

Addressing Barriers to Health Insurance Coverage Among Children: New Estimates for the Nation, California, New York, and Texas

May 2012

Stacey McMorro, Genevieve M. Kenney, and Christine Coyer

Executive Summary

In recent years, children have generally fared better than adults in obtaining health insurance coverage. This is largely due to higher income eligibility thresholds and efforts to simplify and improve enrollment and retention procedures under Medicaid and the Children's Health Insurance Program (CHIP). However, some children continue to face challenges in obtaining and retaining coverage which may be addressed in part by a number of provisions included in the Affordable Care Act (ACA). For certain children, however, the ACA may not fully address existing barriers to coverage, and for others it may generate a new set of challenges. We explore several scenarios in which children may face particular challenges in accessing health insurance coverage under the ACA and provide estimates of the number of children in these complex coverage scenarios. These scenarios include situations where children are eligible for Medicaid or CHIP but their parents are not, as well as those where children are living without at least one of their parents. Given that states will be leading the implementation of many of the ACA provisions, we also present state-level estimates of children facing these scenarios in California, New York, and Texas.

We find:

- Just over 40 million children may face at least one complex coverage scenario under the ACA, and 6.3 million children may face two complex scenarios.
 - There are an estimated 4.8, 2.9, and 3.6 million children in these complex coverage scenarios in California, New York, and Texas, respectively.
- Children facing at least one complex coverage scenario are currently more likely to be uninsured than other children.
 - Among all uninsured children in the United States, 62 percent are in at least one complex coverage scenario.
 - More than three-quarters of Medicaid/CHIP eligible uninsured children are in at least one complex coverage scenario.

Maximizing coverage for children will therefore require addressing the complex coverage scenarios that prevent some children from obtaining or retaining coverage. Given that many children face these or similar scenarios today, policymakers at both the national and state levels can begin to address these issues even before the major ACA coverage provisions are implemented. In an effort to maximize the benefits of the ACA for children, it will also be important to consider children in these scenarios and how regulations and implementation strategies can address some of the potential barriers to coverage. Given the critical role that states will play in implementation, it may also be important for individual states to use data and stakeholder input to assess these issues in their own state in order to determine the best ways to address them.

Introduction

The Patient Protection and Affordable Care Act (ACA) introduces many changes to the health insurance landscape in the United States. In 2014, Medicaid eligibility will be expanded to a mandatory minimum of 138 percent of the federal poverty level (FPL) for all individuals who meet the immigration requirements. This will dramatically increase eligibility for both parents and childless adults.¹ The law also calls for the establishment of state-based health insurance exchanges. The exchanges will be organized markets where individuals and small businesses can purchase health insurance coverage that is subject to new regulations intended to spread risk more broadly and promote competition in the market for health insurance. Individuals and families with incomes up to 400 percent of the FPL will also be eligible for federal subsidies to purchase coverage in the exchanges if they do not have affordable access to employer-sponsored insurance (ESI). With these new options in place, most individuals will be required to obtain a minimum level of coverage or pay a penalty.²

In recent years, children have generally fared better than adults in obtaining health insurance coverage. This is largely due to higher income eligibility thresholds and efforts to simplify and improve enrollment and retention procedures under Medicaid and the Children's Health Insurance Program (CHIP). However, some children continue to face challenges in obtaining and retaining coverage which may be addressed in part by a number of provisions included in the ACA. For certain children, however, the ACA may not fully address existing barriers to coverage, and for others it may generate a new set of challenges. Many children who are eligible for Medicaid or CHIP, for instance, will have parents who are not eligible for Medicaid due to the lower income eligibility threshold for adults or documentation status issues. In some cases, however, the parent of a Medicaid/CHIP eligible child will be eligible for new federal subsidies to purchase exchange coverage. Such mixed eligibility scenarios can introduce complexity to enrollment and reenrollment in health insurance coverage for families. Children who live apart from one or both parents also face complicated health insurance choices, and certain provisions of the ACA may generate additional complexity for these families.

Our earlier work explored several such scenarios in which children may face particular challenges in

accessing health insurance coverage under the ACA. We found that at least 20 million children could face such challenges.³ This brief expands on our earlier research by examining the current coverage distribution of these children. We find that children living in complex family coverage scenarios are more likely to be uninsured than those not facing these challenges and that more than 60 percent of all uninsured children live in at least one such scenario. Thus, as regulations are developed and the law is implemented, an awareness of the special circumstances of these children may allow the ACA to more effectively reduce the number of uninsured children. Given that states will be leading the implementation of many of the critical components of the ACA, we also present state-level estimates of children facing these scenarios in California, New York and Texas—these three states account for 28 percent of the nation's children. Understanding the circumstances facing children and families could be especially useful to state policymakers as they develop policies and procedures to implement the ACA.

Background: The Affordable Care Act and Complex Coverage Scenarios for Children

The ACA makes many changes to the health care system, but several components of the law are likely to have a major impact on health insurance decisions for families: the Medicaid expansion; the establishment of health insurance exchanges, insurance market reforms, and federal subsidies to purchase private coverage; and the requirement that all individuals have minimum essential coverage.

Medicaid expansion

The ACA will expand Medicaid eligibility to all individuals and families with incomes below 138 percent of the FPL starting in 2014. This is a major expansion for childless adults who currently have very limited Medicaid eligibility. It will also have a significant impact on parents. States vary in their current eligibility levels for parents, but some are as low as 25 percent of the FPL, while others approach or exceed the level required under the new law.⁴ States are required to maintain current income eligibility levels for Medicaid and CHIP for children through 2019. Federal CHIP funding, however, is only extended through 2015, which raises questions about the viability of CHIP in 2016 and beyond. The possible coverage gaps that could result from the defunding of CHIP or changes

to the maintenance-of-effort requirements under the ACA are not considered in this brief.⁵ Children will likely be affected by the significant Medicaid expansion to parents,⁶ as evidence has shown that children are more likely to be enrolled when their parents are also eligible.⁷

Health insurance exchanges, market reforms, and federal subsidies

Under the ACA, states will be required to establish structured health insurance marketplaces, or exchanges, in which individuals and small firms can purchase adequate and affordable coverage. An exchange will contract with private insurers to offer coverage to all eligible individuals and employer groups. New insurance market regulations will also be established in the exchanges as well as outside them for the small-group and nongroup markets. In general, the new rules will prohibit insurers from denying coverage, limiting coverage, or setting premiums based upon health status, prior claims, industry of employment, or gender. All plans offered in the small-group and nongroup markets inside or outside exchanges will have to include a set of minimum essential benefits, which will be determined by the Secretary, and cost-sharing limitations will also apply. Collectively, these reforms are intended to reduce administrative costs, improve risk-sharing, and promote transparency and competition to improve the accessibility and affordability of health insurance.

