FIVE GOOD REASONS FOR STATES TO EXPAND FAMILY COVERAGE

EXPANDING ACCESS

Nearly 43 million Americans lack health insurance. While the number of uninsured declined slightly in 1999, there are still more uninsured Americans today than in 1996, despite low unemployment and a booming economy. States have moved forward to cover more children under Medicaid and CHIP, but the parents of these children have often been left behind. States can act today to expand Medicaid and CHIP to cover many more of the uninsured. Expanding coverage for parents is moving in the right direction toward universal coverage: It's building on a program with public accountability and a defined basic benefit, and it's starting with the lowest income families first. This fact sheet provides five good reasons for expanding family coverage—the next step toward achieving affordable health care for all.

1. Low-Wage Working Families Do Not Have Access to Affordable Insurance.

- More than one-third of working families with income under 200 percent of poverty have no insurance coverage, and almost half of working families under 100 percent of poverty are uninsured.[1]
- Only 43 percent of workers making less than $7 per hour are offered health insurance coverage by their employers in 1996[2], while 93 percent of workers who earn more than $15 per hour are offered coverage by their employers.
- Even when employers offer insurance, the average premium cost to the employee for family coverage in 2000 was $1,656 per year—12 percent of total family income for a worker earning $7 an hour ($14,560 per year).[3]
  - Employees of low-wage firms pay nearly twice as much for family coverage as employees of high-wage firms (37 percent vs. 23 percent of premium costs.)[3]
  - Further, premium costs alone do not measure the added expense of deductibles, copayments, and out-of-pocket costs for uncovered services.
- States are not generous in their Medicaid programs for adults. The median eligibility level for parents' coverage in Medicaid is just 61 percent of the federal poverty level ($8,632 for a family of 3 in 2000).[4]

2. Families Moving from Welfare to Work Are Losing Health Insurance.

- Almost half of women (49 percent) and close to one-third of children (30 percent) are uninsured one year after leaving welfare.[5]
- Expanded insurance for families helps reduce cash welfare use and supports self-sufficiency.[6]
- Several states see family coverage expansion as an integral component of welfare reform. Wisconsin expanded family coverage to 185 percent of poverty because families moving from welfare to work were in jobs without access to affordable health care.[7]

3. Covering Parents Enhances Children's Coverage Expansions.

- The median eligibility level for children's health coverage in Medicaid/CHIP is 200 percent of poverty ($29,260 per year for a family of 3).[4]
- Children are more likely to enroll if parents are also covered.[8]
- Children are more likely to use health care services if parents also have access to care. Even when children have insurance coverage, they are almost three times more likely to visit a doctor during the year if at least one parent has also visited a doctor.[9]

4. Expanding Coverage for Families Can Save Money and Lead to Better Health Care.

- Uninsured adults are five times more likely than adults with private insurance to go without needed care.[10]
- The uninsured are four times more likely to rely on emergency rooms for medical care than those with insurance.[11]
- The costs associated with lack of insurance are passed on to the public at large.[12]
- Rhode Island's insurance expansion for children decreased emergency room visits and hospital utilization each by more than one-third from 1993 to 1995. Rhode Island has now expanded coverage of parents to 185 percent of poverty.[13]
- Increases in Medicaid eligibility led to a 22 percent decline in avoidable hospitalizations.[14]

5. Federal Funds Will Pay at Least One-Half of the Costs of Expanding Coverage to Families.

- The federal government pays a share of Medicaid costs; the federal share ranges from 50 percent in a high-income state like Connecticut to 76.8 percent in a low-income state like Mississippi.[15]
- Section 1931 of the Social Security Act permits states to effectively expand coverage to families under Medicaid by using "less restrictive methodologies" for counting income and resources.[16]
- According to HCFA, under Section 1931:
- *"[States] can expand coverage of families as far as state budget and policy preferences permit.* States can accomplish these policy changes through amendments to their Medicaid State plan; they do not need to obtain Federal waivers."[17]
- Under some circumstances, states can now use their CHIP funds (and get enhanced federal matching funds) to expand coverage for parents in Medicaid or CHIP with federal waiver approval. [18]

Eleven States Have Enacted Legislation to Expand Family Coverage to 150 Percent of Poverty or More

State	Upper Income As Percent of Poverty	Effective Date
TN[1]	400 percent[2]	1994
MN[1]	275 percent	1993
CA	200 percent	July 2001[3]
DC	200 percent	October 1998
NJ	200 percent	2000
WA[4]	200 percent	1993
RI	185 percent	November 1998
VT[1]	185 percent	1999
WI[1]	185 percent	1999
CT	150 percent	January 2001
ME	150 percent	2000
NY[1]	150 percent	3-yr. phase-in starting 20013

[1] These states have expanded coverage not only to parents but to other adults using 1115 comprehensive research and demonstration waivers.

