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DataBrief: Sources of Coverage for Uninsured Children Before and After Periods of No Insurance

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DATA. Using the Survey of Income and Program Participation (1992 Panel) Mathematica Policy Research, Inc. (MPR) estimated the number and percentage of uninsured children by length of uninsured spells, income and sources of coverage before and after uninsured spells. The purpose of these estimates was to provide state policymakers with information to help in developing policies to best reach the target population and to understand the effect of various "firewall" eligibility policies. Unexpectedly though, the estimates suggest that a large proportion of uninsured children who are uninsured for fairly short periods of time frequently move between periods of no coverage, Medicaid and private employer-based coverage. If the hypothesis suggested by these data is true - that after brief periods of no coverage, many uninsured children become covered by private insurance - then there are important implications for CHIP design to avoid escalating crowding-out private coverage over the long.

The MPR analysis suggests that almost 40% of the children who are uninsured at a point in time have been uninsured for six months or less, and over half (52%) for less than one year. Table I shows the coverage status of children before and after short-term uninsured spells (less than 12 months). Of those children who complete their spells in 12 months or less, 44% are later covered by private employer-based plans. As expected, the percentage of children who move to private coverage after being uninsured is larger for modest-income children than for low-income children. Over half (51%) of children in families with income between 133% and 200% of the federal poverty level who remain uninsured for less than a year become covered by employer-sponsored plans while about one-third of uninsured children in families with income below 133% of the federal poverty level are later covered by employer-based plans.

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Sources of coverage for children under age 19 who were uninsured for 12 months or less by income as a percentage of the federal poverty level, September 1993						
	133% or less	133% to 200%	200% to 250%	250% to 300%	300% and over	All children uninsured for 12 months or less
Coverage before uninsured spell:[a\]						
Employer-based	30%	38%	37%	54%	38%	35%
Medicaid	49%	25%	28%	16%	20%	37%
Coverage after uninsured spell: [b\]						
Employer-based	35%	51%	61%	61%	47%	44%
Medicaid	51%	31%	27%	5%	11%	38%

Source: Mathematica Policy Research, Inc. analysis of Survey of Income and Program Participation, 1992 Panel
a\ The percentages are for uninsured children with spells in progress.
b\ The percentages are for uninsured children completed spells of uninsurance in 12 months or less.

In addition, over one-third (38%) of children uninsured for short spells later receive coverage through Medicaid. As expected, the percentage of children moving to Medicaid after being uninsured declines as family income rises. Surprisingly though, the percentage moving to Medicaid is substantial for children in families with income as high as 250% of poverty - 27% of short-term uninsured children in families with income between 200 and 250% are covered through Medicaid after being uninsured for under one year.[1]

Implications. These data make it clear that uninsured children who are uninsured for less than 12 months frequently shift between no coverage, Medicaid and employer-based coverage. If many uninsured children today frequently move into private coverage, then the threat that a free or near free public child health program without linkages to employer coverage will encourage crowding-out of private coverage. The problem could become particularly acute over the long-run. Therefore, programs and policies that coordinate with private coverage instead of undermining such coverage could prove to ameliorate some of the crowding-out.

In designing CHIP and other public health programs, policy-makers are concerned about two types of crowding-out. The first results from immediate or short-term decisions of individuals in states where new public programs providing insurance coverage for children or other family members are erected. In this type of crowding-out, parents of eligible children decide to move their children from private coverage or forego enrollment into available private coverage or employers decide to encourage modest-income families to move their children into the public program. Over the long-term, crowding-out concerns are

[1] The percentages above reflect family income at the time of the query, September 1993. Income at the time the child enters Medicaid may be quite different from the income reflected above.

more at the macroeconomic level instead of individual decisions. Businesses that employ modest-income workers and offer coverage to those workers and their families may find it less financially worthwhile to offer such benefits when a free or near-free public program exists. And because workers and/or their children have access to a public program, workers may not value the employer-provided benefits as highly and no longer demand them. Over time, fewer modest-income families would have access to employer-based coverage.

A second implication of the findings is that parallel state policies to encourage Medicaid-eligible children to enroll in employer-based plans where offered may be more valuable than earlier believed. The data suggests that some modest-income workers will have children who are eligible only for Medicaid while other similarly situated workers could have children who are eligible for CHIP.[2] In addition, a significant percentage of borderline Medicaid/CHIP participants may move between the two programs due to fluctuations in income. If one worker receives assistance for employer-based coverage under Title XXI while a coworker with access to the same employer plan is referred to traditional Medicaid, it will seem confusing and unfair. While Medicaid and CHIP operate under different rules, federal law allows both programs to coordinate with employer-based insurance. If both do, the inevitable movement of program participants between the programs could be less confusing. For example, if Medicaid had employer coordination policies, a CHIP beneficiary enrolled in an employer-based plan with a CHIP subsidy could continue to be enrolled in the same plan even if income falls below CHIP eligibility levels.

An alternative to implementing such policies broadly may be to allow children and or families in this borderline group to opt into employer-based coverage. For instance, a Medicaid recipient whose children are moving into CHIP because family income rises, could prefer that coverage be obtained from the employer if available. Alternatively, a CHIP child who received coverage through an employer plan and who must now participate in Medicaid because his parent's income has declined, could request to remain in the employer plan.[3] This coordination can simplify and stabilize access to the healthcare system because more children can stay with the same plan and providers despite fluctuations in their parents' income.

Other Considerations. Federal guidance for states establishing premium assistance programs under CHIP recommends premium subsidies only when employers contribute more than half of the premium. Based on the data presented above, though, policy-makers concerned about the longer-run crowd-out impact may want to consider programs that assist Medicaid or CHIP enrollees with the cost of employer-based coverage for employer plans even when the employer contribution is less than 50% of the premium. Policies that encourage even relatively small employer contributions at any level may help to ameliorate the long-term consequences of crowding out.

A number of caveats about the applicability and strength of the data must be considered. First, the notion that crowd-out could escalate very quickly assumes that the short-term uninsured children that later become insured by employer plans are different children over time. If, on the other hand, the children churning between no coverage and employer-based coverage are the same children year after year, then the concern that crowd-out would escalate rapidly over time is lessened. Further, the statistical reliability of specific cells is not very high, indicated by some bouncing around in the estimates. For example, the number of short-term uninsured children later covered by Medicaid drops from 27% to 5% and then increases to 11% as family income rises. However, those results are probably indicative of the limitations of sample size in the SIPP as well as other surveys.

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[2] Federal rules require that Medicaid-eligible children be on Medicaid and not a state CHIP program.
[3]Such policies make sense when parents have a stable employment relationship with a single employer.

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