To further improve affordability of coverage, federally financed premium and cost-sharing subsidies will be available to individuals and families with incomes up to 400 percent of the FPL. The subsidies will only be available for the purchase of exchange-based coverage, and are structured to limit a family's premium contribution to a maximum percentage of income. Families with the lowest incomes will have their premium contribution capped at 2 percent of income, while those nearing 400 percent of the FPL will have their premiums capped at 9.5 percent of income. Cost-sharing subsidies will also be available to those with incomes below 250 percent of the FPL. Undocumented immigrants will be ineligible to purchase in the exchange, with or without a subsidy. Those with employer offers of insurance will be subsidy-eligible only when their share of an employer plan premium for employee coverage exceeds 9.5 percent of income or the actuarial value of the plan is below 60 percent.⁸ Individuals eligible for any form of public coverage will also be ineligible for subsidies.

Individual requirement to obtain coverage

An overarching goal of the ACA is to significantly expand insurance coverage and as such, an individual requirement to obtain qualifying health coverage is included in the law and applies to most Americans. Individuals will need to certify that they have coverage meeting a minimum standard set in the law or face a monetary penalty. Individuals with incomes below the tax filing threshold are exempt from the penalty, and additional exemptions apply for religious objections, Indian tribes, undocumented immigrants, lack of access to a plan for which the premium falls below 8 percent of income, and other financial hardship. The individual or married couple claiming a child as a dependent on their tax return is responsible for providing evidence of the child's coverage or paying the required penalty.

Implications for children in complex coverage scenarios

We consider three categories of children who may face particular challenges in obtaining or retaining coverage and discuss the implications of the ACA for these children.

1) Medicaid/CHIP eligible children with potentially exchange eligible parents. In many cases, children are eligible for Medicaid or CHIP, but their parents are not. This can be due to differing income eligibility thresholds for adults and children as well as issues related to citizenship and documentation status. Income eligibility thresholds vary by state, but most states have expanded eligibility for Medicaid and CHIP to cover children in families with incomes up to, or over, 200 percent of the FPL. Parents typically have much lower eligibility thresholds than children.⁹

Under the ACA, Medicaid eligibility will be expanded to a mandatory minimum of 138 percent of the FPL, which will make many parents newly eligible for coverage. This will result in more families with a consistent coverage option for all members. Because states are required to maintain their current eligibility thresholds for children, however, there will remain a subset of Medicaid/CHIP eligible children with incomes above 138 percent of the FPL whose parents are not eligible for public coverage. However, these parents may be eligible for federal subsidies in the exchange which could introduce complexity into health insurance decisions for such families.

2) Medicaid/CHIP eligible children with undocumented parents. Undocumented immigrants are not eligible for Medicaid or CHIP coverage which can produce variation in Medicaid/CHIP eligibility for families with mixed documentation statuses.¹⁰ Medicaid/CHIP eligible children with undocumented parents may face particular challenges enrolling in coverage due to language barriers and concerns about revealing the documentation status of some family members.

Health reform will have few effects on insurance options for families with undocumented parents. Undocumented parents will remain ineligible for Medicaid under reform and will also be unable to purchase coverage in a health insurance exchange, even without a federal subsidy. In some circumstances, citizen or legal resident children of undocumented parents will be eligible for child-only plans in the exchange; although many decisions are pending that will affect the cost and nature of those plans. With few new options under reform, Medicaid/CHIP eligible children of undocumented parents are likely to continue to encounter barriers to coverage.

3) Children with at least one absent parent. For some children, additional complexity surrounding health insurance decisions may be introduced when one parent is living outside the household or when a child is living with grandparents, other relatives or foster parents. Today, parents living separately (i.e., custodial and noncustodial parents) often share the responsibility for obtaining health insurance coverage for their children, sometimes as the result of a court order. The noncustodial parent, for instance, may be required by a child support order to cover the child through an employer policy or to purchase a nongroup policy on the child's behalf. In some cases however, the policies available to the noncustodial parent may not be adequate or may have limitations based on geographic provider accessibility.

Children living with neither of their biological parents, including those living with grandparents or other relatives as well as foster children, face another set of potential coverage scenarios. For children living in kinship care, for instance, grandparents receiving Medicare benefits may need to enroll a child in Medicaid/CHIP or purchase a child-only policy in the nongroup market. Children living with nonelderly relatives may or may not be eligible as a dependent on an employer-sponsored policy, depending on the legal

nature of the guardianship relationship as well as on the health plan's policies.

New options may be available under the ACA for both custodial and noncustodial parents. Parents may become eligible for Medicaid coverage under reform, or one or both parents may qualify for subsidies to purchase coverage in the exchange. The parent who claims the child as a dependent for tax purposes will be legally responsible for complying with the requirement to obtain coverage for the child or any penalties resulting from noncompliance. This parent will also be eligible for any subsidies on behalf of the child. Currently, however, this parent may or may not be the same parent who is responsible for providing coverage under a child or medical support order which may create additional complications for these families. The ACA requires that child-only plans be offered by all qualified health plans in the exchange, which will be particularly important for this population, but the subsidy determination process for these policies remains unclear. Thus, children living without at least one of their parents may continue to face challenges obtaining coverage under reform.

Data and Methods

Building on our earlier work, we provide national estimates of the number of children in each scenario and the coverage distribution for these children. We also present corresponding estimates for children in California, New York, and Texas.

