Health Insurance Coverage of Children of Working Parents

<u>Final Report</u>

Submited to:

The U.S. Department of Labor
Under Contract No. 41USC252C3

Submitted by :

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September 9, 1996

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EXECUTIVE SUMMARY

Children represent a significant portion of the uninsured population. Of the estimated 38.5 million Americans under age 65 without health insurance in 1992, one-fourth were age 18 and younger. The percentage of children without any form of health insurance grew by 40 percent between 1977 and 1987 (Newacheck et al., 1995). Beginning in 1986, Congress passed a series of Medicaid coverage expansions aimed at poor children. Despite these expansions, from 1987 to 1994, the percentage of children without any form of health insurance grew by 10 percent (see Table 1). The increase in the uninsurance rate among children has been attributed to a decline in employer-based coverage, particularly among nonpoor children (GAO, July 1995; Cutler and Gruber, 1996). Determining factors that influence children's coverage under employer-based plans is critical to the development of policies to increase health insurance coverage of children and ultimately, to improving children's health status. In this report, we use data from the April 1993 Survey of Employee Benefits and the March 1993 Current Population Survey to examine factors that influence working parents' access to and participation in family health insurance.

Our analyses indicate that eighty percent of children with working parent(s) had at least one parent who was offered employer-sponsored family health insurance. Among uninsured children with at least one employed parent, only 58 percent had a parent who was offered an employer-sponsored family health insurance plan. Eighty-seven percent of children with working parent(s) who had access to employer-sponsored health insurance had parents who participated in the plan.

Employees in certain types of industries (e.g., agriculture and services) and in small firms were less likely to have access to employer-sponsored family health insurance than employees in other industries and in larger firms. Part-time workers, non-union workers, workers with short job tenure and with relatively low average annual earnings were also less likely to have access to employer-sponsored family health insurance. Access to employer-sponsored health insurance increased with parents' household income and education. Approximately half of working parents, and children of working parents, with family income of less than $20,000 did not have access to employer-sponsored family health insurance.

Many of the factors that were positively associated with access to employer-sponsored family health insurance were also positively associated with participation in employer-sponsored family health insurance. Union status, jobs in certain industries, job tenure, higher average earnings, and full-time status were positively associated with participation. Workers with higher family income and workers with more education were also more likely to participate in employer-sponsored family health insurance.

In contrast, there was a weak positive relationship between firm size and participation.

A key policy question is what proportion of workers would participate in employer-sponsored health insurance if they were given the opportunity to do so. For example, would increasing the availability of employer-sponsored group health insurance, such as through small business purchasing cooperatives or mandates that employers offer (but not necessarily pay for) family health insurance, decrease the number of children without health insurance? Our analyses indicate that participation was relatively high among most types of workers. More than fifty percent of working parents with less than one year of job tenure or who earned $10,000 to $14,999 per year participated in family health insurance. Almost sixty percent of workers with family income of less than $20,000 participated. These facts suggest that a some proportion of workers who currently do not have access to employer-sponsored family health insurance might participate if given the opportunity to do so. These figures, however, probably provide an upper limit on the increase in coverage under employer-sponsored family health insurance given expanded access to such policies. If persons who are less likely to be in jobs that provide access to insurance are similar to persons who do not participate in health insurance when offered, we would expect a lower participation rate than currently found among parents who have access to family health insurance coverage. Further, we did not have information on the proportion of the premium paid for by employers and therefore cannot tell how participation varies according to employer premium cost-sharing.

Clearly additional research is needed to more precisely determine the role that lack of demand versus lack of supply of employer-sponsored insurance plays in determining family health insurance coverage. Data collected on insurance coverage of a continuously employed population before and after employer(s) offered family health insurance would be one approach to further evaluating this issue.

I. INTRODUCTION

Children represent a significant portion of the uninsured population. Of the estimated 38.5 million Americans under age 65 without health insurance in 1992, one-fourth were age 18 and younger. The percentage of children without any form of health insurance grew by 40 percent between 1977 and 1987 (Newacheck et al., 1995). Beginning in 1986, Congress passed a series of Medicaid coverage expansions particularly aimed at poor children. Effective July 1, 1988, states were allowed to raise Medicaid income thresholds for pregnant women and infants as high as 185 percent of the federal poverty level. Effective after April 1, 1990, all states were required to extend Medicaid coverage to pregnant women and children up to age 6 whose family incomes were below 133 percent of the poverty level. Effective July 1, 1993, states had to begin phasing in coverage of children born after September 30, 1983, in families with income below the poverty level until all children living below poverty up to age 19 are covered. The upper age limit will be reached by October 2002. Despite these expansions, from 1987 to 1994, the percentage of children without any form of health insurance grew by 10 percent (see Table 1). This increase in the uninsurance rate among children has been attributed to the decline in employer-based coverage, particularly among nonpoor children (GAO, July 1995; Cutler and Gruber, 1996). Determining factors that influence children's coverage under employer-based health insurance is critical to the development of policies to increase health insurance coverage of children and, ultimately, to improving children's health status.

Table 1. Health Insurance Status of Children Under 19 Years Old

Year	Private Insurance	Medicaid	Uninsured
1987	73.6	15.2	12.9
1988	73.4	15.6	13.1
1989	73.6	15.7	13.3
1990	71.1	18.5	13.0
1991	69.7	20.4	12.7
1992	69.3	21.6	12.4
1993	67.4	23.9	13.7
1994	65.6	22.9	14.2

Source: The Bureau of the Census
Note: Details may not add to totals because individuals may receive coverage from more than one source.

This reports examines the availability of and participation in employer-sponsored health insurance by working parents and their children using data from the March 1993 Current Population

Survey (CPS), the April 1993 CPS, and the Survey of Employee Benefits, a supplement to the April 1993 CPS. The report presents bivariate analyses of children's insurance status in relation to their parent's access to employer-sponsored health insurance, the characteristics of firms that offer family coverage, as well as the characteristics of working parents and their families that are offered and participate in family coverage. Specifically, this report addresses the following questions:

- What percent of children with working parents have access to employer-sponsored family health insurance?
- What percent of children with access to employer-sponsored health insurance participate in family health insurance?
- What types of employers offer family and employee coverage, employee coverage only, and no insurance coverage?
- What sociodemographic and economic factors are associated with access to, and participation in, employer-sponsored family health insurance?

The report is organized into five sections. The second section presents background on issues concerning children's health insurance coverage, the third section describes the methodology of the study, including the data sources, creation of the analytic files, and the variables examined. The results are presented in section 4 and discussed in section 5.

II. BACKGROUND

Most private health insurance in the United States is obtained through employment; nevertheless, workers and their dependents make up the majority of uninsured persons (EBRI, 1995). Whether a worker receives coverage through his employer depends on whether the employer decides to supply health insurance and whether the worker decides to participate in employer-based health insurance (Long and Marquis, 1993). According to economic theory, employers offer the minimum level of total compensation necessary to attract labor, and divide compensation between wages and other nonwage benefits, such as health insurance, in accordance with the preferences of the median worker. Previous studies have found that employer characteristics, in particular industry and size, are associated with employer-sponsored health insurance coverage (Leibowitz and Chernew, 1993). Smaller firms face higher insurance premiums than larger firms due to the higher administrative costs of selling and managing insurance for small firms (U.S. Library of Congress, 1988). In addition, most small firms are

unable to self-insure which means that their benefits must conform to state mandates which can also lead to higher premiums than those found in larger firms. These factors are thought to contribute to the lower rate of health insurance coverage in small firms. Certain industries, such as construction, are also less likely to offer health insurance than are other industries due to higher administrative costs (Leibowitz and Chernew, 1993). The variation in insurance coverage by industry has been attributed to the size of the firms within the industry and to the prevalence of seasonal and temporary employees (Leibowitz and Chernew, 1993).

Some proposals for increasing health insurance coverage, particularly in small firms, have focused on the lack of supply of insurance. These proposals include mandatory open enrollment, rating bands and community rating, private reinsurance, and purchasing cooperatives (Hall, 1994). Implicit in these policies is the presumption that if more firms offered health insurance, a greater number of individuals would participate. Other proposals, such as Medicaid buy-ins, aim to provide access to non-employer-based group health insurance. A third set of proposals, which include individual income-based subsidies and tax credits, focus on the demand for health insurance. Discerning the factors that influence whether a firm supplies health insurance and whether workers participate in health insurance is important for predicting and evaluating the effect these various proposals. Furthermore, determinants of firm supply of insurance and employees participation may vary depending on whether workers have children.

Little work has been done to examine how parents make insurance decisions for their children. Presumably, parents take into account similar factors when making insurance decisions for their children as for themselves. Adults' demand for health insurance has been found to be a function of the cost of insurance, risk preferences, health status, and other sociodemographic and economic characteristics such as income and education (Cameron, Trivedi, Milne, and Piggot, 1988). The marginal utility of these factors may vary, however, for one's children as compared to oneself. For example, adults may be more risk averse with respect to their children's health status than their own. As a result, workers with children may be willing to trade a greater level of wages for health insurance than workers without children. Further, parents' concern about access to health insurance may affect their labor market decisions to a greater extent than is the case for adults without children.

This decision making process is further complicated in households with two working adults. In this case, the labor market and insurance coverage decisions of one spouse are likely to be affected by the choices facing the other spouse. Whether a child has health insurance at all, and whether the child is receiving public or private coverage, has been shown to depend, in part, on the presence of both parents in the household (Angel and Worobey, 1988; Cunningham, 1990a; Monheit and Cunningham, 1992). Children who live in single-parent families are much less likely to have private insurance, and are more

likely to depend on publicly-financed coverage for their health insurance needs. Children in two-parent families, regardless of their parents' work status, have a better chance than children in single-parent families of receiving private insurance coverage. Having two working parents further increases the likelihood of employer-sponsored coverage.

Due to a lack of data, few studies have examined the supply of and demand for family health insurance. Using the May 1988 CPS, Long and Marquis (1993) examined the issue of whether lack of insurance among workers was related to a lack of supply (i.e., a failure of the firm to offer the benefit) or a lack of demand (i.e., a failure of employees to purchase insurance even when offered). They find near-universal acceptance of group insurance among employees offered the opportunity to participate, suggesting that if a greater number of firms were offered insurance, more workers would be insured. They also find, however, that employees in firms that do not offer insurance and employees who do not participate are young, low-wage earners who work part time. As a result, Long and Marquis conclude that many of the workers who are not offered group insurance would not participate in the plan even if the supply failure were corrected. The May 1988 CPS did not distinguish between family and individual coverage and the Long and Marquis study focused on all workers rather than working parents and their dependents.

