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Dependent Coverage Expansions: Estimating the Impact of Current State Policies

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RESEARCH AT A GLANCE

Young adults are more likely to be medically uninsured than any other age group. A significant factor contributing to the high uninsured rate among this group is the common practice of insurers to determine that children are no longer eligible dependents on their parent's plans once they turn 18 (or 23 for full-time students). With no federal statute in place to define dependent coverage, as of late 2009, 38 states have taken measures to do so on their own mandating the expansion of dependent coverage (in some form) to adults in their mid-twenties and beyond.

This report examines common provisions in state dependent coverage regulations and addresses the analytic approach to—and challenges of—estimating the impact of these policies on coverage for young adults. It also summarizes preliminary study findings. A later companion issue brief will present findings on implementation and consequences of state dependent coverage expansions.

Key Points

- The most consistent qualifier for state dependent coverage policies is student status, with full-time students more likely to qualify as dependents. Other common provisions of such policies include: marital status, dependent's own parental status, state residency, financial dependence upon or residence with parents, continuous or creditable coverage, inclusion of particular insurance markets, and specifications about premium calculations and about who bears the cost burden of new dependent enrollees.
- To assess the impact of adult dependent coverage expansions on young adult coverage rates, the research team must account for the fact that the enactment of these expansions is not random across states, since the policy adoption factors may be correlated with both the decision to enact policy *and* with outcome of interest. To address this problem, the researchers are including the factors associated with enactment as control variables when modeling the policy impact on young adult coverage rates.
- The researchers will employ a difference-in-differences framework to evaluate the impact of state policy change on coverage of young adults using data from the 2001 to 2009 Current Population Surveys (CPS) Annual Demographic Supplements. However, the CPS does not include all of the information needed to determine eligibility of young adults for expanded dependent coverage unless the young adults are living with their parents. As a result, some young adults who are eligible for expanded dependent coverage will be falsely counted as *ineligible*, while some young adults who are *not* eligible will be counted as eligible. These errors in measurement may lead to an under-estimation of policy impact. The researchers are taking steps to assess and minimize the extent of this measurement problem.
- Preliminary findings based on CPS data through 2008 found a small increase in coverage of young adults as dependents, but they also showed that this increase was offset by a decline in other sources of coverage, with no impact evident on the likelihood of being uninsured.

INTRODUCTION

Young adults are more likely to be medically uninsured than any other age group, with an estimated 29.3 percent of Americans age 19 to 29 lacking coverage in 2008.^[i] Several factors contribute to the high uninsured rate among young adults, one of which is the common practice of insurers to drop children from their parents' plans when the children turn 18 (or 23 for full-time students) and are no longer considered "eligible dependents" by insurer definitions.

Why Worry about Young Adults?

While young adults as a population have fewer healthcare needs than older adults, they are in a critical developmental period during which the potentially long-term risks of conditions and behaviors such as obesity, tobacco use, and sexually transmitted infections, are best addressed. Additionally, uninsured young adults who *do* have healthcare needs are two-to-four times more likely than their insured peers to delay or forgo medical care or a prescription due to costs.^[ii] Uninsured young adults are also 20% more likely to report having trouble paying medical bills or carrying medical debt.^[iii] From an insurance perspective, the absence of young adults from insurance risk pools has consequences for others in the form of higher costs, since insured young adults pay into these pools while utilizing fewer services than other age groups, thus subsidizing members who cost more to insure.^[iv]

States Are Taking Action

Currently, there is no federal statute that defines "dependent" for coverage purposes, although the issue has arisen in the current federal reform discussion. In the absence of federal action to define and expand dependent coverage, 38 states have taken measures to do so on their own as of late 2009.^[v] These states have mandated the expansion of dependent coverage (in some form) to adults in their mid-twenties and beyond. In some cases, states have expanded the definition of dependent coverage to include older children up to 25 or 30 years old, with student status often a factor. The varied approaches of these states can provide lessons for those considering such expansions at both the state and federal level.

