

## Five Good Reasons to Increase Health Coverage for Parents

Over the past six years, health insurance premiums have risen three times faster than wages.<sup>1</sup> Other costs of living are climbing higher as well, especially at the gas pump and the grocery store, and the financial crunch families are finding themselves in is worsening. As working families are priced out of health insurance, the number of uninsured Americans continues to grow. In 2006 and 2007, a staggering one out of every three Americans was uninsured for some or all of those two years.<sup>2</sup> While many families can fall back on Medicaid and the State Children's Health Insurance Program (CHIP) for their children if they become uninsured, the parents are often left behind.

This fact sheet discusses five good reasons why states should strengthen the health and economic security of families by expanding health coverage for parents. As families cope with economic hardship and limited resources, states can use the proven strategy of parental coverage to ensure that every hard-working American family has access to the health services it needs.

### **1** Health insurance is just too expensive for many working people to afford.

- An overwhelming majority (82 percent) of uninsured, low-wage families lack health coverage *even though* they have at least one full-time worker.<sup>3</sup> Among low-income parents with incomes under \$35,200, one in three (33 percent) has no health insurance coverage. And among those earning less than \$17,600, more than four out of 10 (42 percent) are uninsured.<sup>4</sup>
- Lower-wage parents are less likely to be offered insurance by their employers. Businesses with a high proportion of lower-wage workers are only about half as likely to offer health benefits as other businesses (36 percent versus 67 percent).<sup>5</sup>
- Even when employers offer insurance, it is often prohibitively expensive for workers. In 2007, the average premium cost to employees for family coverage was \$3,281 per year. That's almost 20 percent of total family income for a worker earning \$8.50 an hour (\$17,680 a year, which is roughly 100 percent of the federal poverty level for a family of three).<sup>6</sup>

- Besides premium costs, families must also pay the added expense of deductibles, copayments, and out-of-pocket costs for services that aren't covered. When these added expenses are taken into account, 50.7 million non-elderly Americans with insurance are in families that will spend more than 10 percent of their *pre-tax* income on health care costs in 2008; 13.5 million will spend more than 25 percent. Low-income families can ill afford these costs of private coverage.<sup>7</sup>

## **2** Contrary to popular belief, low-income parents can't get Medicaid or CHIP in most states.

- In 26 states, parents cannot get coverage even if their household income is below the federal poverty level.<sup>8</sup> On average, working parents in a family of three are excluded from coverage if they earn a combined income of more than \$16,386, or just \$7.88 an hour.<sup>9</sup>
- In some states, income caps are so low that virtually no working parents qualify for Medicaid coverage. For example, working parents in Louisiana are disqualified from Medicaid if their households earn more than 20 percent of the poverty level.<sup>10</sup> For a family of three, this income cap is a meager \$3,520 for an entire year, or the equivalent of \$1.69 per hour.<sup>11</sup>

## **3** Lack of health insurance jeopardizes the well-being of low-income families.

- The high costs of health care damage the overall economic well-being of American families. One in three low-income parents without insurance (32 percent) report that medical bills have a major financial impact on their families.<sup>12</sup>
- Health care bills directly compete with families' most basic needs. More than one in three low-income parents without insurance (36 percent) spent less on food, heat, or other basic needs in order to pay for health care in 2005.<sup>13</sup>
- Uninsured parents are unable to negotiate discounts on hospital and doctor charges as insurance companies do. They are often charged more than 2.5 times what insured patients are charged for hospital services.<sup>14</sup>

## **4** Expanding coverage for families can save money and lead to better health care for all Americans.

- When parents are insured, they are more likely to get preventive care. Expanding health coverage to parents increases cancer screenings and decreases the likelihood that they will forgo care due to high costs.<sup>15</sup>

- Many uninsured parents forgo care because it is too expensive. Uninsured low-income parents are twice as likely as their insured counterparts to lack preventive care (68 percent versus 34 percent) and almost three times as likely to forgo recommended care completely due to cost (21 percent versus 8 percent).<sup>16</sup>
- When they forgo care, many parents become sicker. Among uninsured low-income parents who skipped or delayed care, 60 percent saw their condition get worse as a result, and 13 percent developed a disability.<sup>17</sup>
- Uninsured adults are more likely to be diagnosed with a disease at a later stage and are 25 percent more likely to die prematurely than adults with private health insurance.<sup>18</sup> For example, 12 working-age adults in Alabama die each week due to lack of health insurance.<sup>19</sup>
- The costs associated with lack of insurance are passed on to the public at large. By 2010, premiums for families who have employer-based health insurance will be \$1,500 higher due to the cost of providing health care for the uninsured.<sup>20</sup>

## **5** Covering parents helps get kids covered and improves health for working families.

- Covering parents helps cover kids. States that have expanded coverage to parents enrolled 20 percent more of their eligible children than states that have not.<sup>21</sup>
- Covering parents helps children obtain care. Children who have insured parents are more likely to see a doctor for well-child visits and when they are sick.<sup>22</sup>
- Making coverage simpler for families helps them understand and use that coverage. Family coverage allows everyone in the family to get health care from the same doctors, with the same cost-sharing rules, renewal processes, and other policies.
- States can use federal funds to finance at least one-half of the costs of expanding coverage to families. The federal government pays a share of Medicaid costs, ranging from half of those costs (50 percent) in high-income states such as Connecticut to three-quarters (76.3 percent) in lower-income states such as Mississippi.<sup>23</sup>

## Endnotes

<sup>1</sup> Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2007* (Washington: Kaiser Family Foundation and Health Research and Educational Trust, September 2007).