The main source of data for this analysis is the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). The 2010 ASEC includes information on income and health insurance coverage for 2009. Estimates of income as a percentage of poverty reflect the income of the health insurance unit (HIU) and the U.S. Census Bureau poverty thresholds.¹¹ HIUs are derived from information available on household structure from the CPS and are used as the family unit of analysis because they more closely align with the family groupings used by states when determining Medicaid/CHIP eligibility than Census households or families.¹²

Estimates of Medicaid/CHIP eligibility are based on the Urban Institute Health Policy Center's CPS Medicaid/CHIP Eligibility Simulation Model.¹³ The model simulates eligibility for Medicaid and CHIP using information on 2009 eligibility guidelines for each program and state, including the amount and

extent of disregards.¹⁴ These guidelines are applied to person- and family-level data from the CPS to simulate the eligibility determination process.¹⁵ Because the CPS does not collect information on monthly income, it is not possible to determine how eligibility status changes as a result of income fluctuations throughout the year. Family-level characteristics used in determining eligibility, such as income, are based on the HIU.

Documentation status is imputed to immigrant adults in two stages using their individual and family characteristics, based on an approach that was developed by Passel.¹⁶ Documentation status for children is imputed based on the status of co-residing adults (typically the child's parents). The imputations provided by this process are designed to match, in the aggregate, published summary estimates of the U.S. undocumented population, nationally and in a subset of large states.

We use information on income, health insurance coverage, Medicaid/CHIP eligibility, documentation status, and living arrangements to identify three groups of children likely to face significant challenges in obtaining or retaining health insurance coverage: Medicaid/CHIP eligible children with potentially exchange eligible parents; Medicaid/CHIP eligible children with undocumented parents; and children with at least one absent parent.

Medicaid/CHIP eligible citizen and legal resident children are classified as having parents who are potentially eligible for subsidized coverage through the new health insurance exchanges (hereafter called potentially exchange eligible) if their parents are (1) citizens (or legal residents with at least five years of residency) with HIU incomes between 138 and 400 percent of the FPL or (2) legal residents with less than five years of residency and HIU incomes less than 400 percent of the FPL.¹⁷ We cannot identify whether parents have an affordable ESI offer and thus consider these parents to be potentially exchange eligible. Those Medicaid/CHIP eligible citizen and legal resident children with undocumented parents were also identified. This group excludes children with one undocumented parent if the other parent is a citizen or legal resident.

We identify children with absent parents using a method consistent with a definition of child support eligibility.¹⁸ We include children 0–18 residing with one biological parent and one stepparent or one biological parent only. We exclude children who

reside with a single parent who has been widowed and children residing with one adoptive parent, as these children may not have another parent living elsewhere. Those children living with no biological or adoptive parents are also identified, excluding those who are parents themselves and those identified as the reference person or spouse of the CPS household.

Medicaid/CHIP eligible children with potentially exchange eligible parents and those with undocumented parents are mutually exclusive, but children in either group may also live without at least one of their parents. We therefore present the number of children in each group as well the total number of unduplicated children facing one or more complex coverage scenarios. The national estimates of children facing complex coverage scenarios under the ACA presented in this report differ somewhat from the previously published estimates. The differences are due in part to updates to the Urban Institute Health Policy Center's CPS Medicaid/CHIP Eligibility Simulation Model, based on new information on state-level eligibility guidelines. Additionally, two scenarios included in the original estimates are not included here due to concerns regarding the reliability of state-level estimates.

National Results

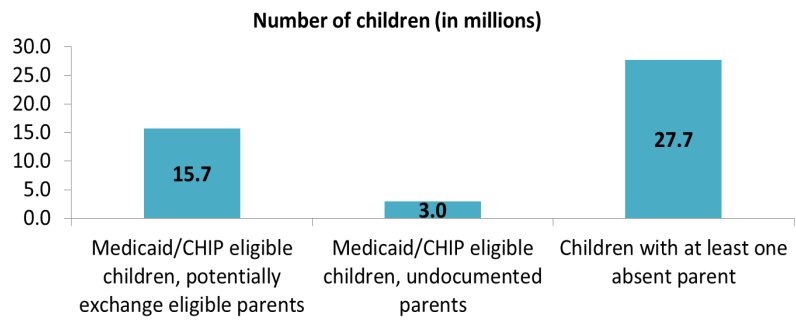
We review the updated national estimates and present new information on the current health insurance coverage distributions for each group of interest.¹⁹ We then present separate estimates for California, New York, and Texas.

The first column of figure 1 provides a national estimate of Medicaid/CHIP eligible children with potentially exchange eligible parents. In 2009, there were an estimated 15.7 million children living in this scenario. These children represent nearly 20 percent of all U.S. children and more than one-third of Medicaid/CHIP eligible children. The second column provides a national estimate of Medicaid/CHIP eligible children with undocumented parents. In 2009, we estimate that approximately 3 million children lived in such a scenario. These children represent 4.1 percent of all children and 7.4 percent of Medicaid/CHIP eligible children. The third column provides a national estimate of the number of children living in households without at least one of their parents. In 2009, almost 28 million children lived in such scenarios. These children represent more than one-third of all children.

Figure 2 shows the health insurance distribution for children in each complex coverage scenario as well as the coverage distribution of those children not facing any of these scenarios. The results indicate that while most children in complex coverage scenarios do obtain coverage through Medicaid/CHIP or ESI, the uninsurance rate for children in these scenarios is higher than that of children who do not encounter such challenges. Medicaid/CHIP eligible children with undocumented parents exhibit the highest uninsurance rate (19.0 percent), but children with absent parents also have an uninsurance rate (11.7 percent) that is significantly higher than children without complex coverage issues (7.1 percent). The uninsurance rate for Medicaid/CHIP eligible children with potentially exchange eligible parents (8.8 percent) is not statistically different from children without complex coverage issues.