STATE APPROACHES TO DEPENDENT COVERAGE EXPANSION

Common Provisions of Adult Dependent Coverage Policies

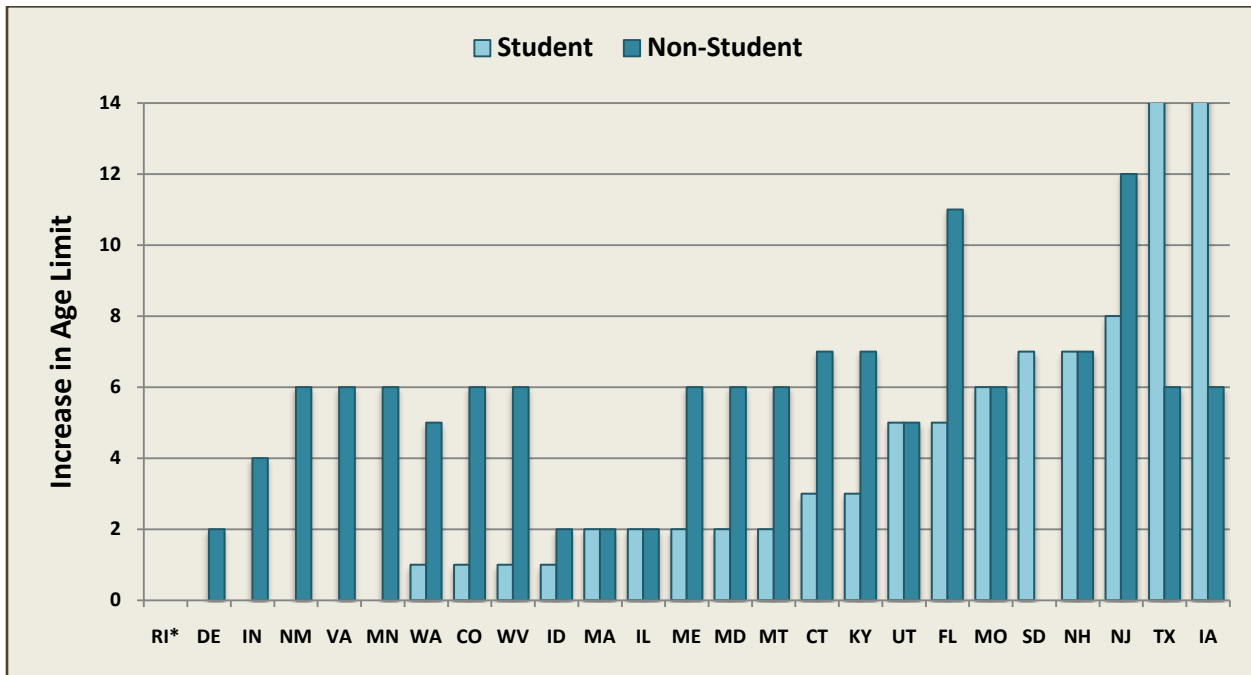
Adult dependent coverage policies are defined by state laws requiring health insurance carriers to permit enrollment of young adults as dependents on a parent's plan. The most consistent qualifier for such policies is student status, with full-time students more likely to qualify as dependents. Among 18 to 29 year-olds, those who are full-time students are more likely to be insured, with 83% having coverage. Of those who are *not* full-time students, on the other hand, only 61% have coverage. Among full-time students, 49% are covered as dependents on a parent's employer-sponsored coverage. However, this number is only 16% for young adults who are not in school full-time.^[vi]

Of the 25 states that had adult dependent coverage policies in place as of 2008, 20^[1] expanded the age limit for students and 24 expanded the age limit for non-students (Figure 1). The mean increase in age limit for full-time students was 3.5 years^[2] and for non-students, 5.7 years. Two states—Texas and Iowa—eliminated the age limit for students altogether, with the greatest increase for non-students being 12 years.

¹ Includes one state (RI) that increased the age limit for part-time students only.

² Excludes two states (TX, IA) that eliminated the upper age limit for full-time students.

Figure 1. Change in Age of Dependent Eligibility (as of December 2008)



*RI raised age limit for part-time students from 18 to 24 (i.e., treating part-time as full-time)

Aside from student status, other common provisions of adult dependent coverage policies include: marital status, dependent's own parental status, state residency, financial dependence upon or residence with parents, continuous or creditable coverage, inclusion of particular insurance markets, and specifications about premium calculations and about who bears the cost burden of new dependent enrollees (Figure 2).