Using the 1987 National Medical Expenditure Survey (NMES), Cunningham and Monheit (1990) studied the issue of whether lack of insurance coverage among children across family type and income level was a result of differences in whether parents were offered health insurance at their jobs; whether parents accept insurance when offered; or a combination of the two. They found that the rate of parents accepting insurance coverage when offered was consistently high, even across family type and income categories. The rate of acceptance was over 90 percent for all groups, with the exception of poor children in single-parent families, where the acceptance was 82 percent. Cunningham and Monheit conclude that the "failure of ... working parents to be offered health insurance appears to be a more important reason for their children's lack of coverage than is the rising costs of family coverage" (page 87). This analysis, however, was based on a combination of firm and individual level data that were used to infer participation rates. Moreover, the NMES data is now almost ten years old.

III. METHODOLOGY

In this section of the report, we describe the databases used for the analyses, how the analytic files were constructed, and the variables used.

Data. The Current Population Survey, April 1993: Survey of Employee Benefits conducted by the Bureau of the Census for the Pension and Welfare Benefits Administration offers a unique opportunity to study the factors that determine whether children of working parents have health insurance. The Survey of Employee Benefits was conducted as a supplement to that month's Current Population Survey (CPS), a monthly labor force survey of approximately 57,000 households across the nation. Questions from the supplement were asked of all persons employed for pay in one-half of the CPS sample (approximately 27,000 workers). Weighted estimates from the Survey of Employee Benefits are representative of all persons with jobs in the civilian noninstitutional population of the United States.

The data collected on the Survey of Employee Benefits include labor force activity for the week prior to the survey, employment status, occupation, and industry, as well as personal characteristics such as age, gender, race, marital status, and education. Of central importance to this project, the Survey of Employee Benefits collected information on whether the respondent's employer offered an individual or family health insurance plan to his/her employees. Respondents were also asked whether they participated in an employee-only plan or a family health insurance plan. The Survey of Employee Benefits was merged, by the Bureau of the Census, to the March 1993 income supplement data and May 1993 earnings data. In total, the April 1993 CPS contained 159,009 records: 111,083 interviewed adults, 522 adults in the armed forces, 33,338 children, and 14,066 non-interviewed adults.

Additional information about children's health insurance coverage was derived from the March CPS, which we merged to the Survey of Employee Benefits. The March CPS includes supplemental questions relating to work experience, income, receipt of noncash benefits, and health insurance coverage throughout the preceding calendar year. Many researchers believe that the majority of respondents actually answer the health insurance questions on the March CPS with reference to either a particular point in time or to some period less than a full year rather than to the whole preceding calendar year (EBRI, 1995).

Analytic Files. Two analytic files were used in the analyses for this report. The first was based on the Survey of Employee Benefits. The unit of analysis was civilian American workers in the United States between the ages 18 and 64. Information about the presence of own children in each adult's family was merged onto the adult's record by creating an ID for children using the HH-ID, FAMNUM and PARENT variables and by creating an ID for adults using the HH-ID, FAMNUM, and LINENO variables. This file was used to examine parents' access to, and participation in, employer-sponsored health insurance. Information in this analytic file was weighted to be nationally representative using the SUPWGT variable. Unfortunately, the April supplement did not contain family weights; therefore, all of

the analyses using the April 1993 Supplement focus on workers with children and their access to family health insurance coverage, rather than focusing on the family as a unit.

In the second analytic file, the unit of observation was the child. Only children under age 18 who, at the time of the survey, were living in families where one or more adults were in the workforce were included. The March income supplement file contains information about individuals' health insurance coverage; however, the Bureau of the Census only merged these data for persons 15 years or older in the April supplement half of the file. Therefore, health insurance information was not included for children 0 to 14 years of age on the April 1993 CPS. We appended this information to the analytic file by re-merging the March 1993 CPS with the April 1993 CPS. The merge was done by matching on household ID, age, race, and sex. We also made an additional computer run for persons who changed ages from March to April. Responses for persons on the April 1993 CPS who were not interviewed in March were coded as nonresponse, therefore allowing us to use the weights from the April data.

Once the April and March CPS files were merged, information about children's parents, such as their employment and insurance status, was appended to the file. These matches were done by creating an ID for each child using the HH-ID, FAMNUM and PARENT variables and an ID for the family head using the HH-ID, FAMNUM, and LINENO variables. We then merged information about spouses to this file by using the HH-ID, FAMNUM, and LINENO variable for the spouse file and the HH-ID, FAMNUM and SPOUSE variable for the family head. The primary purpose for creating this file was to examine the association between children's insurance status and access to and participation in employer-sponsored family health insurance coverage. Weights were based on two times FNWGT (we multiplied the weight by two because the April supplement was only asked of half the respondents included in the CPS.)

When examining the association between parents' access to employer-sponsored health and children's coverage one needs to keep in mind that the April CPS (which provides information on employer-sponsored coverage) asks about a one-week reference period during April 1993, while the March CPS (which provides information on children's insurance status) asks about health insurance coverage throughout the preceding year. Despite this timing discrepancy, general patterns concerning the association between parents' access to employer-sponsored coverage and children's insurance status can be discerned.

Dependent Variables. The main dependent variables in the analyses are whether working parents are offered family coverage, whether they participate in family coverage, and whether children of working parents have health insurance coverage.

Independent Variables. Previous research suggests that determinants of health insurance coverage include: 1) family and parent sociodemographic characteristics (family income, parents' age, parents' education); and 2) parent employment characteristics (whether parent(s)' employer(s) offer family coverage, employer size, type of industry, number of working parents, wage rate(s), time with current employer(s), and union status). We examine each of these factors. Unfortunately, we do not have information on employer premium cost-sharing for all workers who were offered insurance. Nor do we have information on the total amount of the premium.

IV. RESULTS

The results section is organized as follows: we first present statistics on the relationship between children's health insurance coverage and whether working parents were offered employer-sponsored health insurance. Next we focus on determinants of whether employers supply family health insurance. We also examine whether having children influences access to employer-sponsored health insurance. Lastly, we present data on parents' sociodemographic and employment characteristics and their association with access to, and participation in, employer-sponsored health insurance.

Children's Health Insurance and Employer-Sponsored Health Insurance

Table 2 describes access to employer-sponsored health insurance for the 49 million children with at least one parent in the civilian labor force.[i] During 1992, approximately 77 percent of children of working parents had private health insurance, 8 percent had public insurance, and 15 percent were uninsured. As shown in Table 2, of the children who were uninsured, 57.6 percent were in households where at least one parent was offered family coverage and 42.1 percent were in households where neither parent was offered family coverage. Thus access to employer-sponsored health insurance among uninsured children is significantly lower than access among children overall. On the other hand, a significant proportion of uninsured children had parents who chose not to participate in employer-sponsored family health insurance.

Table 2. Access to Employer-Sponsored Health Insurance: Children With Working Parent(s)

	Children (%)	Children's Insurance Status (%) Private Insurance[ii]	Public Insurance	No Insurance
Total (%)	100.0	77.1	7.8	15.0
At least One Parent Offered Family Plan	80.3	92.5	42.6	57.6
Parent(s) Only Offered Individual Plan	2.9	0.2	0.2	0.3
Neither Parent Offered or Eligible for Insurance	16.5	7.4	57.3	42.1
	100.0	100.0	100.0	100.0

Source: Author's tabulation of March 1993 CPS and April 1993 CPS Employee Benefits Supplement

Table 3 describes the percentage of all children and uninsured children with working parents who did not have access to employer-sponsored family health insurance by family income. Almost half of all children in families with less than $20,000 in income had no access to employer-sponsored health insurance. Approximately a quarter of all children with working parents with family income between $20,000 and $29,999 had no access to employer-sponsored health insurance. Access to health insurance among parents of uninsured children was significantly lower than access among all children within all family income groups. These data suggest that many children, particularly those with low family income, may have limited access to group insurance markets.

Table 3. Access to Employer-Sponsored Health Insurance by Family Income: Children With Working Parent(s)

Family Income ($)	Children (%) All	Children (%) Uninsured	Neither Parent Offered Family Health Insurance (%) All Children	Neither Parent Offered Family Health Insurance (%) Uninsured
0 - 19,999	21	45	48	60
20,000 - 29,999	17	23	26	40
30,000 - 39,999	17	14	18	35
40,000 - 49,999	13	5	14	38
50,000 - 59,999	11	5	12	56
60,000 - 74,999	9	5	11	13
75,000+	11	4	10	27

Source: Author's tabulation of March 1993 CPS and April 1993 CPS Employee Benefits Supplement

The Supply of Family Health Insurance

In this section of the report, we examine factors that influence whether children of working

parents have access to employer-sponsored health insurance. In 1992, there were 112.5 million civilian American workers between the ages 18 to 65. As shown in Table 4, 6.7 percent were offered employee coverage only by their employer, 64.6 percent were offered employee and family coverage, and the remaining 28.7 percent were not offered health insurance. A slightly greater percentage of workers without children reported not being offered health insurance coverage by their employer than workers with children (29.9% versus 26.9%). Workers with children were more likely to report being offered family coverage (69.1% versus 61.6%) and were less likely to report being offered employee only coverage (4.0% versus 8.5%) than were workers without children.[iii]

Table 4. **Employer-Sponsored Health Insurance of Workers With and Without Children**

Types of Workers	Workers (millions)(%)	Offered Employee and Family Coverage (%)	Offered Only Employee Coverage[iv] (%)	No Coverage Offered or Ineligible (%)
All	112.5 (100)	64.6	6.7	28.7
With Children	44.0 (39.1)	69.1	4.0	26.9
Without Children	68.5 (60.9)	61.6	8.5	29.9

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Previous studies have shown that health insurance is more commonly offered in certain types of firms and industries than in others. Table 5 presents statistics on health insurance provided to all workers in the United States by firm characteristics. The probability of being offered employee and family coverage increases with firm size; while the probability of being offered only employee coverage and the probability of not being offered any insurance decreases with firm size. Firms with fewer than 10 employees are almost twice as likely to offer employee only coverage as compared to firms with 1000 or more employees. Two thirds of firms with less than 10 employees did not offer any health insurance while only 10 percent of those with 1000 or more employees did not offer any health insurance.

Family coverage is more prevalent in public sector jobs than in private sector jobs. Among private sector industries, family health insurance is most commonly offered in the mining industry (89.8%), followed by the manufacturing-nondurables (73.0%), transportation (72.2%), and wholesale trade industries (70.3%). Industries least likely to offer family health insurance are services (45.9%) and construction (41.1%). Job tenure is positively associated with family coverage and negatively associated with employee only coverage. For example, only 39.4 percent of workers with less than one year of job tenure were offered and were eligible for family coverage, while 79.2 percent of workers with 15 or more years of job tenure were offered and eligible for family coverage. Similarly, there is a positive association between average annual earnings and employer-sponsored health insurance. Approximately, 58 percent of workers earning between $10,000 and $15,000 per year were offered and were eligible for any health insurance coverage while about 90 percent of employees with annual earnings of $30,000 or more were offered and were eligible for health insurance. Workers with union status were more likely to be offered family coverage (89.4% versus 59.6%) and were less likely to be offered employee only coverage (4.5% versus 7.2%) than were workers without union status. Finally, full-time employees were much more likely to be offered and to be eligible for family health insurance than were part-time employees (71.7% versus 28.8%).