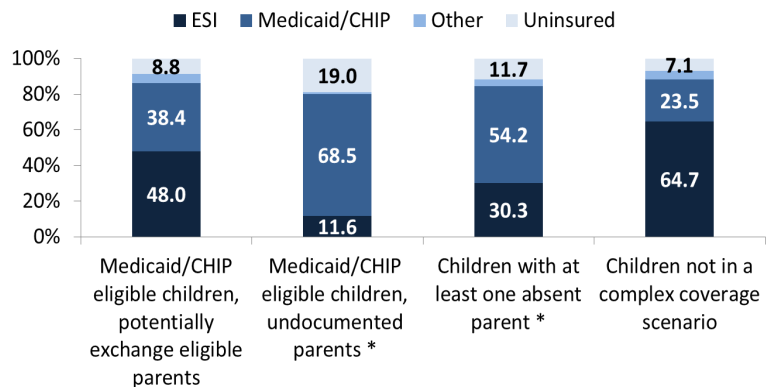
These national estimates confirm that a nontrivial number of children are facing complex coverage scenarios. In fact, just over 40 million children face at least one complex coverage scenario, including 6.3 million children facing two complex scenarios (figure 3). With an uninsurance rate of 11.2 percent (data not shown), children facing at least one complex coverage scenario are significantly more likely to be uninsured than other children (7.1 percent). Figure 4 reveals that children in complex scenarios represent a majority of uninsured children. Among all uninsured children in the United States, 61.8 percent are in at least one complex coverage scenario. Furthermore, more than three-quarters of Medicaid/CHIP eligible uninsured children in the United States face at least one complex scenario (figure 4).

Figure 1
U.S. children in complex coverage scenarios



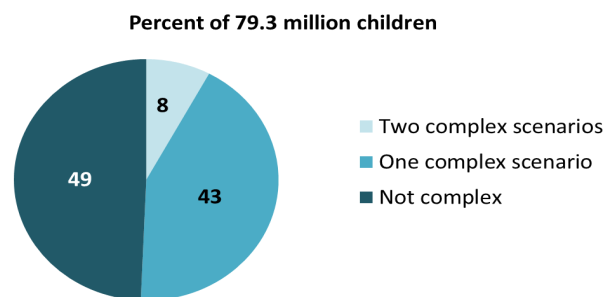
Source: Urban Institute analysis of the 2010 CPS ASEC.
Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them.

Figure 2
Health insurance distribution of U.S. children in complex coverage scenarios



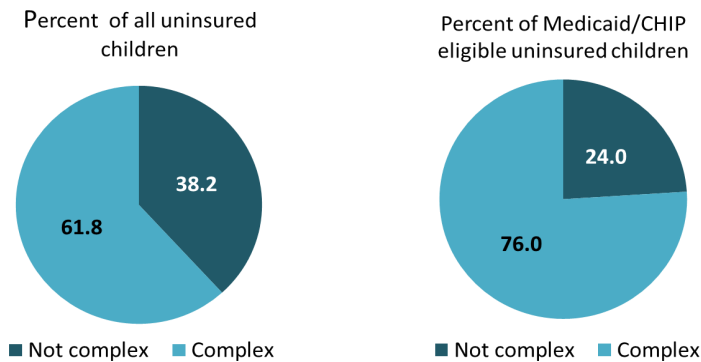
Source: Urban Institute analysis of the 2010 CPS ASEC.
Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. Other includes private non-group insurance and other public coverage.
A * indicates that the uninsurance rate is statistically different from the uninsurance rate for children not in a complex coverage scenario at the 5 percent level.

Figure 3
Share of U.S. children in complex coverage scenarios



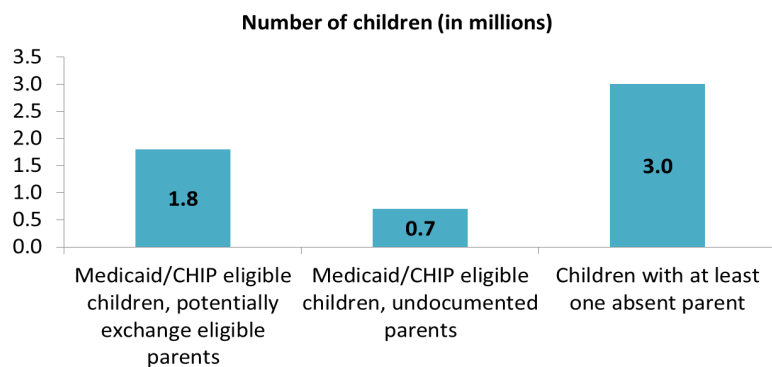
Source: Urban Institute analysis of the 2010 CPS ASEC.
Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. Children in two complex scenarios are Medicaid/CHIP eligible with at least one absent parent AND an undocumented parent or a potentially exchange eligible parent.

Figure 4
Share of uninsured children in complex coverage scenarios



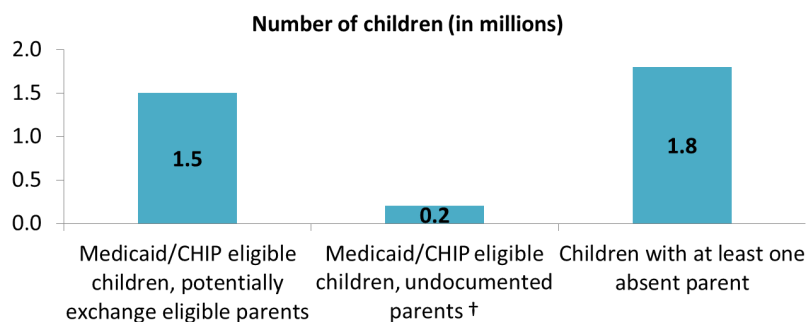
Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them.

Figure 5
California children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them.

Figure 6
New York children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. † Estimates of children with undocumented parents in New York should be interpreted with caution due to small sample size.

State Results

The share of children facing complex scenarios and the prevalence of particular scenarios are likely to vary by state. We therefore present state-level estimates of children in complex coverage scenarios for the three largest states; California, New York, and Texas.

California

Figure 5 provides state-level estimates of the number of children in California who face complex coverage scenarios. There are an estimated 1.8 million Medicaid/CHIP eligible children in California with potentially exchange eligible parents, representing 17.6 percent of all California children. Additionally, 0.7 million Medicaid/CHIP eligible children in California are estimated to have only undocumented parents. Nearly one third of all children in California (3.0 million) reside in a household with at least one absent parent. Just over 14 percent of Medicaid/CHIP eligible children with undocumented parents in California were uninsured, compared with 10.6 percent and 10.7 percent for children with absent parents and Medicaid/CHIP eligible children with exchange eligible parents, respectively (appendix table 1). Children not facing complex coverage issues were less likely to be uninsured (7.7 percent) than those with undocumented parents and those with absent parents, but the difference from those with exchange eligible parents was not statistically significant.

