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Report to the Ranking Minority Member, Subcommittee on Children and Families, Committee on Labor and Human Resources, U.S. Senate

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HEALTH INSURANCE FOR CHILDREN

Many Remain Uninsured Despite Medicaid Expansion

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Health, Education, and
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The Honorable Christopher J. Dodd
Ranking Minority Member
Subcommittee on Children and Families
Committee on Labor and Human Resources
United States Senate

Dear Senator Dodd:

Access to needed medical care can detect and prevent problems affecting the future health and lives of children. Many U.S. children, however, receive less health care than others because they lack health insurance. In 1993, 9.3 million U.S. children did not have health insurance coverage at any time during the year. These 9.3 million children account for almost one-quarter of all uninsured people.

Since the 1980s, the Congress has expanded Medicaid eligibility so that more children could have health care coverage. Currently, the 104th session of the Congress is considering making the Medicaid program a block grant to states, limiting the growth of program expenditures, and removing eligibility and other requirements. Such changes could greatly impact children's health care coverage if states choose to remove guaranteed eligibility for children or reduce current state eligibility levels.

Concerned about these issues, you asked us to

- determine the impact of the Medicaid expansion on children's health insurance coverage since 1989,
- identify changes in the demographic profile of children enrolled in the Medicaid program and uninsured children since the Medicaid expansion, and
- estimate the number of uninsured children who might be eligible for Medicaid.

To answer these questions, we analyzed data from the Bureau of the Census' March 1990 and March 1994 Current Population Survey (CPS), linking information on children's health insurance status and their parents'

demographic characteristics.[1,2] (See app. III.) To estimate the number of Medicaid-eligible children that were uninsured and not enrolled in the Medicaid program, we defined a group of children from the March 1994 CPS data file that were Medicaid eligible according to federal rules and analyzed their insurance status.[3] We also analyzed relevant laws to understand changes in Medicaid eligibility criteria affecting children. We released some of the findings from our analysis in a correspondence to you.[4] Our work was conducted between October 1994 and April 1995 in accordance with generally accepted government auditing standards.

Results in Brief

Policy changes to expand Medicaid eligibility for children helped to increase the number of children enrolled in Medicaid by 4.8 million between 1989 and 1993. However, the overall number of children who are uninsured did not decline because employment-based coverage for adults and children also declined during the same period.[5] Because of expanded Medicaid coverage, children were not as affected by the loss of employment-based insurance as adults. Without expanded Medicaid coverage, many more children would have been uninsured in 1993.

Medicaid primarily serves children who are poor or near poor, so expanding Medicaid eligibility primarily affected the insurance status of these children.[6] The percentage of poor children who were uninsured declined from 25 percent in 1989 to 20 percent in 1993. In contrast, the

[1]Each March, the Census Bureau asks questions about health insurance coverage during the previous year. Thus, the 1990 and 1994 surveys report information for 1989 and 1993.

[2]The CPS data we are reporting include only those children we were able to pair with an adult—98.4 percent of the sample in 1993. We could not pair 1.6 percent of the children. Thus, in 1993, 9.6 million children (13.7 percent) were uninsured and 14 million (20.2 percent) received Medicaid, while 39.7 million (57 percent) had employment-based insurance.

[3]We define the group of Medicaid eligible as children age 0 to 5 with family income at or below 133 percent of the federal poverty level and children 6 to 10 with family incomes at or below the federal poverty level. The Congress mandated Medicaid coverage for all of these children born after September 30, 1983.

[4]Uninsured and Children on Medicaid (GAO/HEHS-95-83R, Feb. 14, 1995).

[5]Some children, particularly children on Medicaid, have multiple sources of insurance. We define "children on Medicaid" as children on Medicaid who did not have any employment-based insurance. (See app. III.)

[6]Poor children are children living in families with income at or below the federal poverty level. For July 1, 1992, through June 30, 1993, the federal poverty income for a family of three was an annual income of $11,570 or less. For this report, we define "near-poor" children as children living in families with income between 101 and 150 percent of the federal poverty level. For a family of three, this means an annual income between $11,571 and $17,357.

percentage of children in families with above near-poor income who were uninsured increased.[7]

The Medicaid expansion has increased the enrollment of children less likely to be on Medicaid previously—children in working families and children not receiving Aid to Families With Dependent Children (AFDC). By 1993, more than half of Medicaid children had a working parent and almost half were not on AFDC.[8] The greatest increase in coverage has been among children with at least one full-time[9] working parent, which increased from 13.2 percent in 1989 to 20.1 percent in 1993. The proportion of children in two-parent families on Medicaid has also increased. Of all regions, the South[10] had the greatest increase in the number of children enrolled in Medicaid, though it still has the greatest number of uninsured children.

Although the Medicaid expansion has increased Medicaid coverage for children in working families, these children remain the largest segment of uninsured children. In fact, more uninsured children—61 percent—had a full-time working parent in 1993 than in 1989. Like most U.S. children, most uninsured children live in two-parent families with at least one working parent—but they have lower than average income. Compared with more affluent workers, lower income workers are more likely to work for businesses that do not offer employee coverage, and, if they do, do not offer dependent coverage.

While the Medicaid expansion allowed many children to be covered who might otherwise be uninsured, a substantial number of uninsured children in 1993 were eligible but not enrolled in the program. At least one-quarter of currently uninsured children—2.3 million—met federal Medicaid age and income eligibility standards. Reasons that eligible children are not covered may include their parents' lack of knowledge about their potential eligibility and difficulties in applying for Medicaid.

[7]We define "above near-poor" children as children living in families with income above 150 percent of the federal poverty level. For a family of three, this means an annual income above $17,357.

[8]Nor were they on other assistance.

[9]In this report, "full-time" work refers to working full time for the entire year with no lapses in full-time employment. Parents who worked full time for only part of the year are classified with part-time workers as working less than full time.

[10]The South includes Alabama, Arkansas, Delaware, the District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Background

Most U.S. families access the health care system through health insurance coverage. Without health insurance, many families face difficulties getting preventive and basic care for their children. Uninsured women, for example, are less likely to get early and adequate prenatal care. Late and inadequate prenatal care is associated with higher rates of low birth weight and prematurity, serious illness, and handicap for children.[11] Children without health insurance are less likely to have routine doctor visits, get care for injuries, or have a regular source of medical care. When they do seek care, they are more likely to get it through a clinic rather than a private physician or health maintenance organization (HMO).[12,13,14] Uninsured children are also less likely to be appropriately immunized—important in preventing childhood illness.[15,16]

Insured children in the United States either have privately or publicly funded health insurance. In 1993, 89 percent of children with private insurance got coverage through their parents' employment. A small percentage of children have private, individually purchased policies. An even smaller percentage are children of military personnel who get publicly funded insurance through their parents' employment. Most children with publicly funded insurance get coverage through Medicaid.

The Medicaid program is a jointly funded federal-state entitlement program that provides health insurance for both children and adults. It is implemented through 56 separate programs (including the 50 states, the District of Columbia, Puerto Rico, and the U.S. territories). States are required to cover some groups of children and adults and may extend coverage to others. Children and their parents must be covered if they receive benefits under the AFDC program. In the past, most children received Medicaid because they were on AFDC. Children and adults may

[11]Prenatal Care: Medicaid Recipients and Uninsured Women Obtain Insufficient Care (GAO/HRD-87-137, Sept. 30, 1987).

[12]Barbara Bloom, Health Insurance and Medical Care: Health of Our Nation's Children, United States, Advance Data from Vital and Health Statistics; No. 188, National Center for Health Statistics (Hyattsville, Md.: 1990).

[13]David L. Wood and others, "Access to Medical Care for Children and Adolescents in the U.S.," Pediatrics, Vol. 86, No. 5 (1990), pp. 666-673.

[14]Mary D. Overpeck and Jonathan B. Kotch, "The Effect of U.S. Children's Access to Care on Medical Attention for Injuries," American Journal of Public Health, Vol. 85, No. 3 (1995) pp. 402-404.

[15]Charles N. Oberg, "Medically Uninsured Children in the United States: A Challenge to Public Policy," Pediatrics, Vol. 85, No. 5 (1990), pp. 824-833.

[16]David U. Himmelstein and Steffie Woolhandler, "Care Denied: U.S. Residents Who Are Unable to Obtain Needed Medical Services," American Journal of Public Health, Vol. 85, No. 3 (1995), pp. 341-344.

also be eligible for the program if they are disabled and have low incomes or if their medical expenses are extremely high relative to family income.[17]

Beginning in 1986, the Congress passed a series of laws that expanded Medicaid eligibility for pregnant women, infants, and children. (See table I.1 in app. I.) Before 1989, coverage expansions were optional, although many states had expanded coverage.[18] Starting in July 1989, states had to begin covering pregnant women and infants with family incomes at or below 75 percent of the federal poverty level. The Omnibus Budget Reconciliation Acts of 1989 and 1990 added additional requirements that states had to implement in 1990 and 1991.

By 1993, states were required to cover (1) pregnant women, infants, and children up to age 6 with family income at or below 133 percent of the federal poverty level and (2) children aged 6 to 10 (born after September 30, 1983) with family income at or below 100 percent of the federal poverty level. Current law also requires that the group of poor children over age 6 eligible for Medicaid continue to expand year by year until all poor children up to age 19 are eligible in the year 2002. In addition, states may expand Medicaid eligibility for infants and children beyond these requirements by either phasing in coverage of children up to age 19 more quickly than required or by increasing eligibility income levels or both. As of April 1995, 37 states and the District of Columbia had expanded coverage for children beyond federal requirements. (See app. I.)

Children represent a large proportion of Medicaid recipients but a small proportion of Medicaid expenditures. In 1993, 49 percent of Medicaid recipients were children under age 21, but only 16 percent of Medicaid medical vendor payments were for their care.[19]

Nonetheless, Medicaid's overall cost and the rate of cost increases have raised concerns about the program's impact on the federal budget. Medicaid costs are projected to increase from about $131 billion to $260 billion by the year 2000, according to the Congressional Budget Office. The Congress is currently considering different options to lower the cost of the program, including removing guaranteed eligibility and giving capped funding to the states as block grants.

[17]This applies in states with Medically Needy programs.

