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The Impact of State Dependent Coverage Expansions on Young Adult Insurance Status: Further Analysis

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RESEARCH AT A GLANCE

This report uses data from the Current Population Survey to evaluate the impact of dependent coverage expansion initiatives in 19 states on health insurance coverage of young adults between 2003 and 2008. The authors also examine the variation in impact among population subgroups over time. The report concludes with a discussion of the implications of national health reform, which expands dependent coverage to age 26 across states.

KEY FINDINGS

- The authors find no evidence that initiatives to expand dependent coverage were accompanied by a decline in the likelihood that a young adult would be uninsured or have non-group or public coverage.
- The smallest increase in dependent coverage is seen among the full sample of young adults ages 19 to 29, and the largest increase is seen among young adults ages 19 to 25 residing with their parents. Still, no decline in the uninsured rate is observed in any of the groups examined.
- The authors' findings suggest differential time effects for the impacts of dependent coverage expansions, depending on the nature of the targeted sample (age and residence with or without parents). Overall, however, the offsetting effects of declines in own-name employer-sponsored insurance (ESI) remain over time, with no reduction in uninsured rates among eligible young adults.

INTRODUCTION

The Problem: Uninsurance Among Young Adults

Young adults are more likely to be medically uninsured than any other age group: In 2008, 28.6 percent of individuals ages 18 to 24 and 26.5 percent of those between 25 and 34 lacked coverage. By comparison, less than one-fifth of persons ages 35 to 64 and less than one-tenth of children under age 18 were uninsured in 2008.^[1]

The relatively high rates of uninsurance among young adults may impact their current and future health and health care needs. While young adults as a population have fewer healthcare needs than older adults, they are in a critical developmental period during which the potential 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.^[2]

Uninsurance among young adults also has important financial implications. Uninsured young adults are 20% more likely than their insured peers to report having trouble paying medical bills or carrying medical debt.^[3] 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.^[4]

State Action to Expand Dependent Coverage

A significant factor contributing to the high uninsured rate among young adults has been the common practice of insurers determining that children are no longer eligible dependents on their parents' plans once they turn 18 (or 23 for full-time students). The recently-passed federal health reform legislation allows young adults to stay on their parents' plans longer by expanding dependent eligibility until age 26 (effective in late 2010), with the goal of reducing the uninsured rate among this group. This expansion provision received widespread support during the federal reform debate, as it is both inexpensive and politically palatable. However, it is worth asking whether this expansion is, in and of itself, likely to have the intended effect on the uninsured rate of the young adult population.

An analysis of state experiences with dependent coverage expansions can inform the question of the true effectiveness of such reforms. As of late 2009, with no federal dependent coverage statute in place, 28^[i] states had already taken measures to expand dependent coverage on their own, with provisions about age, marital status, student status, and financial dependence, etc., varying from state to state.^[5, 6] This brief presents findings from an evaluation of the impact of state dependent coverage expansions on young adult insurance status, with the goal of exploring how such expansions actually play out once enacted.

DATA AND METHODS

The authors use data obtained from the Current Population Survey's (CPS) Annual Demographic Supplement from 2001 to 2009, which corresponds to calendar years 2000 to 2008, to estimate the impact of dependent coverage expansions in 19 states. With young adults as the unit of observation, the authors fit linear probability models and obtain difference-in-differences estimates of the impact of coverage expansions on the health insurance status of this population. The models control for a variety of young adult characteristics and include several measures of state political, regulatory, and economic environments that were associated with policy adoption. Insurance possibilities considered include: coverage as a dependent on an employer-sponsored insurance (ESI) plan; coverage as an ESI policyholder; coverage through non-group insurance; coverage through public insurance; and no coverage.

The authors consider four population groups in their analysis: (1) all young adults ages 19 to 29; (2) young adults ages 19 to 29 residing with parents; (3) all young adults ages 19 to 25; and (4) young adults ages 19 to 25 living with parents. The authors consider whether the uninsured rate in states implementing dependent coverage expansions declined after policy implementation, and they also examine whether the policy impact may change in the years after policy implementation (i.e., examining coverage changes in the first year of implementation, the second year, and subsequent years).

RESULTS

Overall Impact

For the full sample of young adults, the average effect over the entire post-implementation period is a relatively small increase in the likelihood of ESI dependent coverage for young adults, but this increase is offset by a decline in their likelihood of being an ESI policyholder. The authors find no evidence that the increase in dependent coverage was

ⁱ Ten other states expanded dependent coverage for young adults in the military or those with certain disabilities.

accompanied by a decline in the likelihood that a young adult would be uninsured or have non-group or public coverage.