New York

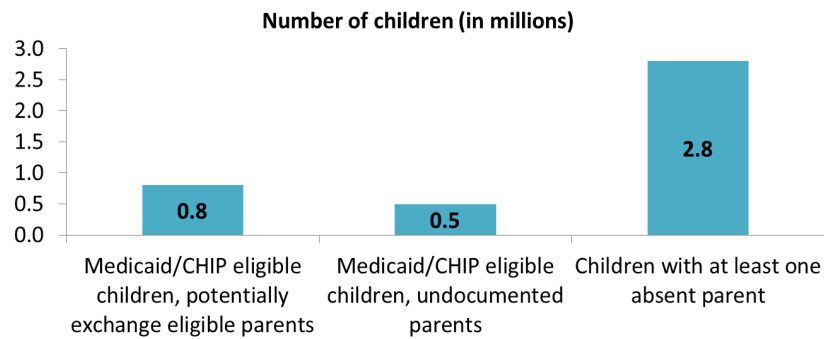
In New York, there are an estimated 1.5 million Medicaid/CHIP eligible children with potentially exchange eligible parents (figure 6). Nearly 0.2 million Medicaid/CHIP eligible children in New York have only undocumented parents.

Additionally, almost 40 percent (1.8 million) of all children in New York have at least one absent parent. Children in these complex coverage scenarios have uninsurance rates that range from 4.5 percent for Medicaid/CHIP eligible children with potentially exchange eligible parents to 16.5 percent of Medicaid/CHIP eligible children with undocumented parents. Children with at least one absent parent have an uninsurance rate of 9.4 percent (appendix table 1). Only the rates for those with undocumented and absent parents are statistically higher than the rate for children not in complex coverage scenarios (4.3 percent).

Texas

In Texas, 0.8 million children are eligible for Medicaid/CHIP and have parents who are potentially eligible for the exchange (figure 7). An estimated 0.5 million children, representing 6.7 percent of all children in Texas, are eligible for Medicaid/CHIP and have only undocumented parents. There are 2.8 million children in Texas with at least one absent parent. Compared to an uninsurance rate of 14.3 percent for children not facing complex coverage scenarios in Texas, children with absent parents and Medicaid/CHIP eligible children with undocumented parents had higher uninsurance rates, of 16.1 and 21.0 percent, respectively (appendix table 1). However, only the difference for those with undocumented parents was statistically significant. Medicaid/CHIP eligible children with potentially exchange eligible parents in Texas had a lower uninsurance rate (11.6 percent) than those without a coverage challenge (14.3 percent), but this difference was not statistically significant.

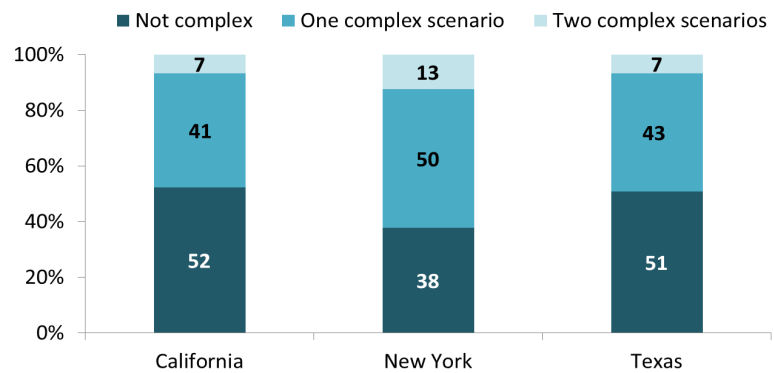
Figure 7
Texas children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC.

Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them.

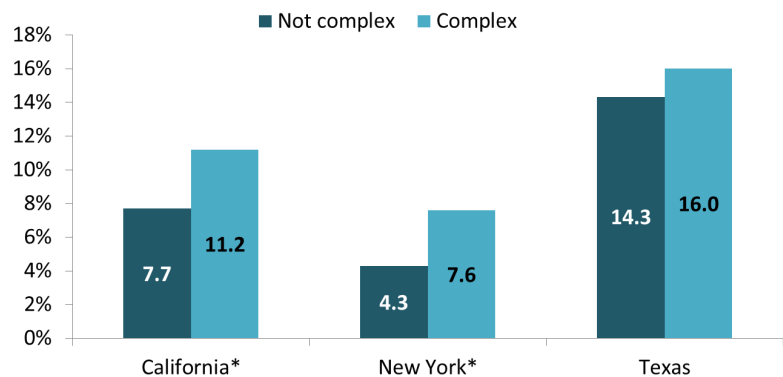
Figure 8
Share of all children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC.

Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. Children in two complex scenarios are Medicaid/CHIP eligible with at least one absent parent AND an undocumented parent or a potentially exchange eligible parent.

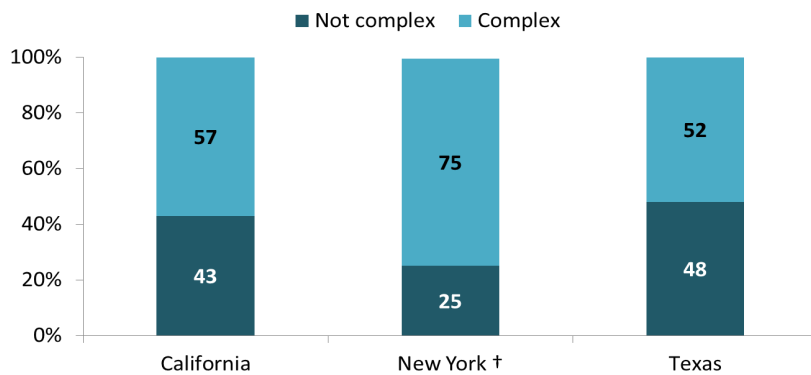
Figure 9
Uninsurance among children, by complex coverage status



Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them.