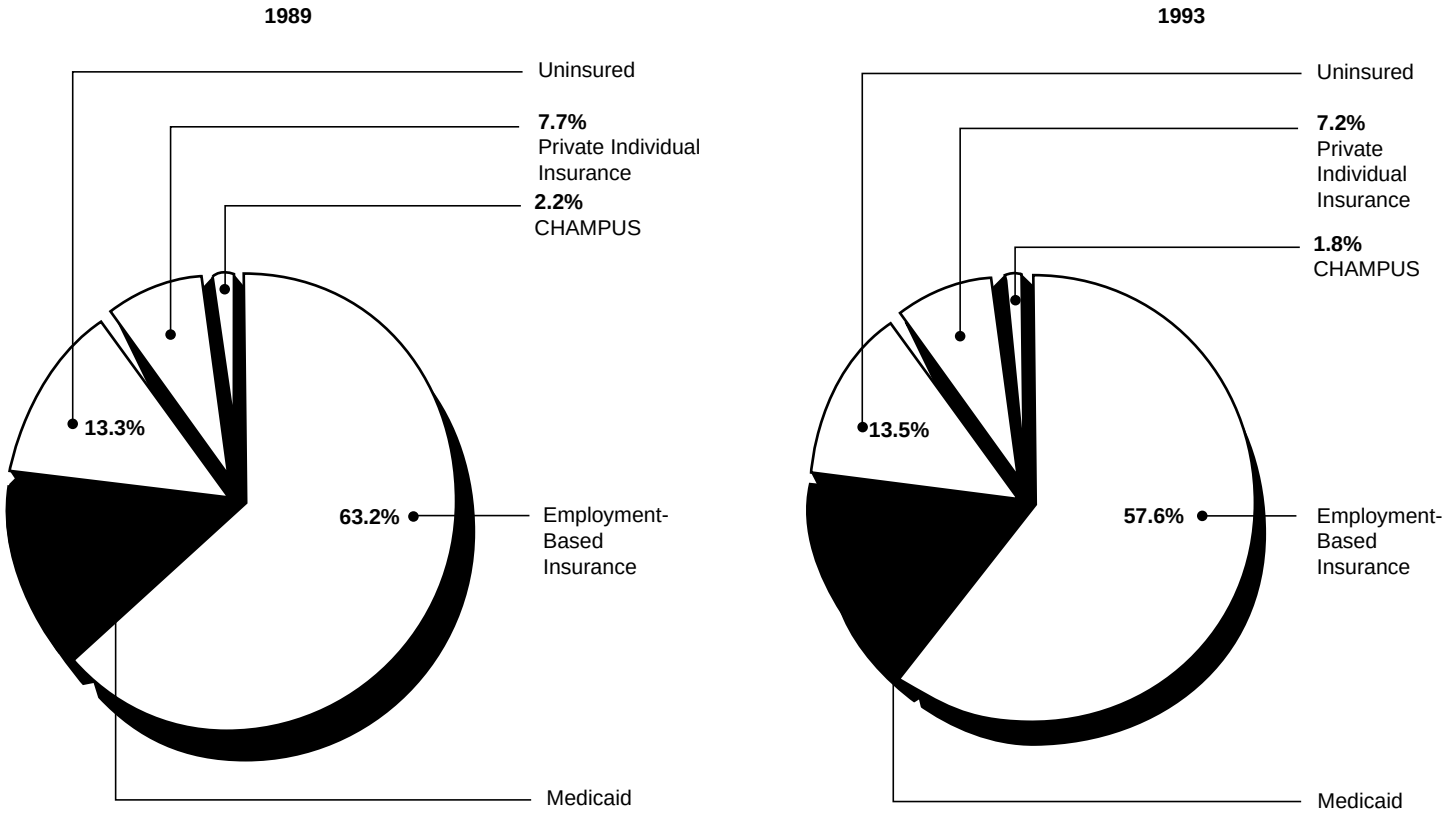
[18]Thirty-two states and the District of Columbia had expanded coverage for pregnant women and infants, and 26 states and the District of Columbia had expanded coverage for older children as of December 1988.

[19]If disabled children under 21 are included, 23 percent of Medicaid medical vendor payments in 1993 were for children under age 21.

The Increased Number of Children on Medicaid Helped Offset the Decline in Employment-Based Insurance for Children

Medicaid has become an increasingly important source of health insurance for low-income children as employment-based insurance has declined for both children and adults. Between 1989 and 1993, the number of children covered by Medicaid increased 54 percent—from 13.6 percent of U.S. children in 1989 (8.9 million children) to 19.9 percent in 1993 (13.7 million children). This could have led to a major decrease in the percentage of children uninsured. It did not, however, because the decrease in children covered by employment-based insurance offset the increase in U.S. children insured through Medicaid. (See fig. 1.)

Figure 1: Medicaid Insured One-Fifth of U.S. Children in 1993



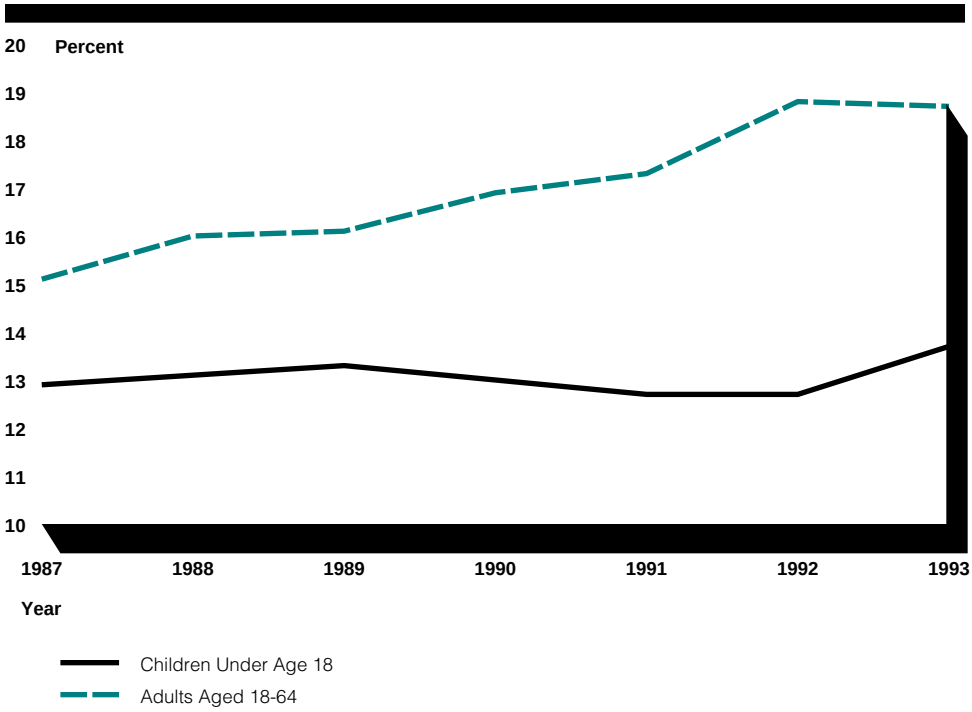
Note: CHAMPUS stands for the Civilian Health and Medical Program of the Uniformed Services.

Comparing trends between children and adults clarifies Medicaid's role. Between 1989 and 1993, the percentage of children with employment-based health insurance decreased 9 percent. During the same period, the percentage of adults aged 18 to 64 with such insurance decreased 7 percent. Both children and adults lost employment-based coverage.

Because of the Medicaid expansion, however, the decline in employment-based insurance for children did not lead to an increase in the proportion of uninsured children. Adults had a different experience. (See fig. 2.) Between 1989 to 1993, the proportion of adults who were uninsured rose 16 percent. In contrast, the proportion of children who were uninsured was similar in 1989—13.3 percent—and 1993—13.5 percent.[20]

[20]The proportion declined between 1989 and 1992 and then rose 8 percent from 1992 to 1993.

Figure 2: Percentage of Uninsured Adults Increased More Than the Percentage of Uninsured Children Between 1987 and 1993



Notes: Data through 1991 are weighted to the 1980 census. Data from 1992 and 1993 are weighted to the 1990 census.

Data collection method changed in 1993 to computer-assisted interviewing.

Source: Bureau of the Census, Income Statistics Branch.

Comparing the experience of adults and children suggests that expanding Medicaid for children did not displace privately purchased individual insurance. The proportions of children and adults with privately purchased insurance were similar in 1989 and changed little in 1993. An increased proportion of adults did not purchase individual policies as more adults became uninsured. If Medicaid had displaced privately purchased insurance for children, the proportion of children with privately purchased insurance would have decreased, but it did not.

The question of whether parents who could have employment-based insurance for their families chose to drop or refuse coverage to get Medicaid coverage for their children is more complicated. The longitudinal data that would be needed to directly answer this question are not

available. Two researchers attempted to overcome this limitation by developing an economic model using CPS data from 1987 through 1992. They estimated that expanding Medicaid coverage for pregnant women and children did partially displace employment-based coverage, being responsible for about 17 percent of the decline in private insurance coverage between 1987 and 1992. The rest of the decline in coverage was due to macroeconomic factors, changes in the demographic mix of population, or changes in employers' offering or generosity in covering health insurance for workers and their families. For children, their analysis leads to an estimate that 37 to 47 percent of children's increase in Medicaid coverage was linked to a reduction in employment-based insurance coverage.[21]

Although the Medicaid expansion offset the decrease in employment-based insurance, an increasing number of children either have no health insurance or depend on publicly funded health insurance. In 1993, 9.3 million children were uninsured, and 13.7 million were on Medicaid. These totals represent over one-third of U.S. children.[22]

Medicaid Expansion Had Greater Impact on Insurance Status of Poor and Near-Poor Children

The effect of the Medicaid expansion is clear when considering how poor children, near-poor children, and higher income children fared in the health insurance marketplace between 1989 and 1993. During this period, the percentage of children of all income levels with employment-based insurance declined, and Medicaid coverage for all income levels expanded but to different degrees.

Employment-based insurance declined most for near-poor children. (See table 1.) Meanwhile, an additional 11 percent of these children obtained coverage under Medicaid. The proportion of near-poor children who were uninsured did not change significantly. These children were still most likely to be uninsured in 1993 and most likely to be on Medicaid.

Poor children had a smaller decline in employment-based insurance than near-poor children and a large increase in Medicaid coverage. As a result, the percentage of poor children who were uninsured actually declined from 25 percent in 1989 to 20 percent in 1993.

[21]David M. Cutler and Jonathan Gruber, Does Public Insurance Crowd Out Private Insurance? National Bureau of Economic Research, Working Paper No. 5082 (Cambridge, Mass.:1995).

[22]In fact, this underrepresents the importance of Medicaid, since it does not include children who had both employment-based and Medicaid coverage in these years. If those children are included, 23.9 percent of U.S. children were on Medicaid in 1993.

Unlike poor and near-poor children, children with family incomes above 150 percent of the federal poverty level were more likely to be uninsured in 1993 than 1989. This group of children had the highest rates of employment-based coverage in 1989 (80.2 percent) and the smallest decrease in such coverage. The Medicaid expansion cushioned this group less since few of these children depend on Medicaid for their coverage. However, the percentage of these children covered by Medicaid had a small and statistically significant increase—from 7.5 percent to 9.1 percent.

Table 1: Change in Percentage of Poor, Near-Poor, and Above Near-Poor Children Who Had Different Types of Insurance or Were Uninsured, 1989 and 1993

Health insurance of children by poverty level	Percent 1989	Percent 1993	Percentage point difference	Percent change
Poor[a]				
Employment-based	17.8	14.0	–3.9[d]	–22
Medicaid	50.7	61.3	+10.6[d]	+21
CHAMPUS	1.0	0.9	–0.1	–8
Private/individually purchased	5.4	3.8	–1.6[d]	–30
Uninsured	25.0	20.1	–5.0[d]	–20
Total	**100**	**100**		
Near-poor[b]				
Employment-based	46.9	40.6	–6.2[d]	–13
Medicaid	13.7	24.9	+11.2[d]	+82
CHAMPUS	3.2	2.4	–0.8	–25
Private/individually purchased	9.7	7.6	–2.1[d]	–22
Uninsured	26.5	24.5	–2.0	–8
Total	**100**	**100**		
Above near-poor[c]				
Employment-based	80.2	77.4	–2.8[d]	–4
Medicaid	1.7	3.1	+1.5[d]	+88
CHAMPUS	2.5	2.0	–0.5[d]	–21
Private/individually purchased	8.1	8.4	+0.3	+4
Uninsured	7.5	9.1	+1.6[d]	+21
Total	**100**	**100**		
All U.S. children				
Employment-based	63.2	57.6	–5.6[d]	–9
Medicaid	13.6	19.9	+6.3[d]	+46
CHAMPUS	2.2	1.8	–0.5[d]	–21
Private/individually purchased	7.7	7.2	–0.5	–7
Uninsured	13.3	13.5	+0.1	+1
Total	**100**	**100**		

Note: Column totals may not add to exactly 100 percent due to rounding. Percentages may not exactly compute due to rounding.