Table 5. Employment Characteristics by Whether Offered Health Insurance: All Workers

Variable Description	Total Workers [millions (%)]	Offered Employee and Family Coverage (%)	Offered Only Employee Coverage[V] (%)	No Coverage Offered or Ineligible (%)
Total	112.5	64.6	6.7	28.7
Wage and Salary Workers	101.3	72.3	7.0	17.5
Fewer than 10 employees	13.4 (13.2)	25.5	7.9	66.6
10 - 24 employees	8.1 (7.8)	50.9	10.6	38.6
25 - 49 employees	6.3 (6.3)	64.7	9.0	26.3
50 - 99 employees	5.9 (5.9)	71.9	9.3	18.9
100 - 249 employees	7.4 (7.2)	78.9	5.8	15.4
250 - 499 employees	5.3 (5.3)	81.6	6.0	12.4
500 - 999 employees	5.4 (5.4)	82.4	6.6	11.0
1000+ employees	42.7 (42.6)	84.6	5.1	10.3
Public				
Federal government	3.3	90.3	4.0	5.7
State and local government	14.9	83.0	5.4	11.6
Private				
Agriculture, forestry, fisheries	2.4	25.5	7.4	67.1
Mining	0.6	89.8	6.2	5.0
Construction	6.3	41.1	5.0	53.9
Manufacturing-nondurables	8.0	73.0	6.1	20.9
Manufacturing-durables	10.7	59.5	6.6	34.0
Transportation	4.3	72.3	7.2	20.6
Communications, utilities	2.4	64.7	9.2	26.1
Wholesale trade	4.6	70.3	5.9	23.8
Retail trade	18.2	62.1	5.5	32.5
Finance, insurance, real estate	7.4	66.1	6.3	27.7
Services	12.1	45.9	7.8	46.2
Professional and Related	17.3	57.2	7.3	35.5

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Table 5. Employment Characteristics by Whether Offered Health Insurance: All Workers (Con't)

Variable Description	Total Workers [millions(%)]	Offered Employee and Family Coverage (%)	Offered Only Employee Coverage (%)	No Coverage Offered or Ineligible (%)
Total	112.5	64.6	6.7	28.7
Job Tenure				
Less than 1 year	19.3 (17.2)	39.4	8.6	51.9
1 - 4 years	36.2 (32.4)	59.6	8.0	32.5
5 - 9 years	22.7 (20.3)	72.8	6.0	21.3
10 - 14 years	12.7 (11.3)	75.5	6.3	18.2
15 or more years	21.0 (18.8)	79.2	4.1	16.7
Average Earnings				
< $5,000	5.8 (5.1)	16.3	8.6	75.1
$5,000 - $9,999	9.9 (8.8)	32.0	10.8	57.2
$10,000 - $14,999	15.0 (13.3)	57.5	9.3	33.2
$15,000 - $19,999	14.3 (12.7)	73.0	7.7	19.3
$20,000 - $24,999	12.4 (11.0)	81.0	6.8	12.2
$25,000 - $29,999	9.7 (8.7)	85.1	5.8	9.1
$30,000 - $49,999	19.8 (17.6)	89.5	5.3	6.2
$50,000+	8.5 (7.6)	93.1	3.0	4.0
Unknown	17.1 (15.2)			
Union Status				
Union covered	18.4 (16.3)	89.4	4.5	6.1
Not union covered	94.1 (83.7)	59.6	7.2	33.2
Type of Worker				
Full Time	92.8 (82.5)	71.7	6.4	21.9
Part Time	19.7 (17.5)	28.8	8.2	63.1

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

The statistics presented above on workers' access to employer-sponsored health insurance are consistent with previous findings. Most previous analyses, however, do not distinguish between family coverage and employee-only coverage. In general, determinants of access to family coverage are similar to those that determine access to any insurance. That is, family coverage, as opposed to employee-only coverage, is more prevalent in larger firms, public sector industries, certain private industries, and among workers with higher earnings, longer job tenure, union status, and full-time employment.

Access to Health Insurance by Workers With and Without Children

In the next set of tables we examine access to employer-sponsored health insurance among workers with and without children. We present this information primarily to further understand determinants of parents' access to employer health insurance, and secondly to examine the consequences of parents' demand for family health insurance on labor market decisions. The tables focus on whether adults with children are more likely to have jobs that provide access to employer-sponsored health insurance than adults without children. If this is the case, parents' job choices and job mobility may be affected, in part, by their access to health insurance. Secondly, we examine whether workers with children are more likely than workers without children to be offered health insurance, independent of sociodemographic and employment characteristics. If this is the case, workers may sort themselves into jobs according to whether their employer offers family health insurance.

Table 6 describes the employment characteristics of workers with and without children. Workers with children and without children were equally distributed across firms of different sizes. Distribution across industries between workers with and without children differed most in the construction, manufacturing-durables, retail trade, and services industries. Workers without children were slightly more likely than were workers with children to have retail trade and service industry jobs, but were less likely to be in construction and manufacturing-durables jobs. Access to family health insurance is similar in the construction and services industries and the manufacturing-durables and retail trade industries, thus we do not find evidence, based on this simple analysis, that workers with children are more likely to chose jobs in industries that offer insurance than are workers without children.

As shown in Table 6, workers with children were less likely to have less than one year of job tenure (14.7% versus 17.6%) and had higher annual earnings, on average, than workers without children. Job tenure and earnings are positively associated with being offered family coverage. Workers with children were also slightly more likely to have union covered jobs which are more likely to provide health insurance, than were workers without children (17.1% versus 16.4%). Finally, workers with

children were more likely to be employed in full- time jobs than were workers without children (85.1% versus 82.4%).

To summarize, Table 6 provides some evidence that workers with children are more likely to be employed in jobs that offer family health insurance as compared to workers without children. This may indicate that worker preferences for family health insurance are affecting employment choices. Further, it may be that workers with children tend to aggregate at certain companies and therefore influence the employer's marginal decision to offer family health insurance coverage. It is also possible, however, that employment differences between workers with and without children stem from sociodemographic differences, such as age. Adults without children are more likely to be between the ages 18 to 24 than are adults with children. To test this hypothesis we estimated regression models in which part-time status, union membership, average annual earnings, and job tenure were the dependent variables, and having children and age were the independent varibles. The coefficient on having children was not statistically significant, suggesting the presence of children does not affect employment characteristics.

Although having children may not affect workers' job characteristics, once age is taken into account, workers with children may be more likely to work at firms that offer insurance. To further explore this issue we estimated a logistic regression model where the dependent variable was whether or not the employee was offered any employer-sponsored health insurance and the independent variables were whether or not employees had children and the employees' age. The parameter estimates reveal that having children was not associated with being offered health insurance. These results suggest that access to health insurance among workers with children is similar to access among workers without children once age differences are taken into account However, when we estimated a model where being offered family health insurance coverage was the dependent variable, we did find that having children was a significant determinant, even after controlling for job tenure, union membership, part-time status, earnings, age, and firm size. Thus, we find some evidence that parents may sort themselves into jobs according to whether employers offer family health insurance but not according to whether employers offer any health insurance.

Table 6. Employment Characteristics: Workers With and Without Children

Variable Description	Workers (millions)(%)	
	With Children	Without Children
Total	44.0 (39.1)	68.5 (60.9)
Wage and Salary Workers	39.6 (91.2)	59.3 (91.8)
Fewer than 10 employees	4.8 (12.1)	8.6 (13.8)
10 - 24 employees	3.2 (7.9)	4.6 (7.7)
25 - 49 employees	2.6 (6.5)	3.6 (6.1)
50 - 99 employees	2.4 (6.2)	3.4 (5.7)
100 - 249 employees	2.8 (7.2)	4.3 (7.2)
250 - 499 employees	2.3 (5.9)	2.9 (5.0)
500 - 999 employees	2.3 (5.8)	3.1 (5.2)
1000+ employees	16.7 (42.6)	26.0 (42.6)
Public		
Federal government	1.2 (2.8)	2.0 (3.1)
State and local government	5.7 (13.4)	8.7(13.3)
Private		
Agriculture, forestry, fisheries	1.0 (2.2)	1.3 (2.1)
Mining	0.3 (0.8)	0.3 (0.5)
Construction	2.9 (6.7)	3.2 (4.8)
Manufacturing-nondurables	3.3 (7.7)	4.5 (6.8)
Manufacturing-durables	4.6 (10.6)	6.0 (9.1)
Transportation	1.6 (10.6)	2.6 (3.9)
Communications and public utilities	1.6 (3.8)	1.3 (2.0)
Wholesale Trade	1.1 (2.5)	2.7 (4.0)
Retail Trade	1.9 (4.3)	11.0 (17.1)
Finance, insurance, real estate	5.8 (13.4)	4.3 (6.5)
Services	2.9 (6.7)	7.4 (11.4)
Professional and related services	6.7 (15.7)	10.1 (15.4)

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Table 6. Employment Characteristics: Workers With and Without Children (Con't)

Variable Description	Workers (millions) (%)	
	With Children	Without Children
Job Tenure		
Less than 1 year	6.5 (14.7)	12.7 (18.5)
1 - 4 years	13.9 (31.6)	7.1 (10.4)
5 - 9 years	10.5 (23.9)	13.2 (19.2)
10 - 14 years	5.9 (13.4)	12.1 (17.6)
15 or more years	6.6 (15.0)	22.5 (32.8)
Average Earnings		
< $5,000	1.5 (3.4)	3.6 (5.3)
$5,000 - $9,999	3.3 (7.6)	6.1 (8.9)
$10,000 - $14,999	5.5 (12.4)	9.5 (13.8)
$15,000 - $19,999	5.7 (12.9)	8.8 (12.8)
$20,000 - $24,999	5.2 (11.8)	7.3 (10.7)
$25,000 - $29,999	3.8 (8.7)	6.2 (9.0)
$30,000 - $49,999	8.6 (19.5)	1.8 (17.2)
$50,000+	3.9 (8.8)	4.9 (7.1)
Union Status		
Union	7.3 (17.1)	10.7 (16.4)
Not union	35.6 (82.9)	54.8 (83.6)
Type of Worker		
Full Time	36.6 (85.1)	54.0 (82.4)
Part Time	6.4 (14.9)	11.5 (17.6)

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

The Demand for Family Health Insurance

In the previous section we described those factors that were associated with the supply of employer-sponsored family health insurance. In the following analyses we examine factors that are associated with participation in employer-sponsored health insurance. Note that participation is determined for the subset of workers who were offered and were eligible for family coverage. The purpose of these analyses is to provide additional information on whether children's uninsurance is due to lack of demand or lack of supply. These analyses provide a sense of how insurance coverage might change if access to employer-sponsored health insurance or some other form of group health insurance was increased.