Figure 2. Other Adult Dependent Coverage Provisions

As of December 2008:

- 22 states limited young adult dependent coverage to those who are unmarried.
- 4 states required that young adult dependents *have* no dependents themselves.
- Most states *required* state residency for non-students but not for full-time students.
- 9 states required financial dependence upon or residency with parents.
- 6 states had continuous or creditable coverage requirements.
- Most states mandated that all regulated markets and public employee plans abide by expanded adult dependent coverage definitions.
- 12 states required insurers to average the cost of young adult dependent coverage into group premiums, while 8 others required that insurers establish separate premiums for new dependent enrollees.

EVALUATION GOALS AND METHODS

Goals

Having developed detailed descriptions of state adult dependent coverage policies, the authors' goals were two-fold: (1) estimate the impact of these policies on coverage for young adults, and (2) evaluate the implementation and possible unintended consequences of these policies. The current issue brief addresses the analytic approach to and challenges of achieving the first goal of the evaluation. It also summarizes preliminary study findings. A later companion issue brief will present findings on implementation and consequences.

Methods

To assess the impact of adult dependent coverage expansions on young adult coverage rates, the research team will account for the fact that the enactment of these expansions is not random across states, insofar as the policy adoption factors may be correlated with both the decision to enact policy *and* with outcome of interest (i.e., the young adult coverage rate). Failing to account for factors associated with policy adoption from the outcome analysis could yield a biased estimate of the impact (i.e., "policy endogeneity bias"). To address this problem, the researchers—after modeling the likelihood of policy enactment—will include the factors associated with enactment as control variables when modeling the policy impact on young adult coverage rates.^[vii]

The researchers will employ a difference-in-differences framework to evaluate the impact of state policy change on coverage of young adults. Models will be fit predicting whether young adults (ages 19 to 29) had coverage—and, if so, what type of coverage—using linear probability models with data from the 2001 to 2009 Current Population Surveys (CPS) Annual Demographic Supplements. In addition to correlates of policy adoption, the models will control for demographic, socioeconomic, and health status variables as well as state and year fixed effects.

Analytic Challenges

The Current Population Survey provides a rich source of information for large annual samples of young adults in all states, but it has some important gaps that the researchers must address. The CPS does not include all of the information needed to determine eligibility of young adults for expanded dependent coverage. Namely, while the CPS does include information on young adults' state of residence, marital status, and whether they have dependents of their own, key characteristics of the young adults' *parents* also factor into eligibility. Specifically, to be eligible for coverage as a dependent, a young adult's parent must live in a state with an expansion law and be enrolled in a state-regulated health plan. In addition, under many state expansion laws, eligible young adults must be financially dependent on their parent(s).

The researchers plan to model eligibility based on the young adults' characteristics, and they will fit models both for all young adults and the more limited population of young adults living with their parents. Models based on the living-at-home population overcome many of the problems from missing eligibility information in the CPS. These models will account for the parent's state of residence, and they will control for parental characteristics (e.g., whether they receive coverage through a small employer, which is unlikely to be exempt from state regulation under ERISA). It is also more likely that young adults living at home are financially dependent on their parents.

Models fit on the full population of young adults (not just those living at home) will lack important information about parental residence and characteristics. Because of this, some young adults who are eligible for expanded dependent coverage will be falsely counted as ineligible (e.g., full-time students not living in an expansion state but with parents who do). Likewise, some young adults who are not eligible will be counted as eligible (e.g., full-time students living in an expansion state whose parents live in a non-expansion state or who are not covered by a state-regulated plan). These errors in measurement may lead to an under-estimation of policy impact. The researchers will take these possible analysis limitations into account, balancing their conclusions from analysis of the full young adult population with those based on young adults living with parents.

Preliminary findings based on CPS data through 2008 (reflecting coverage through 2007) found a small increase in coverage of young adults as dependents, but they also showed that this increase was offset by a decline in other sources of coverage, with no impact evident on the likelihood of being uninsured. These findings are limited to states that implemented the policy early (and they exclude Utah, which implemented its policy before the study period, along with Massachusetts, because of that state's individual mandate) and represents only a short period after policy implementation for most states (detailed preliminary findings are available at: <http://www.cshp.rutgers.edu/Downloads/8070.pdf>). Expanded and updated analysis is currently underway.