[a]Poor families have income at or below 100 percent of the federal poverty level.

[b]Near-poor families have income between 101 to 150 percent of the federal poverty level.

[c]Above near-poor families have income above 150 percent of the federal poverty level.

[d]Statistically significant at the .05 level.

The Medicaid Expansion Increased the Number of Medicaid Children in Working and Non-AFDC Families, Among Other Changes

Because of policy changes to expand children's eligibility, Medicaid has become a more important source of insurance for children who were less likely to get Medicaid in the past, such as children in working families. The proportion of Medicaid children who had a working parent increased between 1989 and 1993. By 1993, more than half the children on Medicaid had a working parent, and almost half did not depend on AFDC. Medicaid coverage also increased more during this period among other children less likely to receive Medicaid in the past—children in two-parent families, children of more educated parents, white non-Hispanic and Hispanic children, and children living in the South.

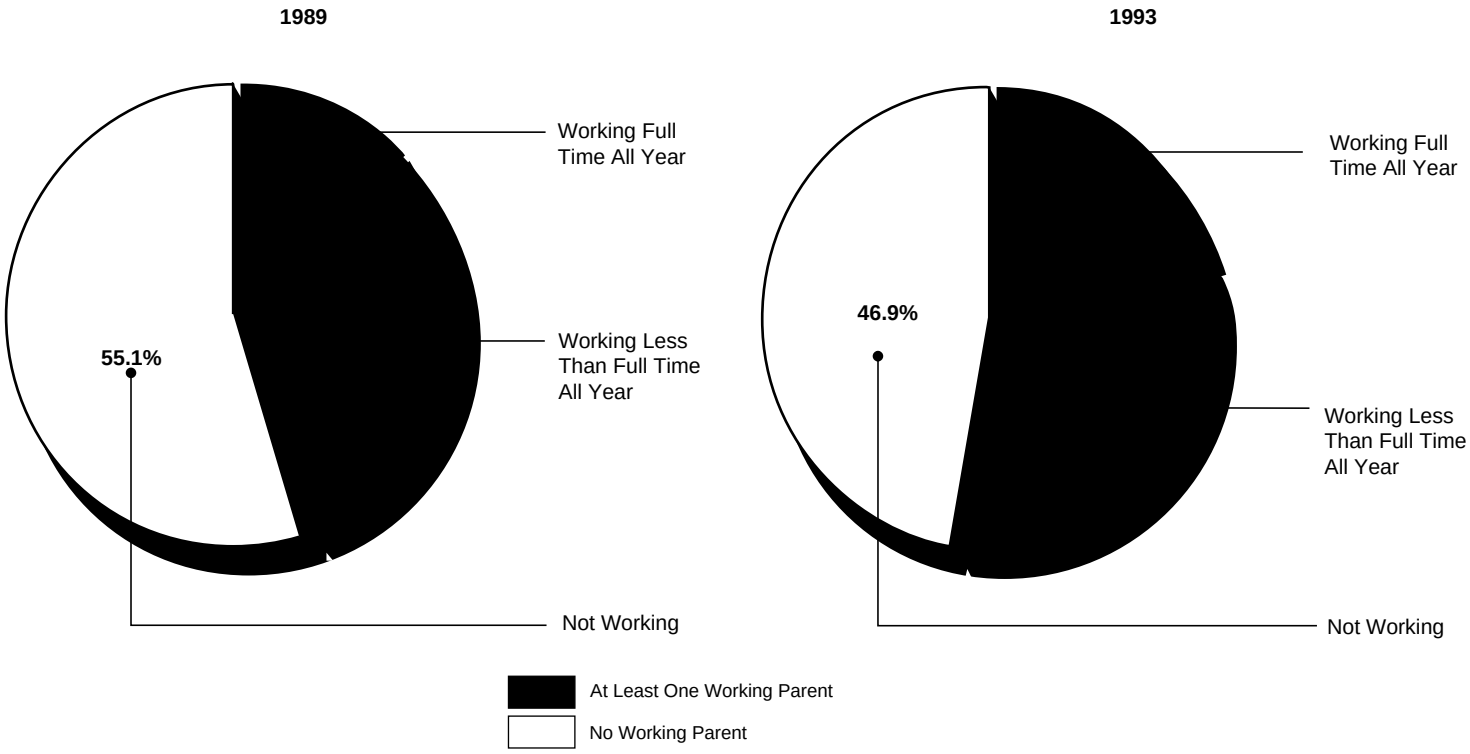
Medicaid Now Insures More Children in Working, Non-AFDC, and Two-Parent Families

Changing Medicaid eligibility policies so that children are eligible on the basis of income and age, even if they are not on AFDC,[23] allowed uninsured children of low-income working families to get health insurance through Medicaid. A significant increase in the number of children with a working parent on Medicaid has resulted.

Over half of Medicaid children had a working parent in 1993. (See fig. 3.) The proportion of children in working families on Medicaid grew, and the number of Medicaid children with a working parent increased from 4 million in 1989 to 7.3 million in 1993—an 83 percent increase. Most working parents with children on Medicaid worked less than full time for the entire previous year. However, the percentage of Medicaid families with a full-time worker increased. By 1993, 1 child in 5 on Medicaid had a parent who worked full time all year.

[23]AFDC used to be one of the main ways children could enter the Medicaid program and receive health insurance. Other children whom Medicaid covered were the disabled or those with extremely high medical bills.

Figure 3: By 1993, More Than Half of Medicaid Children Had a Working Parent



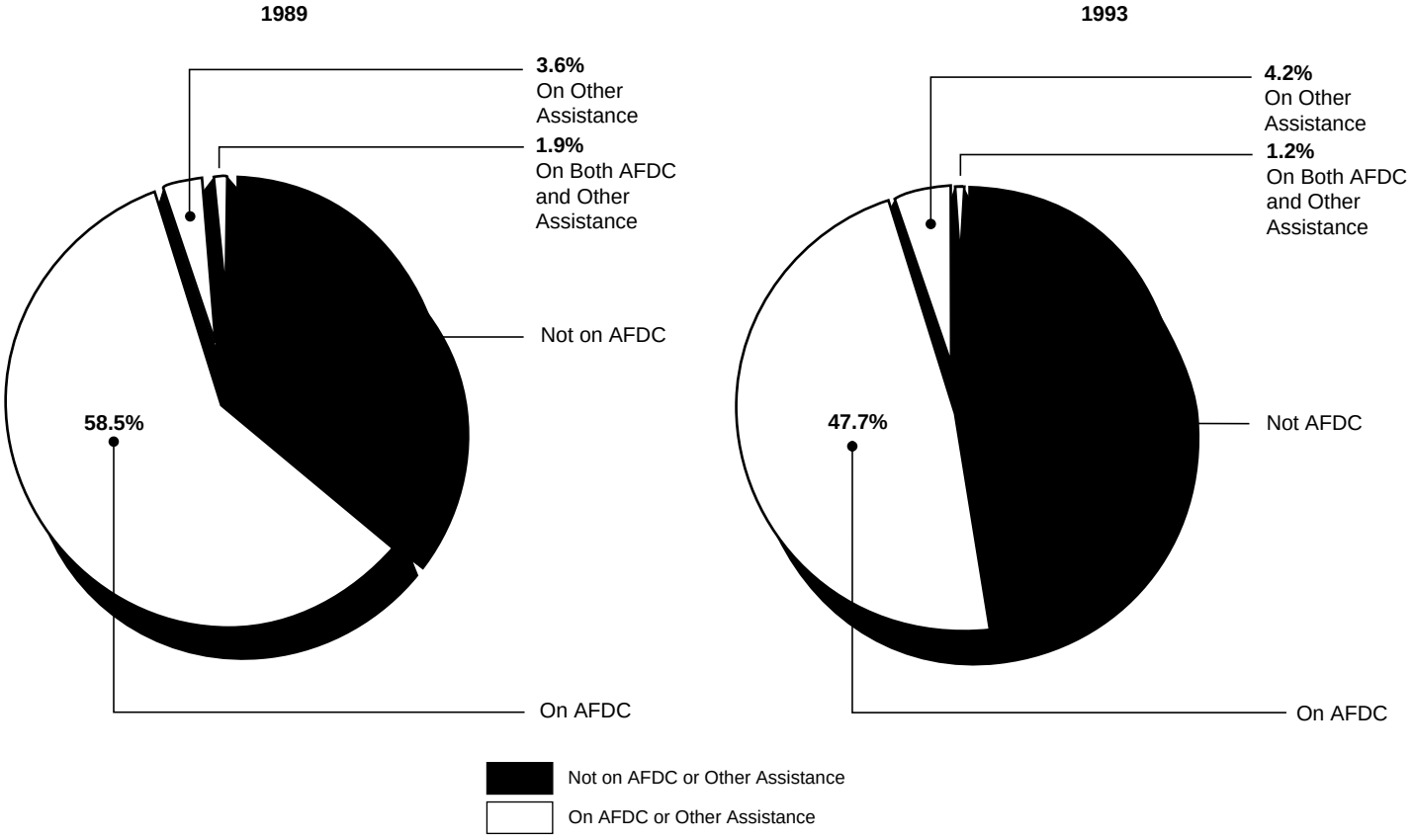
Expanding Medicaid eligibility on the basis of income and age was a major reason for the increase in Medicaid enrollment, but not the only reason. AFDC enrollment also increased between 1989 and 1993. The number of children in Medicaid on AFDC or AFDC combined with other assistance increased by 1.3 million children—a 25 percent increase.[24] But the expansion in non-AFDC children on Medicaid was much greater.

Between 1989 and 1993, the number of non-AFDC children on Medicaid doubled—from 3.2 million to 6.4 million children. This greater increase in non-AFDC children increased the proportion of non-AFDC children on Medicaid. (See fig. 4.) The percentage of children not receiving AFDC or

[24]The growth in AFDC children probably relates to the increase in the number and proportion of children in poverty and thus eligible for poverty-related support programs. The number of U.S. children in poverty increased from 14 million (22 percent of U.S. children) to 17 million (25 percent) in 1993.

other assistance in 1993 increased from 36 percent of all children on Medicaid in 1989 to 47 percent—almost half.

Figure 4: Children Not on AFDC Became a Larger Proportion of Children on Medicaid



The Medicaid program now serves more children in two-parent families, another group of children less likely to receive Medicaid in the past. The percentage of Medicaid children in two-parent families grew from 29.7 percent in 1989 to 35.6 percent in 1993. Children on Medicaid in two-parent families were more likely to have a working parent in 1993 than in 1989 (78.5 percent compared with 72 percent) and also more likely to have at least one parent who worked full time (40.6 percent compared with 29.2 percent).