[2] New enrollment for expanded coverage in Tennessee is currently limited to "uninsurable" adults.

[3] California currently covers parents up to 100 percent of poverty. New York covers parents up to 57 percent of poverty.

[4] Washington expanded coverage for all adults in a separate state program that is not Medicaid or CHIP. The State does not receive any federal funds for the expansion program.

ENDNOTES

[1] Guyer, Jocelyn, and Cindy Mann, *Employed But Not Insured*, Center on Budget and Policy Priorities, Washington, D.C., February 1999. State-specific data are available in Table 1 of this report [www.cbpp.org/2-9-99mcaid.htm].

[2] O'Brien, Ellen, and Judy Feder, *How Well Does the Employment-Based Health Insurance System Work for Low-Income Families?*, Kaiser Commission on Medicaid and the Uninsured, Washington, D.C., September 1998 [www.kff.org/content/archive/2107/lowincome.html].

[3] The Kaiser Family Foundation and Health Research Educational Trust, *Employer Health Benefits: 2000 Annual Survey*, Washington, D.C., 2000 [www.kff.org/content/].

[4] Families USA, "Disparities in Eligibility for Public Health Insurance Between Children and Adults in 2000" [www.familiesusa.org/dispar.htm].

[5] Garrett, Bowen, and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs,* January/February 2000 [www.projhope.org/HA/janfeb00/190116.htm]; see Families USA, *Losing Health Insurance: The Unintended Consequences of Welfare Reform*, Families USA, Washington, D.C., May 1999 [www.familiesusa.org].

[6] Yelowitz, Aaron S, "The Medicaid Notch, Labor Supply and Welfare Participation: Evidence from Eligibility Expansions," *Quarterly Journal of Economics* (November 1995) 110, 4:909-39. Some studies have found families with poor health status were less likely to be on AFDC and more likely to work if Medicaid coverage was available. Moffitt, R., and B. Wolfe, "The Effects of Health on the Work Effort of Single Mothers," *Journal of Human Resources* (Winter 1995) 30, 1:42-62 [mitpress.mit.edu/journal-issue-abstracts.tcl?issn=00335533&volume=110&issue=4].

[7] Letter from Peggy L. Bartels, Director, Bureau of Health Care Financing to Sally K. Richardson, Director, Center for Medicaid and State Operations, March 25, 1998.

[8] Ku, Leighton, and Matthew Broaddus, "The Importance of Family-Based Insurance," Center on Budget and Policy Priorities, September 2000, found that coverage of young low-income children increased five times more (16 percent vs. 3 percent) in states with broad expansion that included parents than in states that did not expand to parents; Thorpe, Kenneth, and Curtis Florence, "Changes in Medicaid Eligibility Among Children and Enrollment, 1900-1995," January 1998, unpublished paper. This study found children were 10 percent more likely to enroll if their parents were also eligible for coverage.

[9] Hanson, Karla, "Is Insurance for Children Enough? The Link Between Parents and Children's Health Care Revisited," *Inquiry* 35 (Fall 1998) 294-302.

[10] Hoffman, Catherine, *Uninsured in America: A Chart Book*, Kaiser Commission on Medicaid and the Uninsured, Washington, D.C., May 2000. Figure 28 [www.kff.org/content/].

[11] Weissman, J. S., et al., "Rates of Avoidable Hospitalization by Insurance Status in Massachusetts and Maryland," *JAMA* 1992; 268(17); 2388-2394; Hoffman, op. cit., Figure 34.

[12] Leemore, Dafney and Jonathan Gruber, "Does Public Insurance Improve the Efficiency of Medical Care? Medicaid Expansion and Child Hospitalizations," Working Paper W7555 (Boston: National Bureau of Economic Research, 2000)

[13] RiteCare Program Results, Presentation by Tricia Leddy, Department of Human Services, Office of Managed Care.

[14] Dafney Leemore et al., op. cit.

[15] 65 Fed. Reg. #36 p. 8979 (February 23, 2000).

[16] Section 1931 of the Social Security Act, 42 U.S.C. 1396u-1. See, Guyer, Jocelyn, and Cindy Mann, *Taking the Next Step*, Center on Budget and Policy Priorities, Washington, D.C., August 1998[www.cbpp.org/702mcaid.htm].

[17] *Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World*, Health Care Financing Administration and Administration for Children and Families, Washington, D.C., May 1999, p. 20 [www.hcfa.gov/medicaid/welfare.htm].

[18] Letter from Health Care Financing Administration letter to State Medical Directors, July 31, 2000 [www.hcfa.gov/init/ch/73100.htm].

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