Table 7 describes the percentage of children that had parents that did and did not participate in family coverage when offered. Almost eighty-seven percent of children with access to employer-sponsored health insurance had parents that participated in family coverage (72 percent of all children with working parents).[vi] Five percent lived in households in which their parents only participated in an individual plan and 8.2 percent lived in households where neither parent participated in any employer-sponsored plan.

Table 7. Children's Participation in Employer-Sponsored Health Insurance

	Percent
At least One Parent Participates in Family Plan	86.7
Parent(s) Only Participate in Individual Plan	5.0
Neither Parent Participates	8.2
	100.0

Source: Author's tabulation of March 1993 CPS and CPS Employee Benefits Supplement
Note: Only includes children with working parent(s) offered employer-sponsored health insurance.

Based on the worker-level file, we find that only 71.2 percent of the 44 million workers with children who are offered family coverage participate in family coverage (49 percent of workers with children), 12.5 percent participated only in individual plans, 5.9 percent did not participate in family or employee coverage and said it was because they had other coverage, and 10.2 percent did not participate for other reasons.

Table 8 describes the percentage of employed parents who do, and do not, participate in employer-sponsored health insurance, by employment characteristics. Participation in family health

insurance increases only slightly by firm size. For example, 5.9 percent of parents in firms with fewer than 10 employees did not participate in family coverage and did not indicate they had other coverage, compared to 4.4 percent of parents in firms with 1000 or more employees. The highest nonparticipation rates among parents were in manufacturing-durables, finance/insurance/real estate, and professional and related services industries. Participation in family policies was highest among working parents in the mining, transportation, and communications and utilities industries.

As shown in Table 8, there is a significant correlation between job tenure and participation in family health insurance plans among those workers who were offered and eligible for employer-sponsored health insurance. Approximately 18 percent of workers with children with less than one year of job tenure do not participate in a health insurance plan, while only 2 percent of workers with 15 or more years of tenure do not participate. Earnings are also associated with parents' participation in family health insurance. Even in firms that offer family health insurance coverage, more than one fifth of parents with annual earnings of $10,000 or less did not participate and reported that their nonparticipation was not due to the fact that they had other coverage. In contrast, nonparticipation was less than 5 percent for parents earning $15,000 or more per year and who did not report having other coverage. Union membership was also associated with health insurance participation: 83.6 percent of parents whose jobs were covered by a union participated as compared to 68.3 percent of parents whose jobs were not covered by a union. Finally, only 40.9 percent of parents who worked part-time participated in employer-sponsored health insurance as compared to 74.3 percent of parents who worked full time, this was the case even though these workers reported that they were eligible for coverage despite their part-time status.

Table 8. Employment Characteristics of Parents by Whether Participate in Health Insurance

Variable Description	Workers with Children (millions)(%)	Family Plan Participation (%)	Individual Plan Participation (%)	Not Participating Have Other Coverage (%)	Not Participating (%)
Total	44.0 (39.1)	71.7	12.4	6.0	9.9
Wage and Salary Workers	39.6 (90.0)	71.2	12.5	10.2	5.9
Fewer than 10 employees	4.8 (12.1)	64.8	14.3	14.0	6.9
10 - 24 employees	3.2 (8.0)	54.8	22.1	15.7	7.5
25 - 49 employees	2.6 (6.7)	60.5	13.9	14.3	11.3
50 - 99 employees	2.4 (6.1)	70.2	13.1	10.9	5.8
100 - 249 employees	2.8 (7.1)	70.6	12.6	10.7	6.0
250 - 499 employees	2.3 (5.8)	69.9	11.6	12.0	6.5
500 - 999 employees	2.3 (5.8)	70.4	14.8	10.2	4.6
1000+ employees	16.7 (42.2)	77.7	9.6	8.0	4.4
Public					
Federal government	1.2 (2.8)	79.7	4.6	11.4	4.2
State and local government	5.7 (13.4)	71.2	6.7	8.9	3.2
Private					
Agriculture, forestry, fisheries	1.0 (2.2)	80.5	8.1	1.5	0.0
Mining	0.3 (0.8)	88.3	5.0	4.0	2.7
Construction	2.9 (6.7)	78.7	8.8	7.5	5.0
Manufacturing-nondurables	3.3 (7.7)	70.9	1.7	9.0	8.5
Manufacturing-durables	4.6 (10.6)	61.6	2.9	15.0	10.6
Transportation	1.6 (3.8)	88.1	3.6	4.5	3.7
Communications and public utilities	1.1 (2.5)	85.6	8.3	3.3	2.9
Wholesale Trade	1.9 (4.3)	78.1	5.7	4.2	2.1
Retail Trade	5.8 (13.4)	75.3	7.8	3.3	3.7
Finance, insurance, real estate	2.9 (6.7)	61.6	5.9	16.9	5.6
Services	4.0 (9.4)	74.5	3.9	6.2	5.4
Professional and related services	6.7 (15.7)	61.9	3.4	16.9	7.8

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Table 8. Employment Characteristics of Parents by Whether Participate in Health Insurance (Con't)

Variable Description	Workers With Children (millions)(%)	Family Plan Participation (%)	Individual Plan Participation (%)	Not Participating Have Other Coverage (%)	Not Participating (%)
Job Tenure					
Less than 1 year	6.5 (14.7)	50.1	5.5	16.3	18.1
1 - 4 years	13.9 (31.6)	61.5	6.5	13.8	8.2
5 - 9 years	10.5 (23.9)	74.7	1.9	9.4	4.0
10 - 14 years	5.9 (13.4)	80.2	1.0	5.8	3.0
15 or more years	6.6 (15.0)	66.5	6.7	5.0	1.9
Average Earnings					
< $5,000	1.5 (3.4)	19.6	3.8	3.8	2.8
$5,000 - $9,999	3.3 (7.6)	29.2	2.6	6.8	1.4
$10,000 - $14,999	5.5 (12.4)	53.0	0.8	2.5	3.8
$15,000 - $19,999	5.7 (12.9)	64.2	8.2	3.0	4.6
$20,000 - $24,999	5.2 (11.8)	75.1	1.3	9.7	3.9
$25,000 - $29,999	3.8 (8.7)	75.9	2.2	8.3	3.6
$30,000 - $49,999	8.6 (19.5)	81.7	8.5	7.2	2.6
$50,000+	3.9 (8.8)	83.4	5.1	2.9	2.4
Union Status					
Union	7.3 (17.1)	83.6	9.2	5.0	.3
Not union	35.6 (82.9)	68.3	13.4	1.3	.0
Worker Type					
Full Time	36.6 (85.1)	74.3	2.3	8.4	5.0
Part Time	6.4 (14.9)	40.9	4.4	7.5	7.2

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

The Survey of Employee Benefits also asks respondents that were offered family coverage but did not participate their reasons for not participating in the employer-sponsored health insurance plan. Table 9 describes the specific reasons parents who were eligible for employer-sponsored health insurance gave for not participating in employer-sponsored health insurance. Almost two-thirds of all workers with children said they did not participate because they were covered by another health insurance plan. The next most common reason for noncoverage was that the plan was too expensive (21%). Only 8 percent of parents said they did not participate because they did not need or want employer-sponsored health insurance.

Table 9. Reasons Why Parents Not Covered By Employer Sponsored Plan

Reason	*Percent*
Covered by Other Health Insurance	64
Plan Had No Family Coverage	0
Plan Was Too Costly	21
Plan Did Not Cover Pre-Existing Conditions	0
Plan Had Too Many Limitations on Coverage	1
Do Not Need/Want Coverage	8

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

To further examine the issue of whether the lack of family coverage among workers with children is due to a lack of supply or a lack of demand, we describe the sociodemographic characteristics of employed parents by their access to and participation in employer-sponsored family health insurance coverage. As shown in Table 10, being offered employer-sponsored family health insurance is positively correlated with age, family income, poverty status, education, and marital status. As shown in Table 11, the characteristics of workers with children who are offered family health insurance are similar to the characteristics of workers who chose to participate in family health insurance coverage. Participation is positively associated with age, family income, poverty status, education, and marital status.

The relationship between family income and access to employer-sponsored health insurance is particularly strong. Only 44 percent of parents with family income of less than $20,000 were offered family health insurance and almost 20 percent of employed parents have family income of less than $20,000. Of those parents with family income of less than $20,000 that were offered family health insurance, 58.5 percent chose to participate in family coverage, about 21 percent participated in individual plans, 17 percent did not participate but said they had other coverage, and only about 4 percent

did not participate and did not report having other coverage. Similarly, only 50 percent of parents ages 18 to 24 worked for firms that offered family health insurance.

Table 10. Sociodemographic Characteristics of Parents by Whether Offered Health Insurance

Variable Description	Workers With Children millions (%)	Offered Individual and Family Plan (%	Offered Individual Plan (%)	Not Offered Insurance or Ineligible (%)
Age Distribution				
18 - 24	2.0 (4.5)	50.0	8.4	41.6
25 - 34	15.5 (35.3)	68.3	4.2	27.6
35 - 54	25.9 (58.9)	71.1	3.6	25.4
55 - 64	0.6 (1.3)	71.2	2.2	26.6
Family Income				
< $20,000	7.8 (17.8)	44.3	6.4	49.3
$20,000 - $29,999	7.0 (16.0)	64.5	4.1	31.4
$30,000 - $39,999	7.9 (18.0)	72.3	3.2	24.5
$40,000 - $49,999	6.1 (13.8)	75.7	3.1	21.1
$50,000 - $59,999	5.4 (12.2)	80.4	3.4	16.2
$60,000 - $74,999	4.6 (10.4)	80.5	3.5	16.0
$75,000+	5.2 (11.8)	80.7	3.3	16.0
Poverty Status				
0 - 99% of poverty	4.2 (9.5)	32.9	2.5	58.9
100 - 149% of poverty	15.8 (36.0)	49.7	2.3	43.7
150 - 199% of poverty	2.9 (6.3)	58.0	0.7	37.8
200 - 300% of poverty	14.6 (32.3)	66.1	1.0	29.9
400% or more of poverty	21.8 (48.2)	76.4	1.0	19.7
Education				
Not HS Graduate	4.2 (9.5)	47.8	6.1	43.1
HS Graduate	15.8 (36.0)	66.4	4.2	29.4
Some College	12.7 (28.9)	70.4	3.6	25.9
College Graduate	7.5 (17.0)	78.5	2.7	18.8
Post Graduate	3.7 (8.5)	83.9	3.8	12.3
Marital Status				
Married	38.3 (87.1)	69.6	3.6	26.9
Not Married	5.6 (12.8)	66.7	6.2	27.1