Medicaid Coverage Increased More Among Some Groups of Children

In addition to an increase in the proportion of working and two-parent families on Medicaid, Medicaid enrollment also increased more for other groups of children less likely to receive Medicaid in the past. Children whose parents lack a high school diploma are most likely to receive Medicaid, since lower education and lower income are related. However, enrollment increased for some children less likely to be on Medicaid—those whose most educated parent had a high school diploma up through a bachelor's degree. Meanwhile, employment-based insurance decreased for children whose parents' education varied from less than high school to those whose parents had some college education. (See app. II.)

Also, although a higher proportion of African American children receive Medicaid coverage than children in other racial/ethnic groups, Medicaid coverage expanded more for white, non-Hispanic children, and Hispanic children than for African American children.

In 1989, a child in the South was less likely to receive Medicaid than a child in any other region, even though the South had the highest percentage of poor, uninsured children (47 percent). With the Medicaid expansion, enrollment increased most in the South, so by 1993 the percentage of poor, uninsured children in the South had declined. Despite this decline, the South remains the region with the highest percentage of uninsured children and the largest number of poor, uninsured children. (For more detail on these changes, see app. II.)

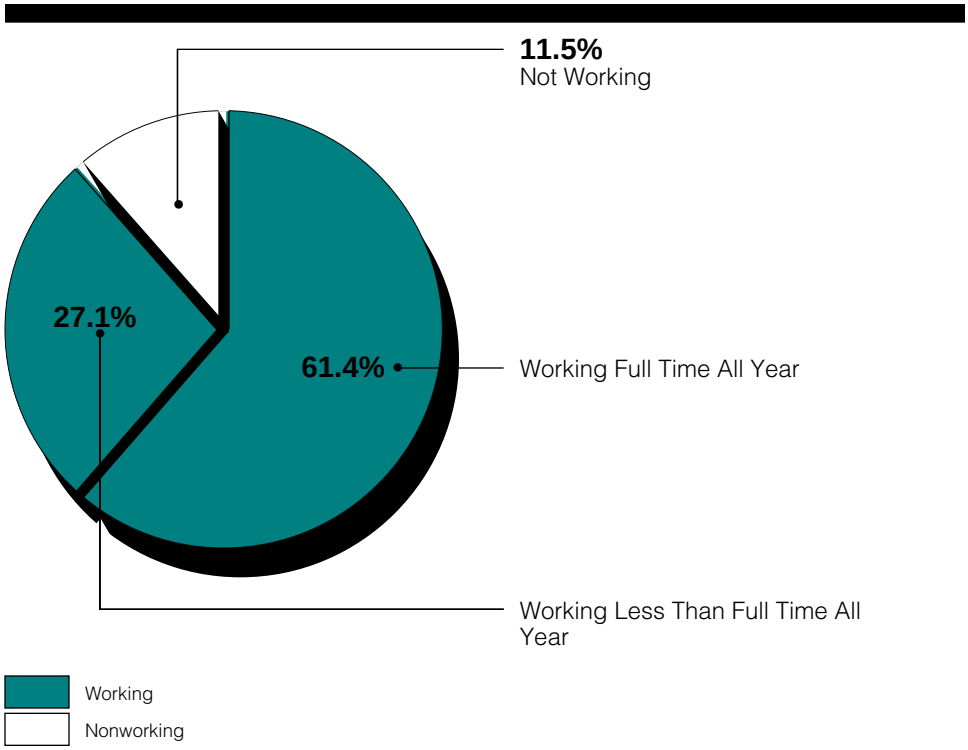
Most Uninsured Children Have Working Parents With Lower Than Average Income

Despite the Medicaid expansion, children of working parents with lower than average income still predominate among uninsured children. Living with a full-time working parent was even less of a guarantee that children would have health insurance coverage in 1993 than it was in 1989. Most uninsured children live with a full-time working parent, generally in a two-parent family. They differ from most children and especially from insured children because many more of them are poor or near poor.

Most Uninsured Children Have at Least One Working Parent

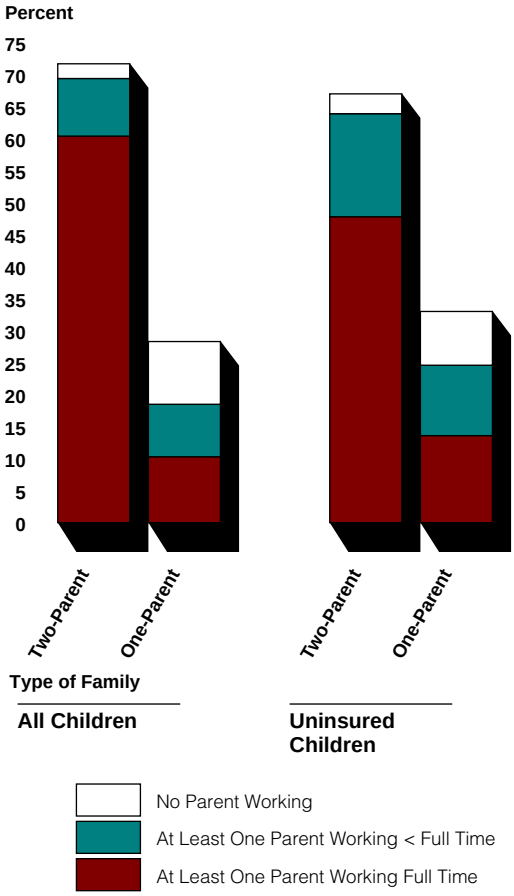
In 1989 and 1993, 89 percent of uninsured children had at least one working parent. The expansion in Medicaid coverage for children in working families did not decrease the percentage of uninsured children with a working parent. In some respects, the status of children in working families worsened. This is because the percentage of uninsured children with a full-time working parent grew between 1989 and 1993—from 57.2 percent (5 million) to 61.4 percent (5.7 million), respectively. (See fig. 5.)

Figure 5: Most Uninsured Children Had at Least One Working Parent in 1993



Unlike children on Medicaid, uninsured children generally resemble most U.S. children because they live in two-parent families, generally with a working parent. (See fig. 6.) In comparison with all U.S. children, uninsured children in two-parent families are less likely to live with a parent who worked full time the entire previous year. Uninsured children are also slightly more likely to live in one-parent families than are U.S. children in general.

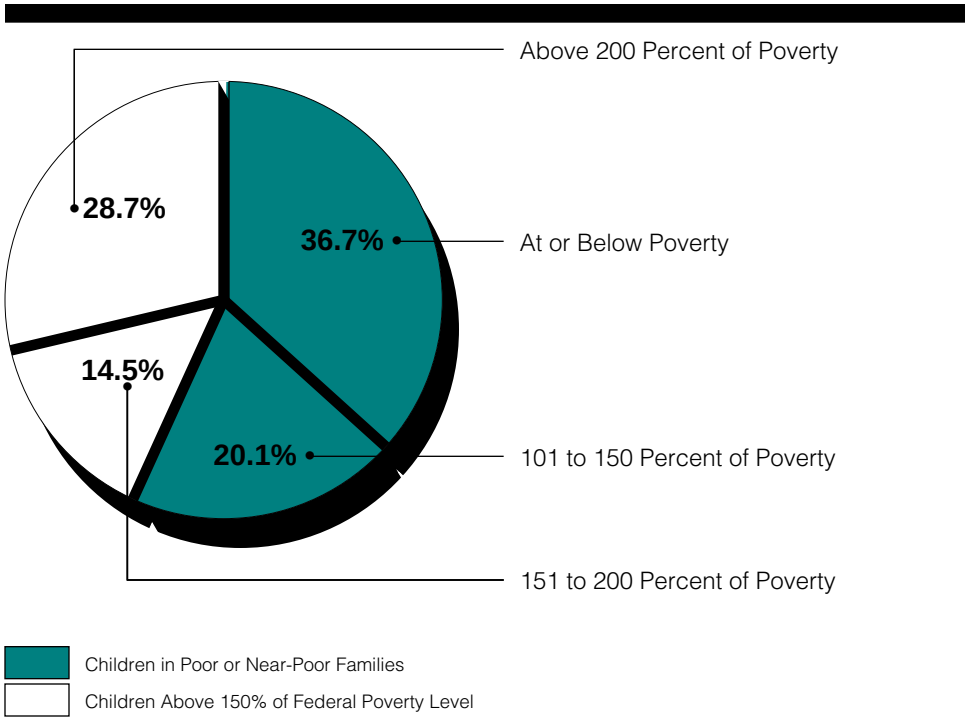
Figure 6: Most U.S. Children and Most Uninsured Children Lived in Two-Parent Working Families in 1993



Uninsured Children's Families Have Lower Incomes

The families of uninsured children have less income than families of insured children. In 1993, 24.7 percent of all U.S. children lived in poor families. A larger proportion of uninsured children—36.7 percent—lived in poor families while only 6 percent of children with employment-based insurance did (see fig. 7). About 57 percent of uninsured children have family income at or below 150 percent of the federal poverty level, compared with 14 percent of children with employment-based insurance.

Figure 7: More Than Half of Uninsured Children Were Poor or Near Poor in 1993



In previous work, we found that poor workers may not have employment-based insurance for several reasons:[25]

- Health insurance is a more substantial share of total employee compensation for low-wage workers than for higher wage workers, so firms with predominantly low-wage workers are less likely to offer health insurance—or, if they do, may not offer dependent coverage since doing so is more expensive than covering the worker alone.
- A large share of small firms that employ low-wage workers are less likely to offer health insurance. Small firms pay higher health insurance premiums because insurers incur higher administrative costs to serve small firms.
- Even if coverage is offered, health insurance cost sharing represents more of the household budgets of poor and near-poor families so that families may decide they cannot afford health insurance even if available.

[25]Health Insurance: An Overview of the Working Uninsured (GAO/HRD-89-45, Feb. 24, 1989); Access to Health Insurance: State Efforts to Assist Small Businesses (GAO/HRD-92-90, May 14, 1992); and Employer-Based Health Insurance: High Costs, Wide Variations Threaten System (GAO/HRD-92-125, Sept. 22, 1992).

Many Uninsured Children Are Medicaid Eligible but Not on Medicaid

Although many uninsured children could be covered by Medicaid, they are not. At least one-quarter of uninsured children in 1993—2.3 million—had family incomes that should have made them eligible for Medicaid.[26] That year, at least 13.8 million children met the federal age and poverty income eligibility requirements for the program. Of these children, 2.4 million (17.3 percent) had employment-based insurance. Almost 8.4 million (60.9 percent) were on Medicaid, and about 675,000 (5 percent) either had individually purchased private insurance or Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) insurance. Another 16.9 percent—2.3 million children—were uninsured.[27] More than half of these uninsured Medicaid-eligible children—over 1.4 million—were under age 6.

Compared with children on Medicaid, these children are more likely to live in working, two-parent families. In 1993, 79.5 percent had at least one working parent, and 42.5 percent had at least one parent working full time. A total of 1.3 million (57.6 percent) of the Medicaid-eligible uninsured children are in two-parent families; 1.2 million of these children have a working parent. The South has more uninsured Medicaid-eligible children than any other region—1.4 million. In comparison to all uninsured children, uninsured Medicaid-eligible children are more likely to be African American or Hispanic.

