

*Effective Coverage Expansions for Uninsured Kids and Their Working Parents:  
Links to Job-Based Coverage*

May 18, 2001

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**Closing Remarks**

**Speaker:**

- Rick Curtis, President, Institute for Health Policy Solutions

**Transcript:**

MR. CURTIS: As a wrap-up, I'm going to very quickly run through some key points that have been made today.

Starting with the opening point—covering parents as well as kids through family coverage is good, not only for the parents, but also for the kids as well, for reasons that have been previously discussed. Coordinating with employer coverage for such family coverage can be a cost-effective way to build on and reinforce (rather than undermine) the existing, prevalent coverage source for working families.

To clarify a key insight from the data Sandra Shewry referenced—as you've seen (in data that we briefly presented in the introductory remarks), there is a substantial uninsured modest-income population that is eligible for existing employer coverage. But, as the conversation with Linda Bilheimer pointed out, there is very significant turnover in who is uninsured, even over a one-year timeframe. As Tricia Leddy of Rhode Island observed, in light of such turnover, premium assistance for employer coverage is an even more important adjunct to family coverage. But as was also discussed, turnover's effect on achieving stable coverage is an important dimension, and we can't just blithely assume that, if people generally prefer employer-based coverage, then even if they're only going to work for a given employer for three months, any employer coverage that might be available is necessarily better for their children.

This is a particularly pertinent issue area for states pursuing subsidized coverage strategies through previously uninsured small firms. A graduate student placed at IHPS for the summer will be identifying and pulling together data sources on stability of employment and what indicates that you have a potentially stable employment and coverage situation and what indicates you won't.

Another point here is—there was some discussion of this—no single research study is definitive about crowd-out, including the RAND study on previous state coverage expansions involving adults as well as children. But to our knowledge, the RAND study is the most extensive research effort on this subject, involving the most extensive population and employer survey data bases, and very careful and sophisticated analysis. What these findings do generally indicate is: if you expand public coverage to working families but don't do anything to try to coordinate with employer coverage, you can expend substantial funds and not make nearly as much of a dent in the uninsured population as you would like.

A couple of other studies were referenced. One of those estimated that, on average, when public coverage was extended to adults between 100 and 200 percent of poverty, a 33-percent

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crowd-out rate was experienced, and for extensions to adults between 200 to 300 percent of poverty, 60 percent crowd-out was experienced. If you roughly averaged that finding for the 200-percent-of-poverty level, it would suggest about 45 percent crowd-out. While there was a net reduction in the uninsured, this study also indicated substantial shifting of coverage source. The recent real-world experience of Rhode Island suggests there is potentially a problem if you expand to families significantly above poverty but don't have something like premium assistance in place. (And as Christy Ferguson noted, it's better to adopt premium assistance simultaneously than to wait until after public program expansions have already created a shift and a windfall for some.) Christy's quote of the day—during her comments about why premium assistance is more sensible than some alternative crowd-out prevention measures—was “this issue is addressable without doing anything draconian.” That is the point.

Our point is not to avoid covering uninsured working families. It's to cover the uninsured in the way that works for them and makes good use of public dollars. And it can be done. (One approach to preventing “crowd-out” is very steep “firewalls,” such as those in Minnesota. Despite the RAND findings, it seems unlikely that Minnesota experienced significant substitution of public for private coverage like other contemporary expansions did. If an applicant for MinnesotaCare had access to employer coverage, either currently or in the last 18 months from their current employer, they were not eligible, no matter how financially needy.)

The premium assistance approach, as Rhode Island suggested, can be used partly in lieu of such steep firewalls, and allow states to be more generous with coverage, but in a way that effectively reduces the uninsured population rather than shifts coverage source.

To cover the uninsured, I think it's important not to be ideological on these issues. We had our own version of “strange bedfellows” here, a major commercial carrier and the AFL-CIO. Like some of you in the audience, I have also been involved with such coalition building towards successful coverage initiatives. The upshot is that, while this strange-bedfellow stuff may sound corny, it's important.

The last point I would make—and this came up several times, but I think it was Beth Waldman from Massachusetts who put it, “reward, don't penalize, people who do the right thing.” It might help if that were emblazoned on all of our foreheads. It's otherwise easy to forget.

Here's an example from a suggestion today that I would point to as potentially penalizing the wrong people. A state might be thinking, okay, we're going to parlay these public-program subsidy dollars and make use of those tax-credit dollars and apply those dollars to greatly expand coverage through the individual market. We'll keep our costs per capita down through underwriting and refer all those costly high-risk folks to our risk pool. The problem here is that risk-pool losses are typically funded by assessments against insured coverage for employers and individuals who did the right thing. Substantially increasing such assessments increases incentives for them to drop coverage. If you're going to assess somebody for such losses, you might consider assessing the richer people who are uninsured, who we all have to pay for when they go into the risk pool because they were uninsured until they got sick. Again, to work,

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policies need to encourage rather than penalize people who do the right thing and discourage people from doing the wrong thing.

If you keep these and related factors in mind, I think you can overcome all those hurdles and problems that Sandra so adeptly pointed out, and Sandra, I'm glad to hear you surmise you will pursue some kind of premium assistance approach anyway, at least eventually. [Laughter.]

As a next step, we and NGA are planning to do some kind of workshop in concert with the National Academy for State Health Policy meeting in August. And, the Academy for Health Services Research and Health Policy is having a meeting on related issues in July for states that are applying for Robert Wood Johnson grants for the uninsured.

So lots will be going on. We'll keep the information we're generating coming out to you. We think you are on the cutting edge and what you're about is important. Especially with the high probability there will be significant federal funds and/or tax credits for states to add coverage of parents one way or the other, the information and experience conveyed today will be important to keep in mind.

Thank you.

[Applause.]

[Whereupon, at 4:45 p.m., the meeting was adjourned.]