

Uninsured Children with Access to Employer-Based Coverage

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In 1996, 4.3 million uninsured children (37% of all uninsured children) had parents who were either insured through their own employment or were offered employment-based coverage and declined it.¹ Because nearly all employers who offer health insurance to their workers also offer dependent coverage, most of these children were presumably eligible for employer-based insurance. Probably they remain uncovered because their parents cannot afford required employee contributions. These children are the target population for state programs that plan to use Children's Health Insurance Program (CHIP), Medicaid, or state-only funds to buy into employer-based coverage for eligible children.

In designing these programs, it would be useful for states to know something about the employers from whom coverage may potentially be available. How many of the parents work for private firms, and how many for government? (Title XXI, the CHIP legislation, excludes children eligible for coverage through a state employee.) How many of the parents work for small firms, which may be less likely to subsidize dependent coverage, and how many for larger employers. This paper presents estimates that may help answer some of these questions.

The data are derived from two surveys: the March 1998 Current Population Survey (CPS), which provides data on children whose parents actually held employer coverage in 1997, and the Medical Expenditure Panel Survey (MEPS), which provides information on children whose parents either held or were offered coverage. Coverage of self-employed parents is excluded from all of the employer coverage estimates.

Type of Employer

Table 1, based on MEPS data, shows the type of employer for children whose parents held or were offered employer-based coverage. As the table shows, most of the children had parents who worked for private firms. However, a significant minority had parents who were state or local employees. The MEPS data do not distinguish state employees, whose children may be excluded from Title XXI, from

¹ IHPS estimate based on the 1996 Medical Expenditure Panel Survey; the figure excludes children who might have had a parent outside the household with access to employer coverage.

local government employees, whose children may be eligible. (In some states, local government employees may participate in the state government health plan; children of such employees would be ineligible.)

Table 1. Uninsured Children under Age 19 with a Parent Holding or Offered Employment-Based Coverage, by Type of Parent's Employer, 1996

	Number	Percent
State or local government	495,422	12.5%
Federal government	102,317	2.6%
Private	3,352,052	84.9%
Total	3,949,792	100.0%

Source: IHPS analysis of the 1996 Medical Expenditure Panel Survey.

Note: Children both of whose parents held or were offered coverage, and whose parents worked for different types of employers, are assigned to a type in the order shown. Children are excluded if the type of employer for one or both parents is not reported. (Therefore, the total shown here is less than 4.3 million, the full number of children whose parents have access to employment-based coverage.)

CPS data distinguish state from local employees, but allow identification only of parents who were covered by employer plans, not those who declined coverage. Still, as table 2 shows, the results are similar to those found in MEPS. About 12 percent of the uninsured children whose parents hold employer coverage have parents covered through state or local government. However, two-thirds of these have parents employed by local government. If the same pattern held true for parents who were offered coverage but declined it, the Title XXI exclusion of children eligible for state employee plans would appear to have a negligible effect. These numbers should be interpreted with caution; the population estimates involved are small enough to be subject to significant error. And, again, local government employees in some states may be covered through state employee plans; children of such employees are ineligible for CHIP.

Table 2. Uninsured Children under Age 19 with a Parent Holding Employment-Based Coverage, by Type of Parent's Employer, 1997

	Number	Percent
State government	82,808	3.6%
Local government	194,819	8.4%
Federal government	72,743	3.2%
Private	1,955,427	84.8%
Total	2,305,796	100.0%

Source: IHPS analysis of the March 1998 Current Population Survey.

Note: Children both of whose parents held or were offered coverage, and whose parents worked for different types of employers, are assigned to a type in the order shown. Children are excluded if the type of employer for one or both parents is not reported.

Employer Size, Children Whose Parents *Held* Employer Coverage from Private Firms

Table 3, based on CPS data, shows, for uninsured children whose parents had employer-based coverage from a private firm, the size of the parent’s employer. Only a third of these parents are in firms with fewer than 100 employees, while nearly half are in firms with 500 or more employees.

Table 3. Uninsured Children under Age 19 with a Parent Holding Employment-Based Coverage from a Private Firm, by Size of Parent’s Employer, 1997

Number of employees	Number of children	Percent of children
<10	107,694	5.5%
10-24	178,029	9.1%
25-99	364,292	18.6%
100-499	400,509	20.4%
500-999	134,687	6.9%
1000+	777,040	39.6%
Total	1,962,251	100.0%

Source: IHPS analysis of the March 1998 Current Population Survey.

Note: Children one of whose parents held coverage from a private firm, while the other held coverage from federal government, are assigned to the private firm. (This accounts for the slight difference between the total shown here and the “private” entry in table 2.) Children either of whose parents had state or local government employee coverage are excluded. If both a child’s parents had coverage through a private firm, the larger of the two firm sizes is used. Children are excluded if the type of employer for one or both parents is not reported.

Employer Size, Children Whose Parents *Declined* Employer Coverage

The MEPS data can provide data on parents who declined available employer coverage for themselves, as well as for their children. However, the MEPS provides data on employers by *establishment* size rather than *firm* size. An establishment is defined by the Bureau of Labor Statistics as an economic unit that produces goods or services--such as a factory or a store--at a single location. One firm may have multiple establishments, such as branch stores or offices. For example, a worker at an establishment with 5 workers might be in a firm with 5 workers or a firm with 2,000 workers.