Possible Reasons Why More Medicaid-Eligible Uninsured Children Are Not Enrolled

Several possible reasons may explain why these families might not have enrolled their children in Medicaid. Low-income families may not know that their children could be eligible for Medicaid even if a parent works full time or if the family has two parents. In a study that interviewed AFDC recipients and former recipients who had begun working but were still receiving Medicaid (so-called Transitional Medicaid) in Charlotte, North Carolina, and Nashville, Tennessee, researchers found that 41 percent of AFDC recipients and 23 percent of former recipients did not understand that a parent could work full time and receive Medicaid for his or her children. Sixty-two percent of the AFDC recipients and 37 percent of the

[26]These are children for whom the Congress mandated Medicaid coverage—either under age 6 with family incomes at or below 133 percent of the federal poverty level or from age 6 to 10 (born after September 30, 1983) with family incomes at or below the federal poverty level.

[27]This underestimates the number of uninsured children possibly eligible for Medicaid, since many states have expanded either the age or the income eligibility criteria above the federal minimum. (See app. I.)

Transitional Medicaid recipients did not know that children could be eligible for Medicaid if they lived in an intact, two-parent family.[28]

Another reason so many uninsured children are not on Medicaid may be that getting enrolled in Medicaid is difficult for low-income families. Many people who are potentially eligible for Medicaid never complete the application process, and about half the denials are for procedural reasons—that is, applicants did not or could not provide the basic documentation needed to verify their eligibility or did not appear for all the eligibility interviews.[29]

Finally, some families may not seek Medicaid until they face a medical crisis because they are not used to regular or preventive medical care. In addition, medical and social service providers report that some families do not want to enroll in Medicaid because they consider it a welfare program and consider it stigmatizing.

Conclusion

Expanding children's Medicaid eligibility has significantly increased the number of children with Medicaid as their health insurance. It has also helped cushion the effect of declining employment-based health insurance coverage for children. Because of expanded eligibility, the proportion of children on Medicaid in working and in two-parent families has grown. The Congress is currently considering legislation to reform AFDC to encourage low-income mothers to work. However, work for many lower income families does not include the benefit of health insurance that it more often does for higher income families. Clearly, having a full-time working parent and being in a two-parent family does not ensure that a child will have health insurance. Although Medicaid has begun to help close that gap for some families, many more uninsured children are eligible for Medicaid than have been enrolled.

Changes to the Medicaid program that remove guaranteed eligibility and change the financing and responsibilities of the federal and state governments may strongly affect health insurance coverage for children in the future. Children account for only a small portion of Medicaid costs. Because they represent almost half the participants, however, any changes to Medicaid disproportionately affect children. Changes to Medicaid that

[28]Sarah C. Shuptrine, Vicki C. Grant, and Genny G. McKenzie, A Study of the Relationship of Health Coverage to Welfare Dependency, Southern Institute on Children and Families (Columbia, S.C.: 1994), pp. 21-25.

[29]Health Care Reform: Potential Difficulties in Determining Eligibility for Low-Income People (GAO/HEHS-94-176, July 11, 1994).

result in reducing the number of children covered, without any accompanying changes in the health insurance marketplace either to encourage employers to provide dependent health insurance coverage, or to encourage families to purchase insurance, or to provide other coverage options for children, could lead to a significantly increased number of uninsured children in the future.

We did not seek written agency comments because this report does not focus on agency activities. We discussed a draft of this report with responsible Department of Health and Human Services officials in the Health Care Financing Administration and included their comments where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to interested parties and make copies available to others on request.

Please contact me at (202) 512-7125 if you or your staff have any further questions. This report was prepared by Rose Marie Martinez, Sheila Avruch, Paula Bonin, and Frank Ullman.

Sincerely yours,

Mark V. Nadel
Associate Director
National and Public Health Issues

Contents

Figures

Abbreviations

AFDC	Aid to Families With Dependent Children
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
CPS	Current Population Survey
EBRI	Employment Benefits Research Institute
MCCA	Medicare Catastrophic Care Amendments
OBRA	Omnibus Budget Reconciliation Act

States Have Expanded Medicaid Eligibility and Other Health Insurance Options for Children

The Congress passed a series of laws beginning in 1986 that substantially expanded Medicaid eligibility for pregnant women and children. Some of these laws required eligibility expansions, and others allowed states options to expand eligibility. (See table I.1.)

Table I.1: A Series of Laws Expanded Medicaid Eligibility for Children

Act	Eligibility expansion
The Omnibus Budget Reconciliation Act of 1986 (OBRA-86)	OBRA-86 (P.L. 99-509) gave states the option to expand Medicaid income eligibility thresholds above AFDC levels up to the federal poverty level for pregnant women and infants, effective April 1, 1987. It also gave states the option of phasing in coverage for poor children up to age 5, effective October 1, 1990.
The Omnibus Budget Reconciliation Act of 1987 (OBRA-87)	OBRA-87 (P.L. 100-203) allowed states to raise Medicaid income thresholds for pregnant women and infants as high as 185 percent of the federal poverty level, effective July 1, 1988. It also amended the statute to give states the option of phasing in coverage of poor children up to age 8, effective October 1, 1988.
The Medicare Catastrophic Care Amendments of 1988 (MCCA)	MCCA (P.L. 100-360) mandated minimum coverage of pregnant women and infants at the federal poverty level, with a 2-year phase-in period, effective for calendar quarters beginning on or after July 1, 1989. Affected states were to raise income limits to 75 percent of poverty by July 1, 1989, and to poverty level by July 1, 1990. MCCA also added Section 1902 (r) (2) to the Social Security Act, which allows states to use more liberal criteria for Medicaid than is used for the AFDC program to determine Medicaid financial eligibility, effective July 1, 1988. States can disregard specific amounts of income and other resources and allow certain categories of eligible populations to qualify for Medicaid.
The Omnibus Budget Reconciliation Act of 1989 (OBRA-89)	OBRA-89 (P.L. 101-239) superseded MCCA's mandate schedule by requiring states to cover, at a minimum, pregnant women and children up to age 6 at 133 percent of the federal poverty level, effective for calendar quarters beginning on or after April 1, 1990.
The Omnibus Budget Reconciliation Act of 1990 (OBRA-90)	OBRA-90 (P.L. 101-508) required states to begin (effective on or after July 1, 1991) to phase in coverage of children born after September 30, 1983, until all children living below poverty up to age 19 are covered; the upper age limit will be reached by October 2002.

Many states have taken advantage of the options to expand Medicaid eligibility for infants and children beyond federally required minimum eligibility levels—either by increasing the ages of children covered more quickly than the phase-in requires or increasing eligibility income levels or both. As of April 1995, 33 states and the District of Columbia had increased coverage for infants beyond federal requirements by generally expanding coverage up to 185 percent of the federal poverty level. Eight states expanded coverage for children aged 1 through 5, and 20 states expanded coverage for children aged 6 and older beyond federal requirements. In all, 37 states and the District of Columbia have expanded eligibility for either infants or children or both. (See table I.2.)

Table I.2: States That Have Expanded Medicaid Eligibility Beyond Federal Requirements, as of April 1995

	Percent of federal poverty level			
State	Infants	Children (1-5)	Children (6 and older)	Upper age limit
Arizona	**140**	133	**100**	under 14
California[a]	**200**	133	100	under 12[b]
Connecticut	**185**	**185**	**185**	under 12[b]
Delaware	**185**	133	**100**	under 19
District of Columbia	**185**	133	100	under 12[b]
Florida	**185**	133	100	under 12[b]
Georgia	**185**	133	**100**	under 19
Hawaii[c]	**185**	133	**133**	under 19
Indiana	**150**	133	100	under 12[b]
Iowa	**185**	133	100	under 12[b]
Kansas	**150**	133	**100**	under 15
Kentucky	**185**	133	**100**	under 19
Maine	**185**	133	**125**	under 19
Maryland[a]	**185**	133	100	under 12[b]
Massachusetts[a]	**185**	133	100	under 12[b]
Michigan	**185**	**150**	**150**	under 15 (born after 6/30/79)
Minnesota[a,d]	**275**	133	100	under 12[b]
Mississippi	**185**	133	100	under 12[b]
Missouri	**185**	133	**100**	under 19
New Hampshire	**185**	**185**	**185**	under 19
New Jersey[a]	**185**	133	100	under 12[b]
New Mexico	**185**	**185**	**185**	under 19
New York[a]	**185**	133	100	under 12[b]

(continued)

State	Percent of federal poverty level			
	Infants	Children (1-5)	Children (6 and older)	Upper age limit
North Carolina	**185**	133	100	under 12[b]
Oklahoma	**150**	133	100	under 12[b]
Oregon[c]	133	133	**100**	under 19
Pennsylvania[a]	**185**	133	100	under 12[b]
Rhode Island[c]	**250**	**250**	**100**	under 12 (born after 6/30/83)
South Carolina	**185**	133	100	under 12[b]
South Dakota	133	133	**100**	under 12 (born after 6/30/83)
Tennessee[c]	**185**	133	100	under 12[b]
Texas	**185**	133	100	under 12[b]
Utah	133	133	**100**	under 18
Vermont	**225**	**225**	**225**	under 18
Virginia	133	133	**100**	under 19
Washington	**200**	**200**	**200**	under 19
West Virginia	**150**	133	**100**	under 19
Wisconsin	**155**	**155**	100	under 12[b]
States with expansions	**34**	**8**	**20**	

Source: Center on Budget and Policy Priorities.

Note: Percentages in bold type show expansions beyond federal minimum requirements, either for age, family income, or both.

[a]These states also use state funds to further expand health insurance coverage for children through statewide programs—see discussion in following text.

[b]States are required to provide Medicaid coverage to children aged 6 or over born after September 30, 1983, with income below the federal poverty level.

[c]These states are implementing 1115 Medicaid waivers, which may expand health coverage for low-income children through Medicaid—see the following discussion.

[d]Minnesota also provides Medicaid coverage for children under age 21 with family income up to 133 percent of the AFDC standard.

In addition, several states have recently received special waivers allowing them to undertake statewide Medicaid demonstration projects, several of which extend health insurance coverage to portions of the uninsured, including children. Authorized by section 1115(a) of the Social Security Act (42 U.S.C. 1315), these waivers typically enable states to place all or

some of their Medicaid population in managed care arrangements. The waivers commonly require higher income families to pay premiums or copayments, often on a sliding scale. In addition to the states with approved waivers, other states have waivers pending. Since 1991 and as of June 15, 1995, Delaware, Florida, Hawaii, Kentucky, Massachusetts, Minnesota, Ohio, Oregon, Rhode Island, and Tennessee have had their section 1115 demonstration waivers approved. To date, only Oregon, Hawaii, Rhode Island, and Tennessee have implemented their 1115 demonstration waiver programs.[30] Waiver applications for seven other states are pending: Illinois, Missouri, Nevada, New Hampshire, New York, Oklahoma, and Vermont.