The research team will also use a unique new dataset, the New Jersey Family Health Survey (NJFHS), in the next phase of its analysis. The NJFHS, conducted in 2001 and 2009, will enable analysis of changes in young adult coverage in New Jersey. Importantly, the 2009 Survey was designed to collect critical information about young adults who were *not* living with their parents. Thus, the NJFHS will provide detailed information about the characteristics of the parents of young adults *not* living at home as well as information about the young adults themselves. These unique data will provide the first full picture of young adults, even those not living at home, who may be eligible for, but not enrolled in a parent's health plan.

CONCLUSION

Adult dependent coverage expansions have been a very popular strategy used by states with the intent of increasing rates of insurance coverage among young adults, with wide variation in policy details from state to state. Adult dependent coverage expansions are appealing to state policymakers, as such laws have little or no budget impact to states while holding the potential to increase insurance coverage for the age group that is more likely to be medically uninsured than any other. This appeal is beginning to be seen at the federal level as well, with dependent coverage expansion proposals entering the national reform discussion as a potentially promising strategy to reduce the nation's number of uninsured. The passage of a federal adult dependent coverage expansion might, indeed, have a different impact than such expansions at the state level, since a federal law would also require almost all young adults to purchase coverage and would subsidize many who cannot afford prevailing premiums. The reach of a federal young adult dependent coverage requirement would also eliminate several factors—such as ERISA preemptions—that might be muting the impact of current state regulations. The impact of a federal dependent coverage expansion remains to be seen, but it will be worthwhile for federal policymakers to consider the experiences of the states as they develop national policy.

NOTES

ⁱCompiled by the State Health Access Data Assistance Center (SHADAC), University of Minnesota School of Public Health, using data from the U.S. Census Bureau's Current Population Survey-March Supplement, 2009

ⁱⁱCallahan, S.T., and Cooper, W.O. (2006). "Access to health care for young adults with disabling chronic conditions." *Archives of Pediatric and Adolescent Medicine*. 160: 178-182.

ⁱⁱⁱNicholson, J.L., S. R. Collins, V.B. Mahato, E. Gould, C. Schoen, S.D. Rustgi. 2009. Rite of Passage? Why Young Adults become Uninsured and How New Policies Can Help, 2009 Update. (New York, The Commonwealth Fund Issue Brief. August).

^{iv}Merluzzi, T.V., and Nairn, R.C. (1999). "Adulthood and aging: Transitions in health and health cognition." *Life-Span Perspective on Health and Illness*. Mahwan, N.J.: Erlbaum (pp189-206).

^vNCSL (2009). National Conference of State Legislatures. *Covering Young Adults Through Their Parent's or Guardian's Health Policy*. August 20, 2009. Available from: www.ncsl.org/Default.aspx?TabId=14497.

^{vi}Kriss, J.L., Collins, S.R., Mahoto, B., et al. The Commonwealth Fund.

^{vii}Strategy adapted from T. Besley & A. Case, 2000, "Unnatural Experiments," *Economic Journal*; and C. Stream, "Health Reform in the States: A Model for State Small Group Health Insurance Market Reform." *Political Research Quarterly*, 52(3):499-525.

ABOUT THE SHARE INITIATIVE

SHARE is a national program of the Robert Wood Johnson Foundation and is located at the University of Minnesota's State Health Access Data Assistance Center (SHADAC).

The SHARE project has the following key goals:

1. Coordinate evaluations of state reform efforts in a way that establishes a body of evidence to inform state and national policy makers on the mechanisms required for successful health reform.
2. Identify and address gaps in research on state health reform activities from a state and national policy perspective.
3. Disseminate findings in a manner that is meaningful and user-friendly for state and national policy makers, state agencies, and researchers alike.

To accomplish these goals, SHARE has funded 16 projects covering 29 states.

CONTACTING SHARE

The State Health Access Reform Evaluation (SHARE) is a Robert Wood Johnson Foundation (RWJF) program that aims to provide evidence to state policy makers on specific mechanisms that contribute to successful state health reform efforts. The program operates out of the State Health Access Data Assistance Center (SHADAC), an RWJF-funded research center in the Division of Health Policy and Management, School of Public Health, University of Minnesota. Information is available at www.staterformevaluation.org.

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