To develop an estimate of the distribution of the targeted children by their parent’s firm size, we first calculated their distribution by establishment size, using the 1996 MEPS. Next, we used firm size/establishment size ratios of firms that reported offering coverage in the 10-state 1993 Robert Wood Johnson Foundation Employer Health Insurance Survey. Appendix A describes the method more fully. (Note that this estimation method is reliable only if parents in multi-establishment firms who failed to cover their children were distributed in the same way as all other workers in multi-establishment firms offering coverage. As this seems unlikely, the table below should be considered only as offering a very broad picture of the possible distribution of uninsured children.)

Table 4. Children under Age 19 with a Parent Who Declined Employment-Based Coverage from a Private Firm, by Estimated Size of Parent's Employer, 1996

Number of employees	Number	Percent
1-24	360,018	20.1%
25-49	126,550	7.1%
50-99	241,612	13.5%
100-249	274,490	15.3%
250-499	110,304	6.2%
500+	679,240	37.9%
Total	1,792,214	100.0%

Source: IHPS analysis of data from Round 1 of the 1996 Medical Expenditures Panel Survey and from the 1993 Robert Wood Johnson Foundation Employer Health Insurance Survey.

Note: Children one of whose parents held coverage from a private firm, while the other held coverage from federal government, are assigned to the private firm. Children either of whose parents had state or local government employee coverage are excluded. If both a child's parents had coverage through a private firm, the larger of the two firm sizes is used. Children are excluded if the type of employer for one or both parents is not reported.

The results are shown in table 4. As compared to the CPS data on parents who accepted coverage for themselves and declined it for their children, the data on parents who declined coverage for themselves show a slightly larger proportion of children with parents in very small firms, and a smaller proportion with parents in very large firms. Because the estimation method is rather crude, it is difficult to determine how great the difference actually is. In any event, the overall pattern is the same: over half the children had parents whose estimated firm size was 100 workers or more.

Implications

Overall, the data suggest a few key implications for employer buy-in programs:

- Relatively few uninsured children are affected by the title XXI exclusion of children eligible for coverage under a state employee health plan. However, a not insignificant number may be eligible for coverage through plans offered to local government employees; these children are eligible for CHIP if the local government plan is not offered through a state employee plan. Opportunities for coordination with these plans may warrant investigation.
- Policymakers should not assume that workers who decline available employer-based coverage for their children are concentrated in small firms. On the contrary, it is likely that a significant share work for larger firms. This suggests that programs to coordinate CHIP or other programs with employer-based coverage will need to focus on both small and large employers. Because large employers often self-insure, while smaller ones usually buy insurance, very different strategies may be needed to coordinate coverage for the two populations.

Appendix A: Method for Firm Size Estimates

Table A-1 shows uninsured children whose parents declined private employer coverage by the size of the establishment at which the parent who was offered or received coverage was employed. Although MEPS does not provide firm size, it does allow a distinction between establishments of firms with one location and establishments of firms with multiple locations. About a third of the children had parents whose firm had only one location; for these children, the establishment size may be taken to equal the firm size.

Table A-1. Uninsured Children under Age 19 with Parent(s) Declining Employment-Based Insurance from a Private Firm, by Establishment Size of Parent’s Employer, 1996

Number of workers in establishment	Firm has multiple locations	Firm has one location	Total	Percent
1-24	346,481	290,122	636,603	36%
25-49	130,263	62,418	192,681	11%
50-99	179,489	143,369	322,858	18%
100-249	271,964	121,629	393,594	22%
250-499	86,900	-	86,900	5%
500+	127,119	32,459	159,578	9%
Total	1,142,216	649,997	1,792,214	100%

Source: IHPS analysis of data from Round 1 of the 1996 Medical Expenditure Panel Survey.

Note: Children one of whose parents held coverage from a private firm, while the other held coverage from federal government, are assigned to the private firm. Children either of whose parents had state or local government employee coverage are excluded. If both a child’s parents had coverage through a private firm, the larger of the two firm sizes is used. Children are excluded if the type of employer for one or both parents is not reported.

For the remaining children, firm size is estimated using data from the 1993 Robert Wood Johnson Foundation Employer Health Insurance Survey conducted by the RAND Corporation. Table A-2 shows the distribution of workers in private firms with more than one location by establishment and firm size. For example, of workers in establishments with 1 to 24 workers, 20 percent were in firms that had a total of 1 to 24 workers at all locations, 13 percent were in firms with 25 to 49 workers, and so on. These proportions are applied to the MEPS counts of children whose parents worked in firms with multiple locations.

Table A-2. Workers in Private Firms with More Than One Establishment, by Establishment Size and Firm Size, Ten States, 1993

Number of workers in establishment	Number of workers in firm					
	1-24	25-49	50-99	100-249	250-499	500+
1-24	20%	13%	11%	10%	7%	39%
25-49		16%	20%	13%	8%	43%
50-99			19%	25%	11%	44%
100-249				20%	15%	65%
250-499					17%	83%
500+						100%

Source: IHPS analysis of the 1993 Robert Wood Johnson Foundation Employer Health Insurance Survey.