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Table 11. Sociodemographic Characteristics of Parents by Participation in Health Insurance

Variable Description	Workers With Children (%)	Family Plan Participation (%)	Individual Plan Participation (%)	Not Participating- Have Other Coverage (%)	Not Participating (%)
Age Distribution					
18 - 24	15.7	56.5	17.1	10.3	16.2
25 - 34	26.0	68.3	13.8	10.1	7.8
35 - 54	42.9	74.1	11.5	10.0	4.4
55 - 64	15.5	86.2	8.2	3.0	2.6
Family Income					
< $20,000	13.1	58.5	20.9	3.7	16.9
$20,000 - $29,999	14.9	73.2	13.6	6.0	7.3
$30,000 - $39,999	18.6	73.4	11.7	10.6	4.3
$40,000 - $49,999	14.7	74.5	10.9	11.6	3.0
$50,000 - $59,999	13.8	71.5	11.7	13.0	3.9
$60,000 - $74,999	11.7	71.6	11.1	13.0	4.3
$75,000+	13.1	75.0	9.0	11.8	4.2
Poverty Status					
0 - 99% of poverty	3.4	41.7	24.2	6.4	6.4
100 - 149% of poverty	5.3	62.3	25.4	1.1	1.1
150 - 199% of poverty	5.5	68.6	16.9	3.7	10.8
200 - 300% of poverty	31.6	70.9	14.3	9.1	5.8
400% or more of poverty	54.2	72.0	11.7	12.3	4.0
Education					
Not HS Graduate	7.0	62.0	20.4	5.8	11.9
HS Graduate	35.1	69.0	14.2	9.8	7.0
Some College	29.2	72.7	10.1	11.3	6.0
College Graduate	18.8	74.8	11.2	10.7	3.3
Post Graduate	9.9	79.1	10.0	7.7	3.2
Marital Status					
Married	87.1	72.2	10.8	11.3	5.6
Not Married	12.8	68.4	21.3	2.4	8.0

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Because sociodemographic and employment characteristics are often correlated, for example, younger members of the labor force tend to earn less and have shorter job tenure, it is difficult to determine the underlying source of the variation in access to and participation in family health insurance. Slightly more detailed cross-tabulations can, however, help to highlight likely determinants. Tables 12

and 13 describe access to and participation in family health insurance by age and annual earnings. As shown, low annual average earnings are associated with significantly lower access to employer-sponsored health insurance and somewhat lower participation, in all age groups. Younger workers (i.e., those age 18 to 24) are more likely to have low annual average wages than are older workers (i.e., those 55 to 64). Thus earnings, rather than age, appears to be a more significant reason for the variation in access to and participation in employer-sponsored health insurance coverage.

Table 12. Parents' Access to Employer-Sponsored Health Insurance by Age and Annual Earnings

Age	Annual Earnings	Offered Employee and Family Coverage (%)	Offered Only Employee Coverage (%)	Offered Employee Coverage, DK Family Coverage (%)	No Coverage Offered or Ineligible (%)
18 - 24	< $5,000	31.7	2.2	5.2	60.8
	$5,000 - $9,999	26.2	9.6	7.0	57.2
	$10,000 - $14,999	65.1	8.6	1.1	25.2
	$15,000 - $19,999	59.2	5.4	0.0	35.4
	$20,000 - $24,999	80.9	0.0	3.9	15.2
	$25,000 - $29,999	88.8	0.0	0.0	11.2
	$30,000 - $49,999	67.6	0.8	0.0	31.6
	$50,000+	----	----	----	----
25 - 34	< $5,000	23.8	2.4	6.6	67.2
	$5,000 - $9,999	43.2	4.8	2.6	49.4
	$10,000 - $14,999	60.0	5.4	1.6	33.0
	$15,000 - $19,999	76.5	3.1	0.6	19.8
	$20,000 - $24,999	85.8	3.1	0.1	10.9
	$25,000 - $29,999	87.8	1.6	0.4	10.3
	$30,000 - $49,999	91.0	2.5	0.1	6.4
	$50,000+	90.1	2.5	0.0	7.5
35 - 54	< $5,000	18.9	3.9	3.5	73.7
	$5,000 - $9,999	34.9	5.2	3.3	56.6
	$10,000 - $14,999	58.7	4.7	1.3	35.3
	$15,000 - $19,999	77.5	4.3	0.3	17.9
	$20,000 - $24,999	84.8	2.0	0.8	12.4
	$25,000 - $29,999	87.5	2.5	0.5	9.4
	$30,000 - $49,999	92.6	1.5	0.2	5.7
	$50,000+	95.2	1.3	0.0	3.5
55 - 64	< $5,000	0.0	0.0	0.0	100.0
	$5,000 - $9,999	58.0	0.0	0.0	42.0
	$10,000 - $14,999	64.4	9.1	0.0	26.5
	$15,000 - $19,999	100.0	0.0	0.0	0.0
	$20,000 - $24,999	100.0	0.0	0.0	0.0
	$25,000 - $29,999	73.0	0.0	0.0	27.0
	$30,000 - $49,999	91.9	0.0	0.0	8.1
	$50,000+	91.3	0.0	3.2	4.2

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Table 13. Parents' Participation in Employer-Sponsored Health Insurance by Age and Earnings

Age	Annual Earnings	Family Plan Participation (%)	Individual Plan Participation (%)	Not Participating-Have Other Coverage (%)	Not Participating (%)
18 - 24	< $5,000	41.6	23.0	10.2	25.2
	$5,000 - $9,999	22.9	41.8	20.4	14.9
	$10,000 - $14,999	49.2	18.0	9.9	23.0
	$15,000 - $19,999	73.3	11.0	8.4	7.3
	$20,000 - $24,999	76.9	7.8	4.7	10.7
	$25,000 - $29,999	100.0	0.0	0.0	0.0
	$30,000 - $49,999	63.4	7.7	29.0	0.0
	$50,000+	-----	-----	----	-----
25 - 34	< $5,000	13.7	17.3	31.4	37.5
	$5,000 - $9,999	25.3	19.1	25.1	30.5
	$10,000 - $14,999	55.3	22.5	8.5	13.8
	$15,000 - $19,999	66.4	17.3	12.1	4.2
	$20,000 - $24,999	74.9	12.5	8.6	4.0
	$25,000 - $29,999	75.3	11.6	8.5	4.7
	$30,000 - $49,999	79.6	9.0	7.9	3.5
	$50,000+	88.8	6.5	0.8	4.0
35 - 54	< $5,000	18.8	7.0	44.2	0.2
	$5,000 - $9,999	34.4	22.2	30.4	2.9
	$10,000 - $14,999	50.3	20.1	17.3	2.3
	$15,000 - $19,999	60.8	19.8	14.5	4.9
	$20,000 - $24,999	74.7	10.8	10.9	3.6
	$25,000 - $29,999	75.5	13.0	8.5	3.0
	$30,000 - $49,999	82.9	8.2	6.7	2.3
	$50,000+	89.8	4.7	3.6	1.8
55 - 64	< $5,000	----	----	----	-----
	$5,000 - $9,999	54.5	0.0	0.0	45.6
	$10,000 - $14,999	87.6	12.4	0.0	0.0
	$15,000 - $19,999	87.8	9.2	3.0	0.0
	$20,000 - $24,999	96.3	3.7	0.0	0.0
	$25,000 - $29,999	81.1	10.1	5.9	2.9
	$30,000 - $49,999	73.5	15.5	11.0	0.0
	$50,000+	91.9	3.4	0.0	4.7

Source: Author's tabulation of April 1993 Current Population Employee Benefits Supplement

Fig 1. Parents' Access to and Participation in Employer-Sponsored Health Insurance