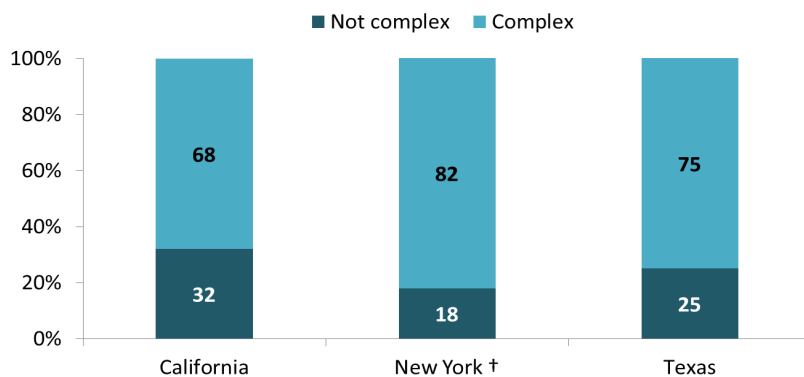
A * indicates the difference between complex and not complex is statistically significant at the 5 percent level.

Figure 10
Share of uninsured children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. A † indicates that the sample of uninsured children is less than 200 and results should be interpreted with caution.

Figure 11
Share of Medicaid/CHIP eligible uninsured children in complex coverage scenarios



Source: Urban Institute analysis of the 2010 CPS ASEC. Notes: Complex coverage scenarios include Medicaid/CHIP eligible kids with potentially exchange eligible parents, Medicaid/CHIP eligible kids with undocumented parents, and children with at least one absent parent. Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138-399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. A † indicates that the sample of eligible uninsured children is less than 200 and results should be interpreted with caution.

When we consider children in all three complex coverage categories combined, we find that these children are more likely to be uninsured than children not facing these scenarios. Figure 9 displays the uninsurance rates for children in complex scenarios compared with those children not in such scenarios. In all states, the uninsurance rate for those with coverage challenges is higher than their counterparts. The difference in Texas, however, is not statistically significant.

Figures 10 and 11 exhibit the prevalence of children facing at least one complex coverage scenario among all uninsured children and among Medicaid/CHIP eligible uninsured children, respectively. As at the national level, the results are quite striking, especially for the eligible uninsured. The prevalence of those in complex scenarios among the uninsured is somewhat lower in California (57 percent) and Texas (52 percent) and higher in New York (75 percent). In these three states, children facing at least one complex coverage scenario account for even larger proportions of the current population of uninsured children who are eligible for Medicaid/CHIP. In California, 68 percent of the Medicaid/CHIP eligible uninsured are in at least one

complex scenario, while in New York and Texas, the proportions are 82 percent and 75 percent, respectively.

State Summary

As was true at the national level, our state-level estimates indicate that there are large numbers of children facing complex coverage scenarios in each state. Figure 8 displays the proportion of children who are facing complex coverage scenarios. In California and Texas, respectively, 48 and 50 percent of all children face at least one complex scenario. This amounts to 4.8 million children in California and 3.6 million children in Texas, with 0.7 million and 0.5 million facing two scenarios. In New York, 63 percent of all children (2.9 million) are in complex scenarios, with 0.6 million facing two scenarios.

Discussion

Millions of children in the United States live in complex coverage situations that may present challenges to obtaining or retaining coverage under the ACA. The largest category of these children in absolute numbers, both at the national level and in the three states, comprises those living without at least one of their parents. Different categories of children are more prominent in different states. For instance, Medicaid/CHIP eligible children with

potentially exchange eligible parents represent 32 percent of all children in New York compared with 18 percent and 11 percent in California and Texas, respectively. This is largely because New York has much higher eligibility thresholds for Medicaid/CHIP, which leads to a much larger overlap of Medicaid/CHIP and exchange subsidy eligibility. In contrast, Medicaid/CHIP eligible children with undocumented parents represent only 4 percent of children in New York, compared with 8 percent in both Texas and California. And while in New York and Texas, children with absent parents represent close to 40 percent of all children, these children are less than 30 percent of all children in California. With a total of just over 40 million children in the United States and between 3 and 5 million in each of the three states experiencing at least one of these scenarios, the total number of children facing potential coverage challenges is substantial, representing more than 50 percent of all children in the United States. These children are also more likely than children not facing these scenarios to be uninsured today and they make up a large proportion of all uninsured and particularly Medicaid/CHIP eligible uninsured children.

Thus, in an effort to maximize the benefits of the ACA for children, it will be important to consider the children in these scenarios and how regulations and implementation strategies can address some of the potential barriers to coverage. Given the critical role that states will play in implementing the key coverage provisions, it may also be important for individual states to use data and stakeholder input to assess these issues in their own state in order to determine the best ways to address them.

Under the ACA, for instance, Medicaid/CHIP eligible children with potentially exchange eligible parents could benefit from strong integration of the eligibility and enrollment systems for Medicaid and the exchange. Those children already enrolled in Medicaid/CHIP may benefit if their parents gain new or more affordable coverage through a system that allows all family members to obtain and retain appropriate coverage seamlessly. Currently uninsured children would also benefit if Medicaid and exchange coverage were integrated to allow those children to become enrolled in Medicaid as their parents seek new coverage options through the exchange. Results from the Urban Institute's Health Insurance Policy Simulation Model further emphasize the importance of streamlining these systems, projecting that under the ACA, 75 percent of parents who are enrolled in a subsidized exchange plan will have a child eligible for Medicaid/CHIP.²⁰

A subset of Medicaid/CHIP eligible children with exchange eligible parents could also benefit from the adoption of the Basic Health Plan option, which allows states to use federal dollars allocated for exchange subsidies to provide coverage similar to Medicaid to adults up to 200 percent of the FPL. Additional parents could gain coverage under this option and face lower premiums and cost sharing which could benefit their children as well.

Another important issue for families with Medicaid/CHIP eligible children and subsidy-eligible parents will be whether any premium contributions for children's public coverage are considered when determining exchange subsidy amounts for parents. Family contributions to exchange coverage are limited to a specified percentage of income, and the subsidies cover the rest of the premium. The proposed rules released in August indicated that contributions to public coverage would not be considered when calculating the exchange subsidy amount. This could result in higher financial burdens for families with children receiving CHIP coverage and parents purchasing a subsidized exchange policy.²¹ States may be able to reduce or minimize these financial burdens on families by reviewing and possibly revising their CHIP premium policies.