<sup>2</sup> Kim Bailey, *Wrong Direction: One out of Three Americans Are Uninsured* (Washington: Families USA, September 2007).

<sup>3</sup> Kaiser Commission on Medicaid and the Uninsured, *Health Coverage for Low-Income Parents* (Washington: Kaiser Family Foundation, February 2007).

<sup>4</sup> Ibid. Dollar amounts represent 200 percent of the federal poverty level and 100 percent of the federal poverty level, respectively, for a family of three in 2008. The 2006 Current Population Survey reports that the average family size in the United States is 3.2 members. Federal poverty level data collected from *Federal Register* 75, no. 15 (January 23, 2008): 3,791-3,792.

<sup>5</sup> Kaiser Family Foundation defines “lower-wage” as an annual income of \$21,000 or less. Businesses are distinguished based on whether or not 35 percent or more of their employees earn lower wages. Kaiser Commission on Medicaid and the Uninsured, *Employer Health Benefits: 2007 Annual Survey* (Washington: Kaiser Family Foundation, September 2007).

<sup>6</sup> Ibid.

<sup>7</sup> Kim Bailey and Beth Wikler, *Too Great a Burden: America’s Families at Risk* (Washington: Families USA, 2007).

<sup>8</sup> These 26 states have parental income maximums ranging from 20 percent of poverty to 94 percent of poverty for working parents. Kaiser State Health Facts Online, *Income Eligibility for Parents Applying for Medicaid by Annual Income as a Percent of Federal Poverty Level (FPL), 2008*, available online at <http://www.statehealthfacts.org/comparabletable.jsp?ind=205&cat=4>, accessed on June 3, 2008.

<sup>9</sup> This number was calculated using the national median of parental income maximums for Medicaid eligibility, 92 percent of poverty. This cap applies only to working parents, as non-working parents have an even lower national median income maximum, 73 percent of poverty. Data from Kaiser State Health Facts Online, op. cit. Federal poverty level data from *Federal Register* 75, op. cit.

<sup>10</sup> Kaiser State Health Facts Online, op. cit.

<sup>11</sup> *Federal Register* 75, op. cit.

<sup>12</sup> Karyn Schwartz, *Spotlight on Uninsured Parents: How Lack of Coverage Affects Parents and Their Families* (Washington: Kaiser Commission on Medicaid and the Uninsured, June 2007).

<sup>13</sup> Ibid.

<sup>14</sup> Gerard Anderson, “From ‘Soak the Rich’ to ‘Soak the Poor’: Recent Trends in Hospital Pricing,” *Health Affairs* 26 (2007): 780-789.

<sup>15</sup> Susan Busch and Noelia Duchovny, “Family Coverage Expansions: Impact on Insurance Coverage and Health Care Utilization of Parents,” *Journal of Health Care Economics* 24, no. 5 (September 2005): 876-890.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Michael Halpern, John Bian, Elizabeth Ward, Nicole Schrag, and Amy Chen, “Insurance Status and Stage of Cancer Diagnosis among Women with Breast Cancer,” *Cancer* 110, no. 2 (June 11, 2007): 403-411. Institute of Medicine, *Insuring America’s Health* (Washington: National Academy Press, 2002).

<sup>19</sup> Beth Wikler and Kim Bailey, *Dying for Coverage in Alabama* (Washington: Families USA, 2008). Comparable statistics for other states are available online at <http://www.familiesusa.org/issues/uninsured/publications/dying-for-coverage.html>.

<sup>20</sup> Kathleen Stoll, *Paying a Premium: The Added Cost of Care for the Uninsured* (Washington: Families USA, 2005).

<sup>21</sup> Lisa Dubay and Genevieve Kenney, “Expanding Public Health Insurance to Parents: Effects on Children’s Coverage under Medicaid,” *Health Services Research* 38, no. 5 (October 2003): 1,283-1,302.

<sup>22</sup> Amy Davidoff, Genevieve Kenney, and Alshadye Yemane, “The Effect of Parents’ Insurance Coverage on Access to Care for Low-Income Children,” *Inquiry* 40, no. 3 (Fall 2003): 254-268.

<sup>23</sup> Based on FMAP percentages for 2008. *Federal Register* 71, no. 230 (November 30, 2006): 69,209-69,211.



1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005

Phone: 202-628-3030 ■ E-mail: [info@familiesusa.org](mailto:info@familiesusa.org)

[www.familiesusa.org](http://www.familiesusa.org)