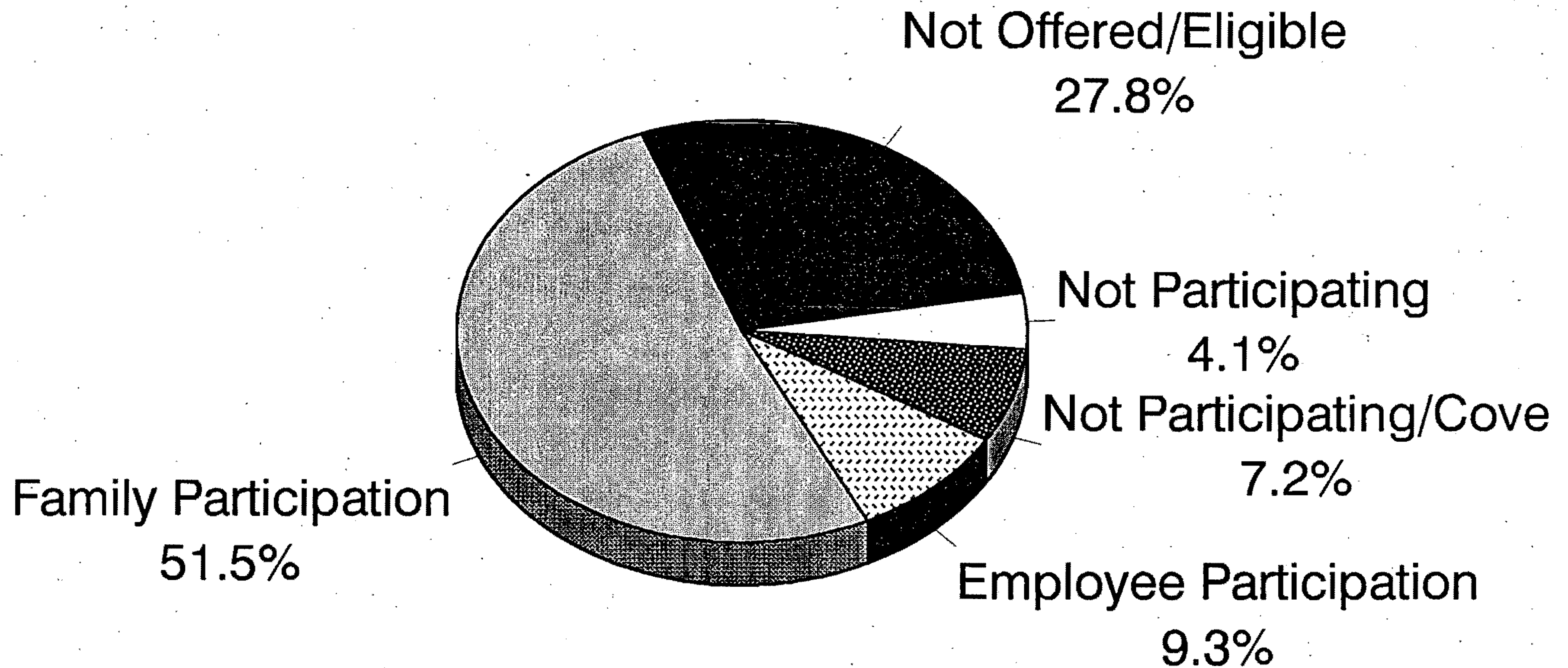
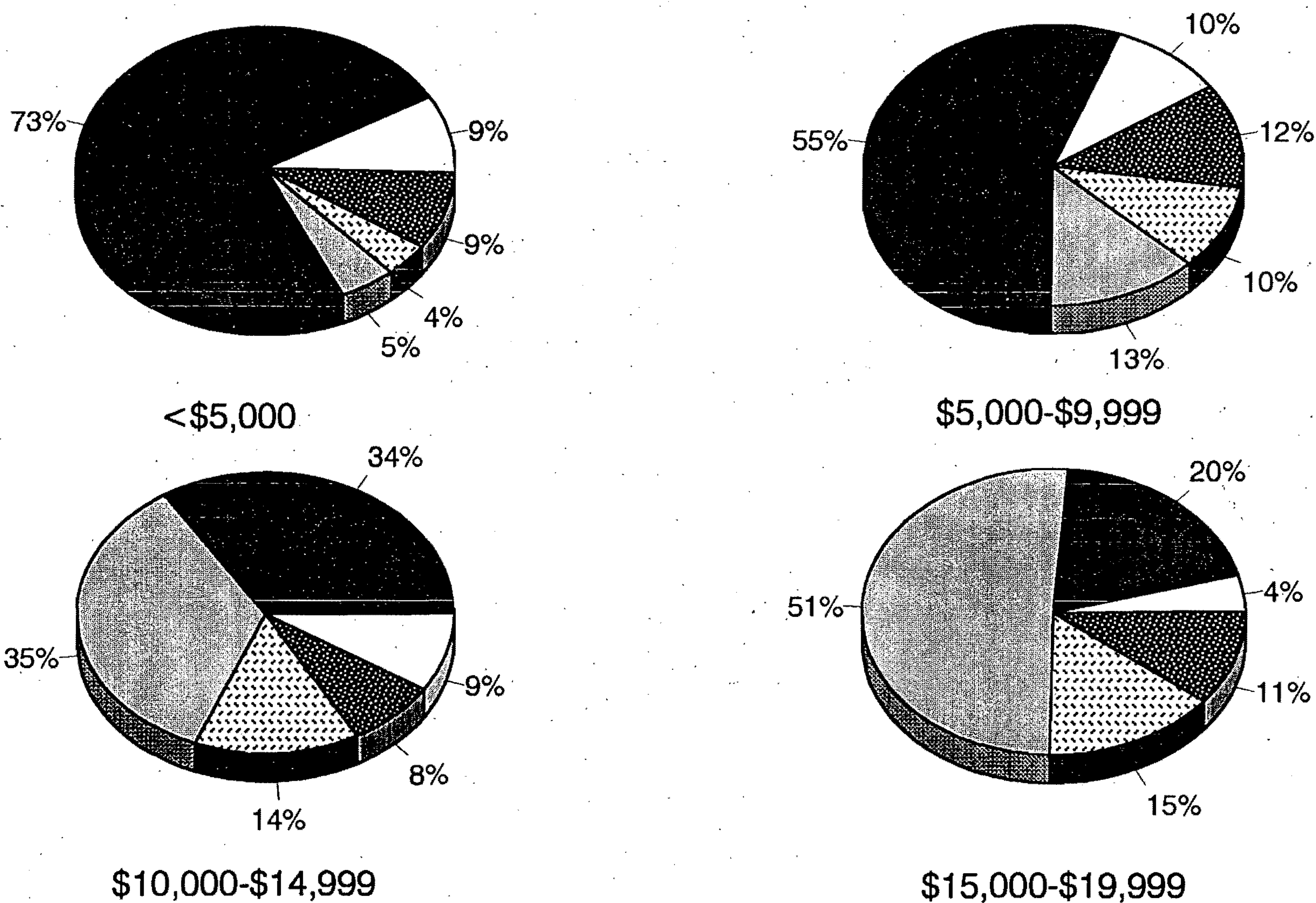
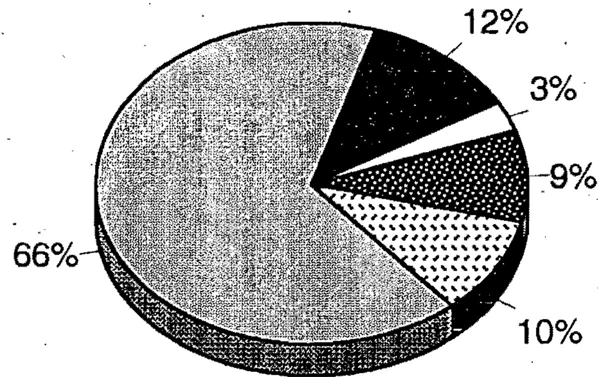


Fig. 2. Parents' Access to and Participation in Employer-Sponsored Health Insurance by Average Annual Earnings

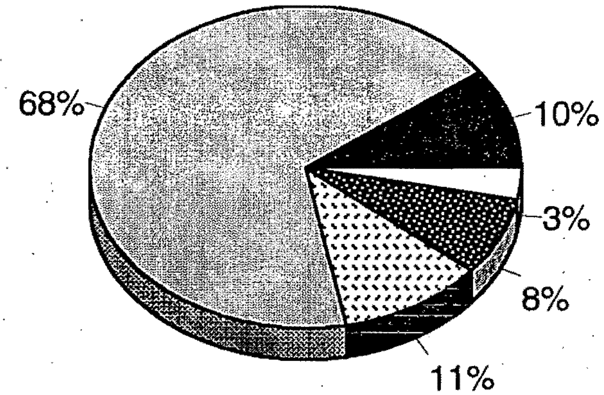


Not Offered/Eligible | Family Participation | Employee Participation
Not Participating/Covered | Not Participating

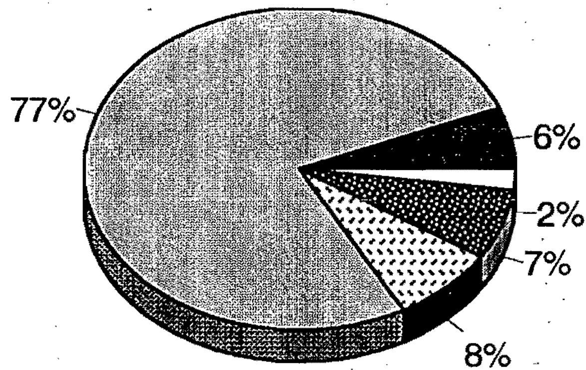
Fig 2 (con't). Parents' Access to and Participation in Employer-Sponsored Health Insurance by Average Annual Earnings



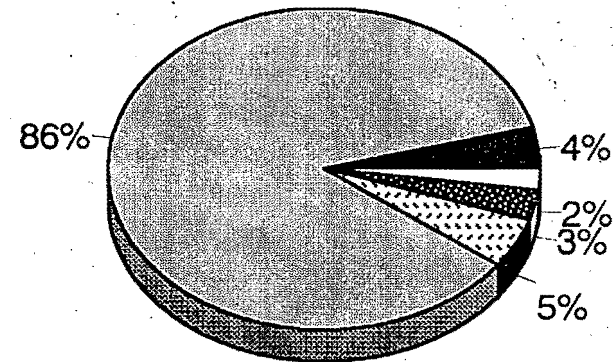
$20,000-$24,999



$25,000-$29,999



$30,000-$49,999



$50,000 or Greater

Fig. 3. Parents' Access to and Participation in Employer-Sponsored Health Insurance by Family Income