Furthermore, although the ACA does not include new coverage options for their parents, Medicaid/CHIP eligible children with undocumented parents could still benefit from health reform. The ACA does include components intended to expand outreach efforts, streamline eligibility and enrollment processes, and improve renewal procedures.²² Our estimates indicate that citizen and documented children with undocumented parents would benefit from targeted attention in these areas. Another group of children with undocumented parents may also require attention under the ACA. Children who are not eligible for Medicaid/CHIP with incomes between 138 and 400 percent of the FPL may qualify for a child-only plan in the exchange because their undocumented parents are ineligible to purchase exchange coverage.²³ Determining how such policies will be priced and how subsidies will be calculated will be important for this group of children.

Children with absent parents face a number of challenges that may make it difficult for them to obtain coverage under the ACA and it will be important to clarify issues related to medical support orders particularly in the context of the individual mandate. This issue will primarily need to be addressed in the structure of child support

orders going forward, with guidance from the Department of Health and Human Services Office of Child Support Enforcement. Also, as has been noted, clarifying the rules for child-only plans in the exchange may benefit this group of children. Children living without at least one of their parents represent a large and diverse group, and are likely to face a wide variety of challenges in obtaining coverage that are unrelated to the ACA.²⁴ Policies to address uninsurance among these children would benefit from further analysis of the many family situations that comprise this group.

In addition to the scenarios discussed here, other coverage challenges may arise for children and their families under the ACA. Of particular importance is the ACA provision that denies eligibility for exchange subsidies to individuals with an affordable offer of ESI. As currently interpreted, no family member may receive a subsidy to purchase coverage in the exchange if any member of the family has an offer of ESI coverage for an employee-only policy that meets the affordability threshold; this is true even if no affordable family

policy is available. This provision has the potential to leave many children without an affordable coverage option.²⁵

Despite substantial progress in reducing uninsurance among children over the past two decades, some children still face challenges in obtaining health insurance coverage. The ACA has the potential to further reduce uninsurance for children, but it may not address the barriers faced by some families and, in certain cases, it may present new challenges. Maximizing coverage for children will therefore require addressing the complex coverage scenarios that prevent some children from obtaining or retaining coverage.²⁶ Given that many children face these or similar scenarios today, national and state policymakers can begin to address these issues even before the major ACA coverage provisions are implemented. This analysis also suggests that it will be important to continue considering the circumstances of these children as regulations are developed and health reform implementation progresses.

Notes

1. G. Kenney, M. Buettgens, J. Guyer, and M. Heberlein. "Improving Coverage for Children Under Health Reform will Require Maintaining Current Eligibility Standards for Medicaid and CHIP." *Health Affairs* 30, no. 12 (2011), 2371-2381.
2. Exceptions to the coverage requirements exist for religious objections, financial hardship, and those under the tax filing threshold.
3. S. McMorrow, G. Kenney, and C. Coyer. "Addressing Coverage Challenges for Children Under the Affordable Care Act." (Washington DC: The Urban Institute, May 2011).
4. Kaiser State Health Facts, "Income Eligibility for Working Adults at Application as a Percent of the Federal Poverty Level," January 2011, <http://www.statehealthfacts.org/comparereport.jsp?rep=54&cat=4>.
5. See G. Kenney and A. Cook, "Potential Impacts of Alternative Health Care Reform Proposals for Children with Medicaid and CHIP Coverage" (Washington, DC: The Urban Institute, January 2010), http://www.urban.org/uploadedpdf/411993_CHIP_coverage.pdf
6. The ACA also includes a Medicaid expansion to children age 6 to 18 between 100 and 133 percent of the FPL which will transfer children from CHIP into Medicaid in the states that do not currently cover those children in Medicaid under Title XIX.
7. L. Dubay and G. Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Health Coverage under Medicaid," *Health Services Research* 38, no. 5 (2003): 1283-1302; U.S. Government Accountability Office (GAO), "Medicaid and CHIP: Given the Association between Parent and Child Insurance Status, New Expansions May Benefit Families" (Washington, DC: GAO, 2011).
8. An offer of an employee-only policy that meets the affordability threshold will exclude all family members from eligibility for subsidized coverage regardless of the existence or affordability of a family policy.
9. As of January 2011, the median Medicaid/CHIP eligibility threshold for children was 241 percent of the FPL. The median eligibility thresholds for working parents, jobless parents, and childless adults were 64 percent, 37 percent, and 0 percent of the FPL, respectively. Kaiser Commission on Medicaid and the Uninsured, *Holding Steady, Looking Ahead: Annual Findings of a 50-State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP, 2010-2011*, January 2011.
10. Undocumented immigrants are eligible for emergency services in Medicaid. Legal resident adults must have at least five years of residence in the United States to be eligible for federal benefits, while 22 states have allowed legal resident children to qualify for benefits without meeting this residency threshold.