The states that operate 1115 waiver programs have generally expanded eligibility:

- Hawaii expanded Medicaid eligibility to all persons with income up to 300 percent of the federal poverty level, with cost sharing for most residents with incomes above the federal poverty level.
- Oregon expanded Medicaid eligibility to all persons with income up to the federal poverty level while limiting health coverage to a ranked list of services.
- Rhode Island expanded coverage to pregnant women and children up to age 6 with family incomes at or below 250 percent of the federal poverty level.
- Tennessee expanded coverage to uninsured people without regard to income level, but cost sharing is required for people who are not Medicaid eligible or have family income above the federal poverty level. To manage the program within its planned enrollment levels, Tennessee is now only enrolling people who are Medicaid eligible or considered uninsurable.

Several states have developed other types of programs to insure children not eligible for Medicaid. Seven states have statewide programs using state and other funds to expand coverage for children beyond Medicaid eligibility levels. Some of these programs provide only limited benefits compared with the Medicaid program. For example, they may not cover inpatient care. We will issue a report on some of these programs and other nonstatewide programs later this year.

- California covers children under age 2 with family income up to 250 percent of the federal poverty level.

[30]Despite their initial interest, some states have postponed or reconsidered their waiver implementation due to concerns about potential costs and other issues.

- Maryland covers children under 11 who have family income up to 185 percent of the federal poverty level with a limited benefit package.
- Massachusetts has an insurance buy-in program with fees based on a sliding scale for children under 13 with no family income limit.
- Minnesota has an insurance buy-in program with fees based on a sliding scale for children and adults with family income up to 275 percent of the federal poverty limit.
- New Jersey covers children up to age 1 with family income up to 300 percent of the federal poverty limit.
- New York covers children under 15 (born on or after June 1, 1980) with a limited benefit package. The program is open to all income levels, but only children with family income below 160 percent of the federal poverty limit are fully subsidized. Children with family income between 160 percent and 222 percent of the federal poverty level are partially subsidized.
- Pennsylvania covers children under 14 with family income up to 185 percent of the federal poverty limit for fully subsidized insurance; families with income between 185 and 235 percent of the federal poverty level can buy partially subsidized insurance for their children; in some parts of the state, these children get their partial premiums paid by their insurers.

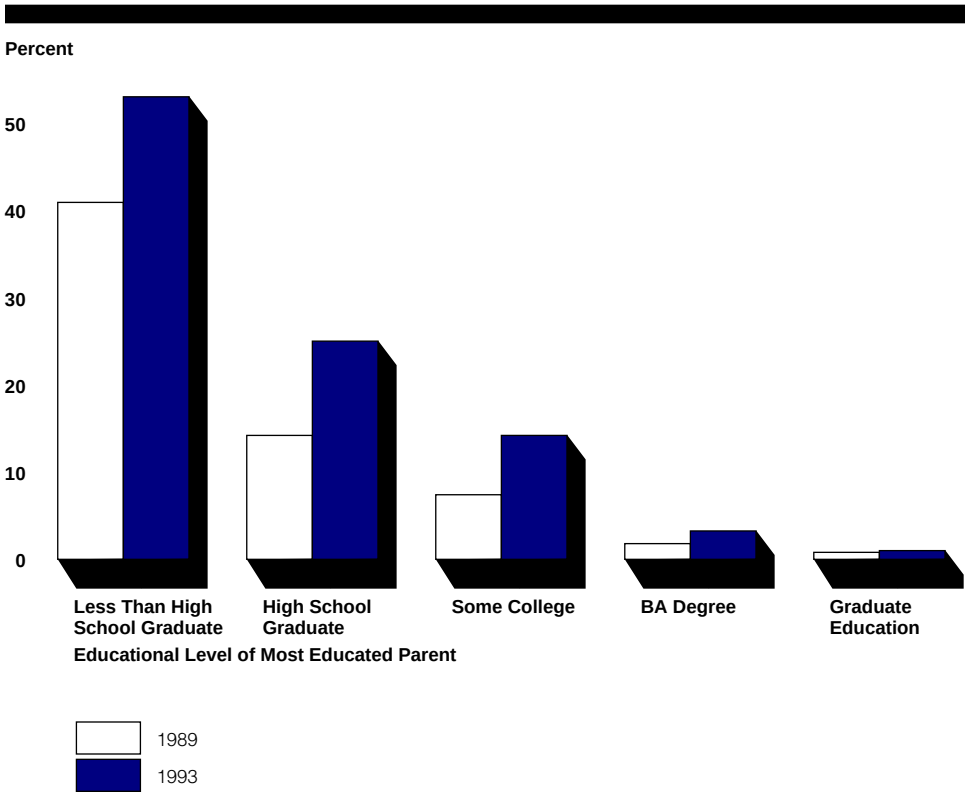
Medicaid Coverage Expanded Most for Certain Groups of Children

The Medicaid expansion has increased Medicaid coverage more for some groups of children—those whose parents had more than minimal education, whites and Hispanics, and children in the South. Although the Medicaid expansion had a greater impact on the South, children living in the South are still most likely to be uninsured in 1993.

More Children of Higher Educated Parents Are Now on Medicaid

Medicaid coverage expanded for children whose parents' education ranged from less than high school to college degrees. (See fig. II.1.) The largest percentage increase in Medicaid coverage—92 percent—was among children whose most highly educated parent had some college education but not a 4-year college degree. Children who had a parent with a graduate education were the only group with little change in percentage covered by Medicaid.

Figure II.1: Percentage of Children on Medicaid Expanded for Children With Parents of Almost All Educational Attainments



The Medicaid expansion for children of all but the most educated parents coincided with a decline in employment-based coverage for most of the same groups. Since 1989, the percentage of children with employment-based insurance declined for children whose parents' education ranged from less than high school to some college. (See table II.1.) The decline was greatest for children of parents with less than a high school diploma. Children with a parent who had a bachelor's degree or more education had no decrease in employment-based coverage.

Medicaid continued to insure higher proportions of children with the least educated parents. (See fig. II.2 and table II.1.) Higher education is strongly correlated with higher income, and Medicaid predominantly serves poor children. Children with less educated parents are also more likely to be uninsured. Almost 80 percent of children whose most educated parent lacks a high school diploma were either uninsured or on Medicaid in 1993.

Figure II.2: Children of the Least Educated Parents Were Most Likely to Be Uninsured or on Medicaid in 1993

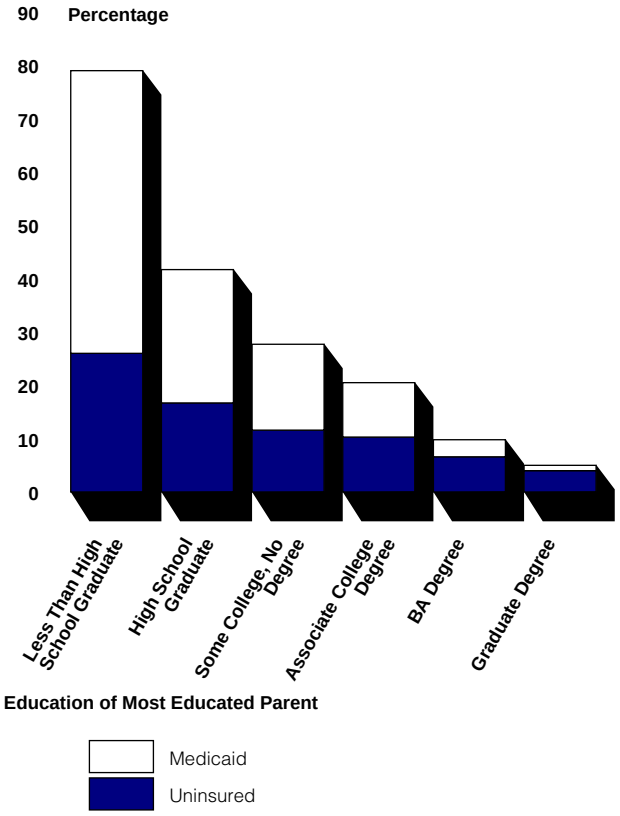


Table II.1: Change in Percentage of Children of Parents With Differing Education Levels Covered by Different Types of Insurance or Uninsured, 1989 and 1993

	Percent of children insured by education of most educated parent			
Health insurance of child	1989	1993	Percentage point difference	Percent change
Less than a high school diploma				
Employment-based	24.5	17.9	–6.6[a]	–27
Medicaid	40.9	53.0	+12.1[a]	+29
CHAMPUS	0.3	0.3	0.0	–5
Private/individual	5.2	2.8	–2.4[a]	–46
Uninsured	29.1	26.0	–3.1[a]	–11
Total	**100**	**100**		

(continued)

Health insurance of child	Percent of children insured by education of most educated parent: 1989	1993	Percentage point difference	Percent change
High school graduate				
Employment-based	60.7	49.5	–11.2[a]	–18
Medicaid	14.2	25.0	+10.8[a]	+76
CHAMPUS	2.3	1.5	–0.8[a]	–33
Private/individual	7.7	7.2	–0.5	–6
Uninsured	15.0	16.7	+1.7[a]	+12
Total	**100**	**100**		
Some college				
Employment-based	71.8	64.0	–7.8[a]	–11
Medicaid	7.4	14.2	+6.8[a]	+92
CHAMPUS	3.2	2.7	–0.4	–13
Private/individual	8.4	7.9	–0.5	–6
Uninsured	9.3	11.1	+1.8[a]	+20
Total	**100**	**100**		
Bachelor's degree[b]				
Employment-based	81.8	79.9	–1.9	–2
Medicaid	1.8	3.3	+1.5[a]	+80
CHAMPUS	2.1	1.7	–0.4	–18
Private/individual	8.9	8.4	–0.4	–5
Uninsured	5.4	6.6	+1.2	+22
Total	**100**	**100**		
Graduate education[c]				
Employment-based	83.8	83.9	+0.1	0
Medicaid	0.8	1.0	+0.2	+24
CHAMPUS	3.0	1.7	–1.3[a]	–42
Private/individual	8.3	9.3	+1.1	+13
Uninsured	4.1	4.0	–0.1	–2
Total	**100**	**100**		

Notes: Educational levels were defined differently in 1989 and 1993 so that they are not exactly comparable. Numbers may not add, subtract, or compute exactly due to rounding.

[a]Statistically significant at the .05 level.

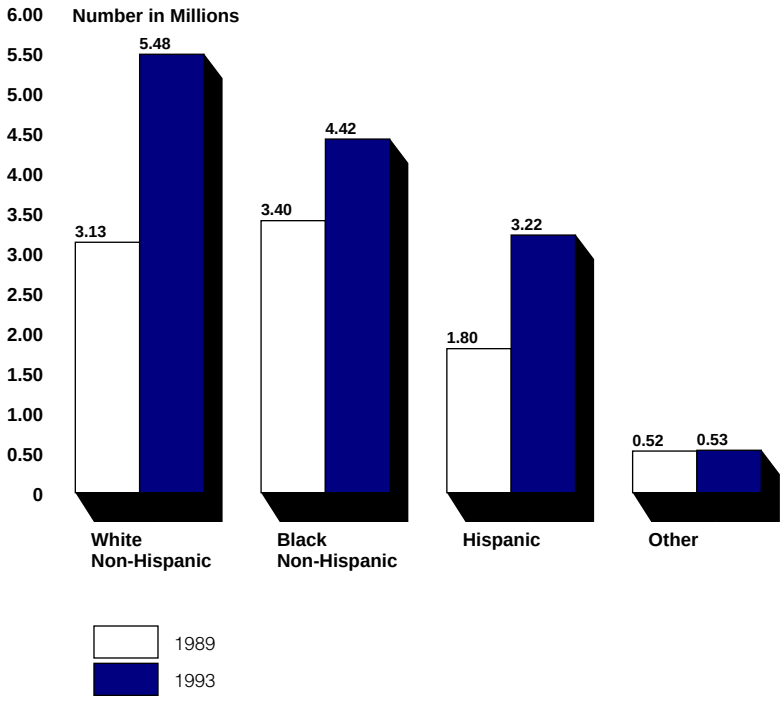
[b]In 1989, 4 years of college and, in 1993, a 4-year college degree.