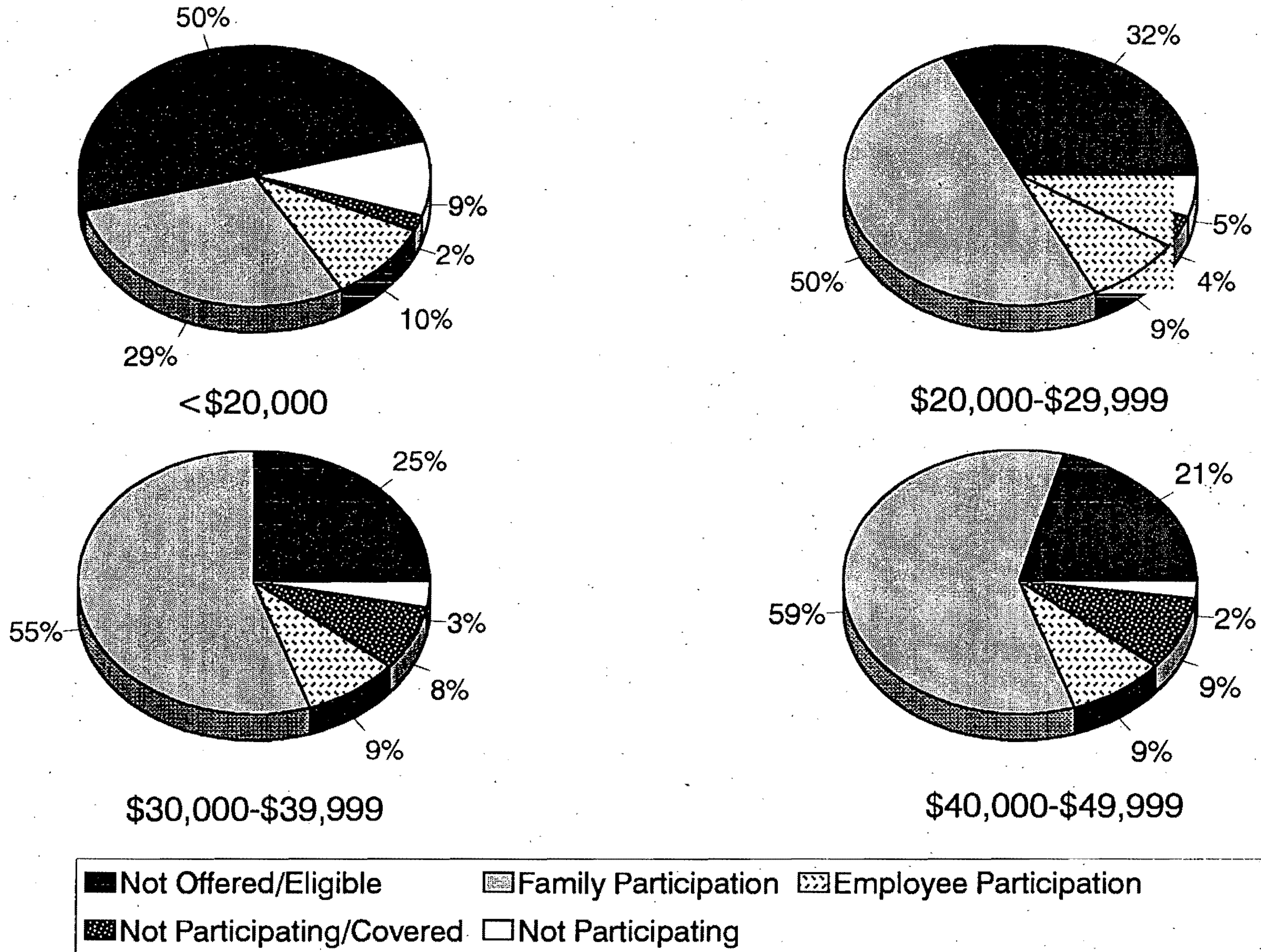
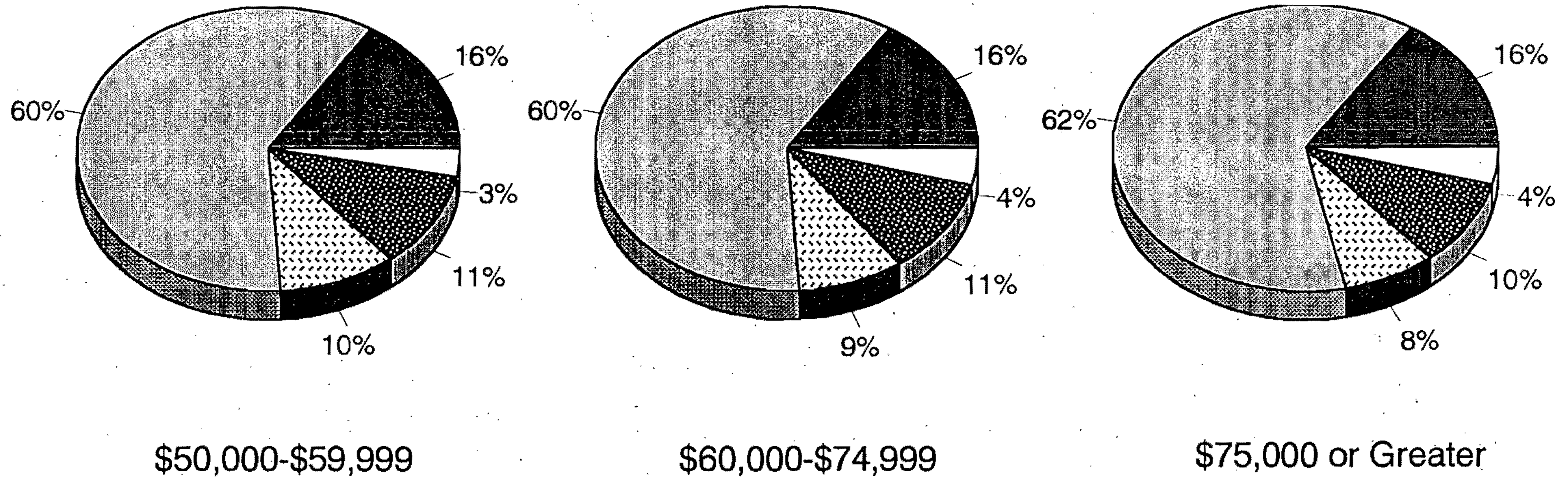
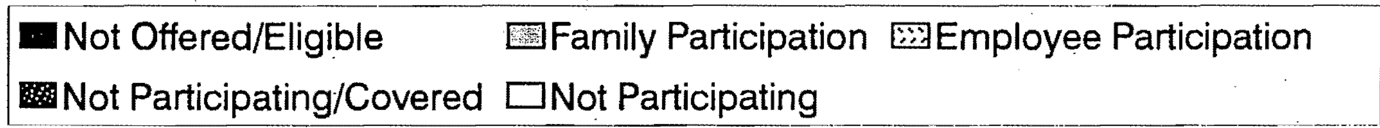


Fig. 3 (con't). Parents' Access to and Participation in Employer-Sponsored Health Insurance by Family Income





The Supply and Demand for Family Health Insurance Coverage

In this section we present summary statistics that combine the data on access to and participation in family health insurance overall and by family income and average annual earnings. As shown in Figure 1, in 1992, 27 percent of employed parents did not have access to employer-sponsored family health insurance, 50 percent of employed parents were offered and were eligible for family coverage and participated in family coverage, 9 percent were offered employer-sponsored insurance but only participated in individual coverage, 7 percent did not participate in employer-sponsored coverage but indicated that it was because they had other coverage, and 4 percent did not participate and did not indicate that they had other health insurance coverage.

Figures 2 and 3 present similar information by average annual earnings and family income. More than half of employed parents with annual earnings of less than $10,000 were not offered family health insurance. More than one third of employed parents with annual earnings of between $10,00 and $14,999 did not have access to family health insurance coverage. Thus, many low-wage workers do not have the opportunity to purchase family health insurance at group rates. Approximately 10 percent of parents with annual earnings of less than $15,000 said that they were not participating in employer-sponsored health insurance and had no other coverage. This figure drops to between 4 and 2 percent for parents with average annual earnings of $15,000 or greater. A similar pattern emerges in Figure 3 by family income.

V. DISCUSSION

The analyses presented in this report, based on the March 1993 CPS, April 1993 CPS, and the Survey of Employee Benefits, suggest that failure of employers to supply health insurance and failure of parents to participate in health insurance when offered may both contribute to uninsurance among children of working parents. Approximately 20 percent of children with working parents had no access to employer-sponsored family health insurance. Among children who were uninsured 42 percent had no access to employer-sponsored health insurance. Employees in certain types of industries (e.g., agriculture, services, and construction) and in small firms were less likely to have access to employer-sponsored family health insurance than employees in other industries and in larger firms. Part-time workers, non-union workers, workers with short job tenure and with relatively low average annual earnings were also less likely to have access to employer-sponsored family health insurance. Access to employer-sponsored health insurance increased with parents' household income and education. For example, approximately fifty percent of working parents, and children of working parents, with family income of less than $20,000 did not have access to employer-sponsored family health insurance.

Most parents who are offered health insurance by their employers participate. Eighty-seven percent of children with parents who were offered family health insurance had parents who participated in family health insurance. Almost sixty percent of working parents with family income of less than $20,000 who were offered family health insurance coverage participated in family coverage. Among persons with average annual earnings of $10,000 to $14,999 only 15 percent did not participate and did not report that they had other coverage. Among persons with average annual earnings of $15,000 and greater, with no other health insurance, nonparticipation was less than 5 percent.

The analyses described in this report suggest that some proportion of workers who currently do not have access to employer-sponsored family health insurance would participate if given the opportunity to do so. Participation rates among parents currently offered health insurance probably provide an upper limit on coverage under employer-sponsored family health insurance among parents who currently do not have access to such policies. If working parents who are currently in jobs that do not provide access to insurance are similar to parents who do not participate in health insurance when offered, we would expect a lower participation rate than currently found among parents who have access to family health insurance coverage. Further, we did not have information on the proportion of the premium paid for by employers and its effect on participation rates. Participation might be lower than that experienced by workers currently offered health insurance if employees were required to pay a

substantial share of the premium with after-tax income.

One question raised by these analyses is why employers do not offer insurance to more workers, particularly those with children. One obvious explanation is that employers cannot afford to offer a compensation package consisting of health insurance and cash wages or salaries, particularly to low wage workers and if the employer is a small business. Some employers may, however, be able to administer but not pay for employee health insurance and allow workers to buy insurance with after-tax wages. While this would prevent workers from receiving the tax-advantages of insurance paid for by employers, it would provide access to insurance that is less expensive than that found in the individual insurance market due to reduced administrative costs and reduced risk premiums due to pooling. Although some workers may not be able to afford insurance coverage, even at group rates, others, such as those in two-worker families, may be able and willing to purchase health insurance with after-tax wages.

Employers may, however, be reluctant to administer but not pay for health insurance since this raises the cost of health insurance to higher wage workers who receive tax savings from employer provided health insurance and have total compensation high enough to encompass both health insurance and cash wages. Further, self-insured employers cannot offer health insurance to lower wage workers with higher premium cost-sharing than that provided to higher wage workers and still treat health insurance as a nontaxable benefit. Section 105H of the Federal tax code states that self-insured employer provided health insurance is only tax-deductible if the plan does not discriminate in favor of highly compensated individuals (Title 26, Subtitle A, Chapter 1, Subchapter B, Part II, Section 105H.) Thus, if employers' offer health insurance coverage as part of a compensation package to high wage workers, they must offer this same package to low wage workers. Employees can be excluded from employer insurance plans if they have not completed 3 years of job tenure, if they are less than 25 years old, or if they are part-time or seasonal workers. For small firms or firms with many low wage workers, this option may be prohibitively expensive. Conversely, if employers offer all workers health insurance but with substantial employee premium cost-sharing, workers would lose the tax advantages of employer-provided health insurance. As a result, firms may choose not to provide health insurance to any of their employees or they may employ low wage workers on a part-time or temporary basis rather than offering them insurance with substantial premium cost-sharing.

Another reason why employers may not offer health insurance to a greater extent, even with substantial cost-sharing, is that they may not perceive the need to offer health insurance in order to attract workers. Offering health insurance, even with substantial employee cost-sharing, would impose

administrative costs on employers. Therefore, unless employers perceive the need to offer health insurance to attract workers, they may not offer it.

Clearly, the issue of employer-sponsored family health insurance is a complex one. Further analyses are needed to explore whether there is a "supply failure" in the provision of family health insurance benefits and if children's insurance coverage would increase if parents had greater access to group health insurance. Data collected on insurance coverage of a continuously employed population before and after employer(s) offered family health insurance would be one approach to further evaluating this issue. Alternatively, one might attempt to control for the endogeneity of access to employer-sponsored health insurance econometrically. Multivariate econometric analyses that included information on employer premium cost-sharing and premium amount could be particularly informative.

If further analyses indicate that a significantly greater number parents would buy family health insurance if access to group health insurance was increased, a variety of policies might be considered. These policies include business purchasing cooperatives, mandatory open enrollment, rating bands and community rating, reinsurance, mandates that employers offer (but not necessarily pay for) family health insurance, employer-tax credits, modification of the nondiscrimination section of the tax code, and government sponsored group policies.

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[i] Information on their insurance status and their parent's access to employer-sponsored health insurance was available for approximately 80 percent of the children on the April 1993 CPS (a 20% non-response rate). The lack of information on insurance status of all children in the April 1993 CPS file was due to the fact that not all respondents on the April CPS were respondents to the March CPS, which included the insurance supplement.

[ii] Private health insurance includes employer-sponsored health insurance and individual health insurance.

[iii] The percentage of workers with children offered family health insurance is lower than the percentage of children with parents who were offered family health insurance because of two-parent households.

[iv] Includes some respondents who knew they were offered employee coverage but did not know whether they were also offered family coverage.

[v] Includes some respondents who knew they were offered employee coverage but did not know whether they were also offered family coverage.

