar with public insurance programs and could readily take advantage of expanded public coverage.





## **Increasing Insurance Coverage Can Strengthen the Rural Health Care System**

Increasing insurance coverage among low-income families can increase revenues for rural hospitals, clinics, physicians, dentists, and other health care providers. In so doing, it can reduce the burden of providing uncompensated care (such as treating uninsured persons) and help ensure that providers can continue to serve other patients, including those on Medicare and those with private insurance.

## **States Could Adopt Policies to Make It Easier to Enroll Rural Families**

The parent expansion proposal would help states expand coverage of low-income parents under their Medicaid or SCHIP programs. Since the states would earn the “enhanced” federal matching rate for coverage expansions, it would cost them much less than if they expanded coverage as a regular Medicaid expansion. With the enhanced federal match, a state’s share of expenses is 30 percent less than under its regular Medicaid match. For example, under a Medicaid expansion, Montana would pay 27 percent of the total cost; with the enhanced match, the state’s share would fall to 19 percent. New Hampshire, a more prosperous rural state, would pay 50 percent of the total cost under Medicaid, but just 35 percent with an enhanced match.

In addition, states have the flexibility to adopt other policies that would make it easier to enroll rural families, such as eliminating asset tests for families. Farm families often are ineligible because their savings are too high after the crops are sold, even though the savings are depleted later in the year, or because they own vehicles that exceed the prescribed value, but are still needed because of their rural locale.

States also could make it easier to apply for health insurance by permitting mail-in applications and not requiring face-to-face interviews, so people do not need to travel to the welfare or other eligibility office. Since rural areas often have few eligibility offices, low-income families sometimes must travel long distances to apply.

## **References**

1. National Rural Health Association, “The Need for Responsive Rural Health Delivery Systems,” Kansas City, MO, July 2001.
2. Barbara Ormond, Stephen Zuckerman, and Aparna Lhila, “Rural/Urban Differences in Health Care Are Not Uniform Across States,” Assessing the New Federalism Brief B-11, Urban Institute, May 2000. In these analyses, “urban” refers to people living in metropolitan areas, which include both cities and their suburbs; “rural” refers to those in non-metropolitan areas that are not adjacent to metropolitan areas.
3. National Rural Health Association, “Access to Health Care for the Uninsured in Rural and Frontier America,” Kansas City, MO, 1999.