[c]In 1989, more than 4 years of college and, in 1993, a graduate degree.

Medicaid Expansion Produced Greater Coverage for Whites and Hispanics

The Medicaid expansion increased the number of children on Medicaid more for whites and Hispanics between 1989 and 1993 than for African Americans. (See fig. II.3.) The number of white children on Medicaid increased 75 percent—from 3.1 million to 5.5 million—and the number of Hispanic children increased by 79 percent—from 1.8 million to 3.2 million—since 1989. In contrast, the number of African American children on Medicaid increased 30 percent—from 3.4 million to 4.4 million. In 1993, 41 percent of African American children, 35 percent of Hispanic children, and 12 percent of white children were on Medicaid. White children are less likely to be on Medicaid, but, of all children on Medicaid, they represent the largest segment (40.2 percent).

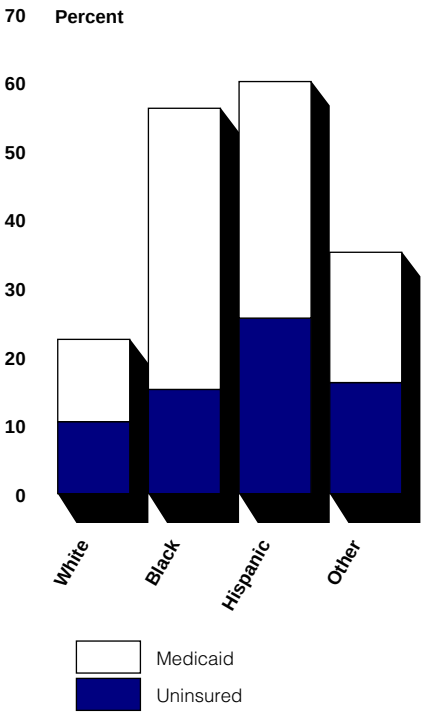
Figure II.3: Number of Children on Medicaid Increased Most for Whites and Hispanics Between 1989 and 1993



Nevertheless, children of racial and ethnic minorities are still more likely to be uninsured. (See fig. II.4.) While only 10.5 percent of white children were uninsured in 1993, 25.6 percent of Hispanic children and 15.2 percent of African American children were uninsured. Minority children have

higher rates of being uninsured, but white children make up about half (51.6 percent) of all uninsured children.

Figure II.4: African American and Hispanic Children Were More Likely to Be Uninsured or on Medicaid in 1993

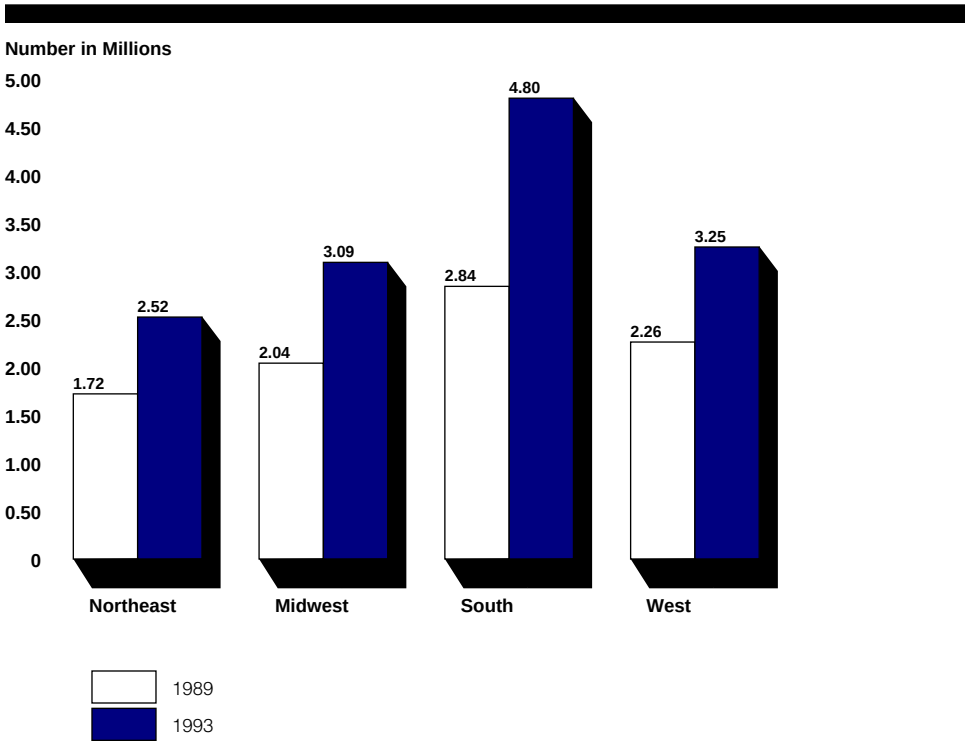


Growth in Medicaid Enrollment for Children Greatest in the South

Between 1989 and 1993, the number of children on Medicaid increased in all regions, but the greatest increase occurred in the South. (See fig. II.5.) Compared to the Northeast and Midwest, the South had higher percentages of uninsured children in poverty in both 1989 and 1993—38.7 percent in 1993. Despite this, the South had the lowest percentage of its children on Medicaid in 1989—12.7 percent in the South compared with 15.3 percent in the West. Southern states historically have had stricter AFDC eligibility requirements relative to the federal poverty level than other regions. Thus, Southern poor children were less likely to be on AFDC and covered by Medicaid through AFDC. When Medicaid coverage became mandated by age and poverty, the greatest number of children benefiting were in the South. Medicaid coverage increased to 20.5 percent of southern children in 1993. Not surprisingly, the four states with the highest Medicaid coverage of children are all in the South—the

District of Columbia (45.4 percent), Louisiana (29.9), Mississippi (27.9), and Tennessee (26.8); 8 of the top 15 states for Medicaid coverage of children are southern states. (See table II.1 for percentages of Medicaid, uninsured, and employment-based insured children by state.) Overall, the percentage of children on Medicaid increased for all regions, and the disparities between regions decreased between 1989 and 1993.

Figure II.5: The South Had the Largest Increase in Number of Children on Medicaid Between 1989 and 1993



Nevertheless, despite the Medicaid expansion, more uninsured children live in the South than in any other region of the country. The South has 43 percent of uninsured children—almost 4 million children. Businesses in the South are less likely to offer health insurance than businesses in other regions. Regional differences in health insurance coverage among the employed may also reflect the greater degree of industrialization and unionization in other parts of the country and higher incidence of small and service-sector businesses in the South.

Table II.2: Children Uninsured, on Medicaid, or With Employment-Based Insurance, by State, 1993

	Uninsured			Medicaid			Employer-based Insurance		
State	Number	Percent	95% S. E.[a]	Number	Percent	95% S.E.[a]	Number	Percent	95% S.E.[a]
Alabama	156,223	15.1	5.1	168,530	16.2	5.3	627,161	60.4	7.0
Alaska	13,063	8.3	3.4	31,180	19.7	4.9	84,929	53.8	6.1
Arizona	207,039	19.5	5.4	160,819	15.1	4.8	615,417	57.9	6.7
Arkansas	127,869	20.2	5.6	127,139	20.0	5.5	322,260	50.8	6.9
California	1,611,965	17.5	1.9	2,361,248	25.7	2.2	4,539,114	49.3	2.5
Colorado	87,008	9.8	4.4	124,759	14.0	5.1	555,319	62.3	7.2
Connecticut	72,225	9.1	4.8	107,173	13.5	5.7	533,584	67.3	7.8
Delaware	20,398	11.6	5.0	27,906	15.9	5.7	115,257	65.6	7.4
District of Columbia	23,850	16.7	6.4	64,962	45.4	8.6	49,740	34.8	8.2
Florida	622,312	17.5	2.6	803,814	22.6	2.9	1,766,901	49.7	3.4
Georgia	270,989	15.6	5.0	304,000	17.5	5.2	924,668	53.3	6.9
Hawaii	25,549	9.2	4.4	40,909	14.8	5.4	159,978	57.7	7.5
Idaho	51,836	14.4	4.0	51,257	14.2	4.0	219,765	61.1	5.6
Illinois	330,054	10.6	2.3	637,299	20.4	3.0	1,848,756	59.2	3.6
Indiana	139,019	8.9	4.0	253,099	16.1	5.2	1,021,912	65.1	6.7
Iowa	61,839	8.0	3.7	65,398	8.5	3.8	534,200	69.3	6.2
Kansas	87,787	12.5	4.3	104,965	15.0	4.7	443,272	63.2	6.3
Kentucky	107,526	11.5	4.6	241,621	25.7	6.3	534,602	57.0	7.1
Louisiana	275,284	22.2	5.7	369,699	29.8	6.3	510,248	41.2	6.8
Maine	30,728	8.7	3.9	62,208	17.5	5.3	218,182	61.4	6.7
Maryland	106,628	9.4	4.6	155,802	13.8	5.4	721,222	63.9	7.6
Massachusetts	122,238	8.6	2.2	258,123	18.2	3.1	919,497	65.0	3.8
Michigan	207,667	7.9	1.9	603,880	23.1	3.0	1,646,967	62.9	3.5
Minnesota	76,517	6.9	3.7	182,121	16.5	5.5	726,118	65.7	7.0
Mississippi	123,223	16.8	4.8	204,050	27.8	5.8	344,812	47.0	6.4
Missouri	125,942	9.3	4.2	288,754	21.4	6.0	850,457	63.0	7.1
Montana	33,356	14.2	4.6	34,836	14.8	4.7	140,217	59.7	6.4
Nebraska	45,361	9.2	3.6	69,565	14.1	4.3	295,759	60.1	6.1
Nevada	63,168	17.4	5.1	33,158	9.1	3.9	230,981	63.7	6.5
New Hampshire	32,073	11.0	5.0	33,129	11.3	5.1	208,658	71.3	7.3
New Jersey	227,401	11.4	2.4	338,488	17.0	2.8	1,244,667	62.5	3.6
New Mexico	112,261	24.2	5.5	79,222	17.1	4.8	232,445	50.2	6.4
New York	490,466	10.9	1.8	1,111,452	24.8	2.5	2,581,922	57.6	2.8
North Carolina	214,184	13.7	2.6	286,519	18.4	2.9	890,646	57.2	3.8

(continued)