Impact among Groups of Young Adults

When the young adult population is examined by age group and residence with parents, the smallest increase in dependent coverage is seen among the full sample of young adults, and the largest increase is seen among young adults ages 19 to 25 residing with their parents. Importantly, no decline in the uninsured rate is observed post-implementation in any of the groups examined. The authors hypothesize that the larger increase in dependent coverage among 19 to 25 year-olds living with their parents may reflect the fact that individuals in this group are more financially reliant on their parents and have fewer opportunities for comparable coverage, making them, therefore, more predisposed toward taking advantage of dependent coverage expansions. Additionally, most states require that young adults be financially dependent on their parents, and that non-students reside in the same state as their parents, in order to qualify as dependents.

Timing Effect on Policy Impact

The above results (both overall impact and impact by population group) represent an average effect over the post-implementation time period for all states studied. However, the impact of dependent coverage policies may change over time as families become aware of opportunities for coverage and more individuals age out of standard dependent coverage. Accordingly, the authors added a time variable to their models, with three potential values for the variable, depending on where a given state is in the policy implementation process: (1) year one of implementation; (2) year two of implementation; and (3) the third and succeeding years of implementation.

The authors' findings suggest differential time effects for the impact of dependent coverage expansions, depending on the nature of the targeted sample: For the full sample of young adults and for the sample of young adults ages 19-25, there is strong evidence of a timing effect in the third and subsequent years of implementation, with dependent coverage increases during year three and beyond. For young adults 19 to 25 living with their parents, the authors find strong evidence of both an immediate response within the first year of implementation and a response in the third and subsequent years of implementation. Overall, however, the offsetting effects of declines in own-name ESI remain over time, with no reduction in uninsured rates among eligible young adults.

LIMITATIONS

The above findings should be considered in light of several limitations in the CPS data: First, for young adults living away from home, the CPS does not enable researchers to determine whether a parent lives in an expansion state. Second, the CPS does not identify the ERISA status of insurance plans, so researchers cannot tell which plans are exempt from state insurance regulations defining dependent coverage. Third, the CPS does not measure whether young adults are financially dependent on their parents, and this is a frequent provision of dependent coverage expansions. Models limited to young adults residing with their parents help to mitigate these CPS-related limitations.

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. These changes to health insurance rules 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.

While expanding adult dependent coverage in voluntary state-regulated health insurance markets is conceptually and politically appealing, this research demonstrates the limitations of this strategy for reducing uninsurance among young adults. Even among the young adults most likely to benefit from these reforms—those between ages 19 and 25

and living with their parents—this research demonstrates no measurable impact on the number of uninsured. Instead, the reforms appear to offer an attractive alternative to the option of purchasing insurance through a young adult's own employer by providing access to higher value or lower cost plans through a parent. Ultimately, however, the goal of reducing the uninsured rate in this demographic has not been achieved.

Implications for National Reform

In the long-term, the federal expansion of dependent coverage will likely have a greater impact than such expansions at the state level, since it will be accompanied by an individual mandate requiring almost all young adults to purchase coverage. (The expansion initiatives in this study all took place in the context of voluntary health insurance markets.) The reach of the federal dependent coverage expansion will also eliminate several factors—such as ERISA preemptions—that might be muting the impact of current state regulations.⁷ However, the individual mandate will not be in place until 2014, so the full effect of the federal dependent coverage expansion will not be known right away.

This report is a companion to the authors' January 2010 technical brief on the same topic. The earlier brief detailed common dependent coverage provisions in different states and addressed methodological issues, such as measurement bias and the calculation of impact estimates. The first brief can be found at <http://www.shadac.org/publications/DependentCoverageExpansions>.

NOTES

¹ DeNavas-Walt, C., B.D. Proctor, and J.C. Smith. (2009), U.S. Census Bureau, Current Population Reports, *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, U.S. Government Printing Office, Washington, D.C.:60-236.

² Callahan, S.T., and W.O. Cooper (2006). "Access to health care for young adults with disabling chronic conditions." *Archives of Pediatric and Adolescent Medicine*. 160: 178-182.

³ Nicholson, J.L., S. R. Collins, V.B. Mahato, E. Gould, C. Schoen, and 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).

⁴ Merluzzi, T.V., and R.C. Nairn. (1999). "Adulthood and aging: Transitions in health and health cognition." *Life-Span Perspective on Health and Illness*. Mahwan, N.J.: Erlbaum (pp189-206).

⁵ Cantor, J.C., A.C. Monheit, D. Belloff, D. DeLia, and M. Koller. January 2010. "Dependent Coverage Expansions: Estimating the Impact of Current State Policies." (Minneapolis, MN: State Health Access Reform Evaluation (SHARE) Issue Brief.) Available from <http://www.shadac.org/files/shadac/publications/DependentCoverageExpansionsIssueBrief.pdf>.

⁶ NCSL (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.

⁷ Cantor, op. cit.

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.statereformevaluation.org.

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