11. U.S. Census Bureau, "Poverty Thresholds for 2009 by Size of Family and Number of Related Children under 18 Years" (Washington, DC: U.S. Census Bureau, 2009), <http://www.census.gov/hhes/www/poverty/threshld/thresh09.html>.
12. Health insurance units include the member of a nuclear family, including the family head, spouse, and own children under 19 years of age, or own full-time student children 19–22 years of age. These estimates reflect current practice with regard to income and family unit definitions used to establish Medicaid/CHIP eligibility. The ACA will introduce changes to these practices with a shift to the use of Modified Adjusted Gross Income in eligibility calculations as well as an emphasis on tax units for defining families. Although the exact magnitude of the effects of these changes on our estimates is unknown, it is unlikely that they would lead to different conclusions about the relative size of these different groups of children.
13. L. Dubay and A. Cook, "How Will the Uninsured Be Affected by Health Reform?" (Kaiser Commission on Medicaid and the Uninsured, 2009), <http://www.kff.org/healthreform/upload/7971.pdf>.
14. Disregards are expenses or earnings deducted from gross income in determining eligibility for Medicaid/CHIP. Disregards are one way of expanding coverage to individuals who would otherwise be ineligible for Medicaid/CHIP due to their higher level of gross income. The model takes into account childcare expense, work expense, and earnings disregards in determining eligibility, but does not take into account child support disregards.
15. To account for the possibility that some foreign-born individuals are unauthorized immigrants and therefore not eligible for public health insurance coverage, the model takes into account imputed documentation status.
16. See J. Passel and D. Cohen, "A Portrait of Unauthorized Immigrants in the United States" (Washington, DC: Pew Hispanic Center, 2009).
17. We identify only citizen or legal resident children as Medicaid/CHIP eligible as no undocumented children receive federally funded Medicaid coverage. Children whose two parents have mixed documentation status (e.g., one citizen/legal resident (5+) and one legal resident (<5), one citizen/legal (5+) and one undocumented, or one legal (<5) and one undocumented) are not included in these estimates. In these cases, the parents may differ in their eligibility for an exchange subsidy. Excluding these children indicates that our estimates of Medicaid/CHIP eligible children with exchange eligible parents may be a lower bound.
18. T. Grall, "Custodial Mothers and Fathers and Their Child Support: 2007" (Washington, DC: U.S. Census Bureau, Current Population Reports, 2009).
19. Our previous estimates found 16.7 million children with potentially exchange eligible parents compared to 15.7 million in our revised estimates with the difference due to updates to the Medicaid/CHIP eligibility simulation model. Our previous estimates also highlighted an estimated 4.0 million Medicaid/CHIP or exchange eligible children with undocumented parents or with parents who had ESI coverage. This estimate was based on three separate groups of children: 0.8 million children with incomes between 138 and 399% FPL who had private non-group coverage or no coverage while their parents had ESI; 3.0 million Medicaid/CHIP eligible children with undocumented parents; and 0.2 million exchange eligible children with undocumented parents. Due to small sample sizes, state-level estimates of the number of potentially exchange eligible children whose parents had ESI or were undocumented are unreliable. Therefore, our current estimates focus only on Medicaid/CHIP eligible children with undocumented parents. Our current estimate for these children (3.0 million) is the same as our previous estimate, but does reflect very small changes due to updates to the Medicaid/CHIP eligibility simulation model. Our estimate of the number of children with absent parents remains unchanged.
20. L. Dubay and G. Kenney. Memorandum to Interested Parties re: The Need for a Seamless Enrollment System Under the Affordable Care Act. (Washington, DC: Urban Institute, 2011).
21. Georgetown University Health Policy Institute. Center for Children and Families, "Memo to Interested Parties Regarding the 'Major Implications for Children and Families of the Proposed Affordable Care Act Rules on Eligibility and Enrollment Systems.'" October 18, 2011.
22. Georgetown University Health Policy Institute, October 2011.
23. The size of this group will depend on the future of Medicaid and CHIP coverage for children with incomes above 138 percent of the FPL (i.e., whether the maintenance of effort on Medicaid and CHIP coverage for children is retained and future federal funding for CHIP).
24. S. McMorrow, G. Kenney, A. Cook, and C. Coyer. "Health Care Coverage and Medicaid/CHIP Eligibility for Child Support Eligible Children." ASPE Research Brief (Washington DC: U.S. Department of Health and Human Services, July 2011).
25. K. Jacobs, et al. "Proposed Regulations Could Limit Access to Affordable Health Coverage for Workers' Children and Family Members." Policy Brief. University of California, December 2011, http://laborcenter.berkeley.edu/healthcare/Proposed_Regulations11.pdf; R. Burkhauser, S. Lyon, and K. Simon, "The Importance of the Meaning and Measurement of 'Affordable' in the Affordable Care Act," NBER Working Paper No. 17279, August 2011.
26. Kenney, Buettgens, Guyer, and Heberlein, 2011.

Appendix Table 1
Health Insurance Coverage of Children, by State and Complex Coverage Status

	Medicaid/CHIP eligible children, potentially exchange eligible parents		Medicaid/CHIP eligible children, undocumented parents		Children with at least one absent parent		Children not in a complex coverage scenario
	%		%		%		%
United States							
Medicaid/CHIP	38.4	***	68.5	***	54.2	***	23.5
ESI	48.0	***	11.6	***	30.3	***	64.7
Uninsured	8.8		19.0	***	11.7	***	7.1
California							
Medicaid/CHIP	45.8	***	75.6	***	54.1	***	30.8
ESI	39.8	***	9.7	***	30.8	***	56.9
Uninsured	10.7		14.2	***	10.6	**	7.7
New York							
Medicaid/CHIP	37.0	***	65.3	***	61.7	***	29.8
ESI	53.1	***	18.3	***	25.9	***	63.5
Uninsured	4.5		16.5	**	9.4	***	4.3
Texas							
Medicaid/CHIP	45.2	***	69.9	***	54.4	***	27.8
ESI	38.1	***	7.0	***	26.7	***	54.4
Uninsured	11.6		21.0	*	16.1		14.3

Source: Urban Institute analysis of the 2010 CPS ASEC.

Notes: Potentially exchange eligible parents are citizens/legal residents (5+ yrs) with income 138—399% FPL or legal residents (<5 yrs) with income below 400% FPL. These parents may or may not qualify for exchange subsidies depending on the ESI coverage that is available to them. The coverage distribution in the table does not sum to 100. The remainder represents those with other coverage including private nongroup insurance and other public coverage. * (**) (***) indicates that the estimate is statistically different from that for children not in a complex coverage scenario at the .10 (.05) (.01) level.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

About the Authors and Acknowledgments

Stacey McMorrow is a research associate, Genevieve Kenney is a senior fellow and Christine Coyer is a research associate at the Urban Institute's Health Policy Center. This research was funded by the David and Lucile Packard Foundation. The authors would like to thank Gene Lewit, Catherine Hess, Judy Solomon, and Jocelyn Guyer for helpful comments and suggestions. We appreciate the contributions of Lisa Dubay, Jennifer Haley, Victoria Lynch, and Dean Resnick to the development of the Urban Institute Health Policy Center's Medicaid/CHIP eligibility simulation model. The authors would also like to thank Eva Hrubá for her assistance in preparing this brief for publication.

The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic, and governance problems facing the nation. For more information, visit www.urban.org.