	Uninsured			Medicaid			Employer-based Insurance		
State	**Number**	**Percent**	**95% S. E.[a]**	**Number**	**Percent**	**95% S.E.[a]**	**Number**	**Percent**	**95% S.E.[a]**
North Dakota	18,571	10.9	4.1	20,793	12.2	4.3	101,831	59.7	6.4
Ohio	274,445	8.8	2.0	630,547	20.2	2.8	1,976,099	63.5	3.4
Oklahoma	252,555	25.5	5.6	145,107	14.7	4.5	519,572	52.5	6.4
Oregon	93,859	11.8	4.8	107,335	13.5	5.1	527,175	66.4	7.0
Pennsylvania	295,077	9.8	2.2	525,999	17.4	2.8	1,918,598	63.6	3.6
Rhode Island	26,058	11.3	5.3	53,741	23.3	7.1	139,569	60.4	8.2
South Carolina	126,046	13.5	4.3	204,240	21.8	5.2	506,030	54.1	6.3
South Dakota	26,192	12.2	3.8	32,810	15.2	4.2	122,156	56.8	5.8
Tennessee	131,678	10.3	4.1	344,251	26.8	6.0	715,545	55.8	6.7
Texas	1,110,747	21.1	2.7	1,031,685	19.6	2.6	2,675,381	50.9	3.3
Utah	69,240	10.1	3.4	49,813	7.3	2.9	489,701	71.6	5.0
Vermont	11,387	7.1	3.9	28,204	17.6	5.8	102,276	63.9	7.3
Virginia	215,873	12.9	4.1	226,281	13.5	4.2	1,038,898	62.0	6.0
Washington	119,225	9.1	4.0	151,198	11.6	4.4	854,264	65.4	6.6
West Virginia	76,217	18.6	5.9	92,902	22.7	6.4	221,320	54.0	7.6
Wisconsin	96,832	7.2	3.4	204,573	15.2	4.7	962,469	71.7	5.8
Wyoming	19,841	13.8	5.2	19,444	13.5	5.2	89,421	62.1	7.4
United States	**9,266,892**	**13.5**	**0.6**	**13,656,027**	**19.9**	**0.7**	**39,619,937**	**57.7**	**0.8**

[a]S.E. represents sampling error. Each reported percent and number estimate from the Current Population Survey has an associated sampling error, the size of which reflects the precision of the estimate. Sampling errors for percentage estimates were calculated at the 95-percent confidence level, which means that the chances are about 19 out of 20 that the actual percentage being estimated falls within the range defined by our estimate, plus or minus the sampling error. For example, we estimate that 13.5 percent of U.S. children are uninsured; a 95-percent chance exists that the actual percentage is between 12.9 percent and 14.1 percent.

Methodology

To examine the impact of the Medicaid expansion on children, we analyzed the Current Population Survey (CPS). The method we used to define insurance status and to match children to parents resulted in a conservative estimate of the number of children uninsured and on Medicaid. In addition, two other aspects of our analysis affected the results in different ways. First, we counted parental work effort on the basis of whichever parent had the highest level of work (such as working full time as opposed to part time), and we counted parental education on the basis of whichever parent had attained the highest educational level. Second, we used recently released sample weights for the March 1990 CPS, which makes the data more equivalent to the March 1994 CPS, although it would differ slightly from previously published analyses of the March 1990 CPS.

About the Survey

The CPS is the source of official government statistics on employment and unemployment. Although the main purpose of the survey is to collect information on employment, an important secondary purpose is to collect information on the demographic status of the population, such as age, sex, race, marital status, educational attainment, and family structure. The CPS survey conducted every March also collects additional data on work experience, income, noncash benefits, and health insurance coverage of each household member at any time during the previous year.

The CPS sample is based on the civilian, noninstitutionalized population of the United States. About 57,000 households with approximately 112,000 persons 15 years old and older and approximately 33,000 children aged 0 to 14 years old are included. It also includes Armed Forces members living in households with civilians either on or off base. The households sampled by the CPS are scientifically selected on the basis of area of residence to represent the United States as a whole, individual states, and other specified areas.[31]

Definition of Insurance Status

We defined insurance status using a hierarchy. If a child had multiple coverage during the year, we counted that child under only one type of coverage. (See table III.1.) We counted employment-based insurance, which is the most common type for children to have, as the primary

[31]In January 1994, the survey was changed to improve data quality by introducing computer-assisted data collection with a revised questionnaire. The Census used both the old and new questionnaire and methods to test differences between the two methods and found some differences, such as in employment categorization. However, the differences that they noted should not affect the variables reported here.

insurance. If a child had both employment-based insurance and Medicaid, that child was counted as having employment-based insurance. Since most Medicaid children with multiple coverage had Medicaid and employment-based coverage, our count of Medicaid children better represents children who depended entirely on Medicaid for any insurance coverage.[32,33]

Table III.1: Definitions of Insurance Status

Insurance status	Definition
Uninsured	Did not have any health insurance during the entire year.
Employment-based	Had health insurance purchased through a parent's employer or union for at least part of the year.
Medicaid	Did not have employment-based health insurance at all, but had Medicaid or Medicare[a] coverage for at least part of the year.
CHAMPUS	Did not have employment-based insurance or Medicaid or Medicare coverage at all, but had CHAMPUS coverage for at least part of the year.
Private/individually purchased	Did not have employment-based insurance, Medicaid or Medicare coverage, or CHAMPUS at all, but had private/individually purchased health insurance coverage for at least part of the year.

[a]Few children have Medicare coverage—37,000 in 1993.

The Census has published a table with information from the CPS that reports multiple coverage. It has different numbers and percentages for insurance status of children with Medicaid, CHAMPUS, and private/individually purchased health insurance than we reported because it reports multiple coverage on the unmatched data set. (See table III.2.)

Matching Children With Parents

We matched children with parents to analyze family characteristics. The Census considers a family to be two or more persons residing together and related by birth, marriage, or adoption. The Census develops family

[32]The Census has published a table that reports multiple coverage, which can be used for comparison. (See table III.2.)

[33]The Employment Benefit Research Institute (EBRI) reports multiple coverage for children but defines some of its variables differently than the Census does. Its estimates of uninsured children and children with employment-based insurance coverage differ from those of the Census, whereas ours do not.

records for the householder (a person in whose name the housing unit is owned, leased, or rented, or if no such person, an adult in the household), other relatives of the householder with their own subfamilies, and unrelated subfamilies. If the house is owned, leased, or rented jointly by a married couple, the householder may be either the husband or wife. We paired children to an adult (aged 18 through 64) in their immediate family whom we call a parent. After this pairing, we matched the adult family member to a spouse, if any, to get "parents" in our file.

We were not able to match all children with parents. Because data in this report are based only on the matched files, the number of children reported in every insurance category is conservative. The estimates of Medicaid and uninsured children are more conservative than the estimate of children with employment-based insurance because we were able to pair fewer Medicaid and uninsured children with an adult than children with employment-based insurance. (See table III.2.)

Table III.2: Number of Children by Type of Insurance in Whole Data Set and After Matching Parents With Children

Numbers in thousands

	Bureau of the Census		GAO—children before matching with parents		GAO—children after matching with parents		Lost by matching
Insurance type	**Number[a]**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Percent**
Employment-based	39,745	57.0	39,745	57.0	39,620	57.7	0.3
Medicaid[a]	16,693	23.9	14,128	20.3	13,656	19.9	3.3
CHAMPUS	2,307	3.3	1,215	1.7	1,209	1.8	0.5
Private/individual	7,272	10.4	5,103	7.3	4,927	7.2	3.5
Uninsured	9,574	13.7	9,574	13.7	9,267	13.5	3.2
Total	**69,766**	**100**	**69,766**	**100**	**68,679**	**100**	**1.6**

Notes: Numbers or percents may not add or compute exactly due to rounding.

[a]Our analysis combined Medicaid and Medicare for children.

Determining Parents' Work and Educational Status

The way we matched parents with children to analyze the association of work effort, education, and insurance for children helped develop a more accurate picture of uninsured and Medicaid children with working and more highly educated parents. We analyzed parent work status on the basis of information about the parent who worked the most. (See table III.3.) We also reported educational status on the basis of whichever parent had the highest educational status—graduate education, bachelor's

degree or 4 years of college, some college, high school diploma, or less than a high school diploma. This allowed us to more accurately portray the work status or education of parents in two-parent families.

Table III.3: Definition of Work Status of Parent or Parents

Work status	Reported as	Definition
Full time/full year	Full time/full year	Either parent worked full time/full year.
Full time/part year	Less than full time/full year	No parent worked full time/full year, but at least one worked full time part of the year.
Part time/full year	Less than full time/full year	No parent worked full time, but at least one parent worked part time for the entire year.
Part time/part year	Less than full time/full year	No parent worked either full time or full year, but at least one parent worked part time for part of the year.
Not working	Not working	No parent worked at all during the entire year.

Conducting the analysis in this way allowed us to search for a parent more likely to have insurance—either because they worked more or were more educated. We found some interesting results from this analysis. For example, we found more uninsured and Medicaid children living with at least one parent who worked full time than if we had not searched for employment status of both parents in two-parent families. We also found fewer uninsured and Medicaid children who lived with a parent who had less than a high school diploma.[34]

Using Weights Based on the 1990 Census

The CPS is based on a sample of the U.S. population, and weights are used to compute the estimates for the total population. The basic weight represents the probability that individuals will be included in the survey. The weights are computed on the basis of information from the decennial censuses.

We used weights based on information from the 1990 census for both 1989 and 1993 to make them more equivalent. Information from the 1990 census was not available when the March 1990 CPS public use survey tapes were first released so those tapes were originally released with weights established through information from the 1980 decennial census. Since then, the Census Bureau released adjusted weights for the March 1990 CPS that can be used in analyzing that CPS file. We used weights adjusted to the

[34]EBRI reports parental work status, and other statuses in two-parent families, on the basis of the parent (in two-parent families) who earns the larger income.

1990 census provided by the Census Bureau for both the 1989 and 1993 data to make the data more comparable and to make the 1989 data more accurate. We also did a sample run on the 1989 data using the earlier census weights to compare the differences. Using the more recent weights yields slightly different results, such as a small increase in the number and percentage of children uninsured or on Medicaid.

Related GAO Products

Medicaid: Spending Pressures Drive States Toward Program Reinvention (GAO/HEHS-95-122, Apr. 4, 1995).

Medicaid: Restructuring Approaches Leave Many Questions (GAO/HEHS-95-103, Apr. 4, 1995).

Medicaid: Experience With State Waivers to Promote Cost Control and Access Care (GAO/HEHS-95-115, Mar. 23, 1995).

Uninsured and Children on Medicaid (GAO/HEHS-95-83R, Feb. 14, 1995).

Health Care Reform: Potential Difficulties in Determining Eligibility for Low-Income People (GAO/HEHS-94-176, July 11, 1994).

Medicaid Prenatal Care: States Improve Access and Enhance Services, but Face New Challenges (GAO/HEHS-94-152BR, May 10, 1994).

Employer-Based Health Insurance: High Costs, Wide Variation Threaten System (GAO/HRD-92-125, Sept. 22, 1992).

Access to Health Insurance: State Efforts to Assist Small Businesses (GAO/HRD-92-90, May 14, 1992).

Mother-Only Families: Low Earnings Will Keep Many Children in Poverty (GAO/HRD-91-62, Apr. 2, 1991).

Health Insurance Coverage: A Profile of the Uninsured in Selected States (GAO/HRD-91-31FS, Feb. 8, 1991).

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