[vi] Although we know whether parents participated in family-sponsored plans, we do not know whether the family plan covered the children or only the spouse. Analyses based on the March 1993 CPS indicate that a significant number of parents may only participate in family coverage for their spouse.

August 23, 1996

Health Financing Branch

Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:	Nancy-Ann Min Chris Jennings	Decision needed Please sign Per your request Please comment For your information	 X X
Through:	Barry Clendenin Mark Miller	With informational copies for: RD; HFB Chron.; HD Chron.;	
Subject:	Preliminary Range of Estimates for A Children-Only Subsidy Program	Phone: Fax: E-mail: Room:	202/395-4930 202/395-7840 patel_pa@a1.eop.gov #7001
From:	Parashar Patel		

Per a request from Chris Jennings, attached please find a table which shows a range of ***preliminary*** cost and participation estimates for a health insurance subsidy program for children. We have provided a range of estimates for several sets of assumptions (high subsidy levels with 50% and 0% employer contribution levels and low subsidy levels with 50% and 0% employer contribution levels). The ranges are explained by variations in assumptions regarding participation levels and employer dropping. Under these assumptions, the proportion of previously uninsured children that participate in the new program ranges from about 3% to about 33%.

You will recall that under the specification outlined by House Democratic Leadership staff, children would be ineligible if their parents received any employer contribution. Thus the scenarios with a 0% employer contribution level more closely match the House Democratic Leadership specifications.

We believe it is important to extend the analysis and examine the distribution of participants by income which would allow us to refine our participation assumptions. For example, we would want to know how many participants are above 300% of poverty, a group which we feel may be unlikely to participate at high levels. Despite the range of estimates presented here, we are very uncomfortable with estimates that show participation levels higher than 12 million children.

HHS has seen this table and concurs with using these ranges. We have not been able to contact Treasury to seek their views. We expect to be able to provide a complete set of estimates (e.g., 7-year costs and distributional tables) by the middle of next week.

Cost Estimates for Subsidizing Children-Only Health Insurance

Low Levels of Subsidies
25% Subsidy Below 250% of Poverty; 10% Subsidy Above 250% of Poverty

50% Employer Contribution ~~Required~~

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,700 - $2,500	1.9 mil. - 8.6 mil.	$5 bil. - $15 bil.	$1 bil. - $3 bil.

0% Employer Contribution Required

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,900 - $2,700	1.7 mil. - 7.0 mil.	$4 bil. - $13 bil.	$1 bil. - $2 bil.

High Levels of Subsidies
50% Subsidy Below 250% of Poverty; 25% Subsidy Above 250% of Poverty

50% Employer Contribution ~~Required~~

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,500 - $2,100	4.0 mil. - 16.1 mil.	$9 bil. - $24 bil.	$4 bil. - $10 bil.

0% Employer Contribution Required

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,800 - $2,200	3.8 mil. - 9.4 mil.	$8 bil. - $17 bil.	$3 bil. - $6 bil.

August 23, 1996

Health Financing Branch

Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:	Nancy-Ann Min Chris Jennings	Decision needed	___
		Please sign	___
		Per your request	X
		Please comment	___
Through:	Barry Clendenin Mark Miller	For your information	X
		With informational copies for: RD; HFB Chron.; HD Chron.;	
Subject:	Preliminary Range of Estimates for A Children-Only Subsidy Program	Phone:	202/395-4930
		Fax:	202/395-7840
		E-mail:	patel_pa@a1.eop.gov
		Room:	#7001
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0% Employer Contribution Required

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,900 - $2,700	1.7 mil. - 7.0 mil.	$4 bil. - $13 bil.	$1 bil. - $2 bil.

High Levels of Subsidies
50% Subsidy Below 250% of Poverty; 25% Subsidy Above 250% of Poverty

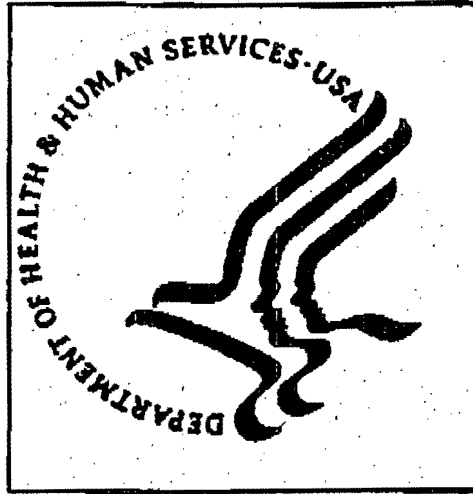
50% Employer Contribution Required

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,500 - $2,100	4.0 mil. - 16.1 mil.	$9 bil. - $24 bil.	$4 bil. - $10 bil.

0% Employer Contribution Required

Avgerage Cost	Total Takeup	Annual Total Cost	Annual Federal Cost
$1,800 - $2,200	3.8 mil. - 9.4 mil.	$8 bil. - $17 bil.	$3 bil. - $6 bil.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HEALTH POLICY



PHONE: (202) 690-6870 FAX: (202) 401-7321

Date:

From: Jack

To: Chris
Jen

Phone: (202) 690-
(202) 690-6870
FAX: (202) 401-7321

Phone:

Fax:

Number of Pages (Including Cover):

Comments: These are the draft we circulated. There is a conf. call today to clear so we can send something to Andi, I hope

Jack

DRAFT

Summary of Cost Estimates of Child Only Health Insurance Proposals - Revised

Fall '94 Proposal (Scenario 1)
- Full subsidy < 133% poverty
- Sliding subsidy from 133% - 250% poverty
- No subsidy for >= 250% poverty

Democratic Leadership Proposals:
Low subsidy (Scenario 2)
- 25% subsidy up to 250% poverty, 10% subsidy thereafter
- no maximum income level

High subsidy (Scenario 3)
- 50% subsidy up to 250% poverty, 25% subsidy thereafter
- no maximum income level

Preliminary estimates from ARC (8/14) for the Democratic Leadership Proposals show the following:
Total take-up is estimated to range from 2 million to 6 million children, with an average cost per child of $1800-$2700 including the effects of adverse selection. Total program costs range from $4-11 billion. *(GH: 7-17 million children; $1400-$1900 per child; total program costs $13-25 billion)*

The Federal share of the program cost is estimated to range from $1-5 billion. *(GH: $2-10 billion)*

The number of previously uninsured children estimated to be drawn into these programs ranges from 0.2 million to 2 million, resulting in 10-30% of the participant population being made up of the target group (those without insurance prior to the program). *(GH: 0.1-2 million previously uninsured children; 2-15% of participant population)*

The remaining 70-90% of the participant population are those which were insured previously (other private, ESI - self-employed, ESI, and Medicaid) but were drawn into the program either by the subsidy level or by changes in employer behavior (the substitution effect).

Those with Medicaid are assumed to substitute into this program if they are above the federal floor for Medicaid and if the subsidy is 100% (therefore occurs only in the Fall '94 proposal).

The effects of adverse selection, modeled for the uninsured receiving partial subsidies, were estimated to increase total program costs by 20-60%. The selection impact is greatest when the subsidies are lower making the total takeup smaller. *(GH: selection impact is 10% to 20%)*

Each of these proposals replaces current coverage more than newly covering the uninsured. This substitution effect varies slightly with the level of subsidy over the ranges given above.

Summary of Participation Assumptions for the Kids Coverage Cost Estimate Model

1. The Self-Employed
ARC: If subsidy >= 28%, then 90% participation (=.80*35%)
GH: If subsidy >= 6.75%, then 90% participation (=.45*15%) -- 100% participation was run to produce a conservative estimate

GH Reason: .45 is the deduction rate for years 1998-2002 (.80 is phased in later); 15% marginal tax rate is more applicable to the low-income population.

2. Other Private (non-employer sponsored)
ARC: If subsidy >=20%, then 80% participation
GH: If subsidy >10%, then 90% participation -- 100% participation was run to produce a conservative estimate

GH Reason: More people will take advantage of this offer if it is implemented through the tax system.

3. Uninsured
ARC: Scenario 2 (25/10) participation equals 2/3 of Scenario 3 (50/25) participation

	Scenario 2:	Scenario 3:
For Case A:	20%/10%	30%/15%
For Case B:	10%/5%	15%/7.5%
For Case C:	5%/2.5%	7.5%/3.75%

GH: Scenario 2 participation should equal 1/3 of Scenario 3 participation (across all cases).

GH Reason: Few uninsured people will be attracted by the low subsidy of Scenario 2 -- moving from Scenario 2 to 3 (low to high subsidy) should make a bigger difference.

4. Employer Insurance (ESI)

ARC: Scenario 2 or 3	50% (Cases A/B/C)	0% (Cases A/B/C)
% participation for those <200%	10%/5%/2.5%	5%/2.5%/1.25%
GH -- Scenario 2 (all cases)	14%	4%
Scenario 3 (all cases)	50%	14%

(up to 250% poverty; less thereafter)

GH Reason: Employers are looking for ways to save money and will change their behavior more dramatically if they are given the "moral out" of knowing that their employees will be able to take advantage of this other program. ARC believes that employer behavior will not change as radically -- at least not as a result of this kids only program.

08/20/96 11:55 ☎202 401 7321 HHS ASPE/HP →→→ JENNINGS ☑004/008

Democratic Leadership Proposals -- Summary Cost Estimates

Estimates Shown for Medium Participation Assumption (Case B)

					Participants - Coverage Prior to Program							Financing		
Low Subsidy Scenario 2		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
50% Emp Contrib	ARC Assump	$2400	2.4 m	23%	0.4 m	0.1 m	1.2 m	0.1 m	0.00	0.5 m	0.00	$5.7 B	$1.4 B	62%
	GH Assump	$1800	8.6 m	3%	0.2 m	0.04 m	3.2 m	0.2 m	0.00	2.1 m	2.9 m	$15.0 B	$2.6 B	13%
0% Emp Contrib	ARC Assump	$2300	2.0 m	22%	0.4m	0.02 m	1.2 m	0.1 m	0.00	0.3 m	0.00	$4.7 B	$1.2 B	51%
	GH Assump	$1900	7.1 m	3%	0.2 m	0.009 m	3.2 m	0.2 m	0.00	0.6 m	2.9 m	$13.4 B	$2.2 B	15%

					Participants - Coverage Prior to Program							Financing		
High Subsidy Scenario 3		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
50% Emp Contrib	ARC Assump	$2000	4.7 m	20%	0.7 m	0.2 m	2.6 m	0.1 m	0.00	0.5 m	0.6 m	$9.7 B	$4.1 B	28%
	GH Assump	$1500	16.3 m	6%	0.7 m	0.2 m	3.2 m	0.2 m	0.00	9.2 m	2.9 m	$24.0 B	$9.7 B	10%
0% Emp Contrib	ARC Assump	$2200	4.3 m	18%	0.7 m	0.03 m	2.6 m	0.1 m	0.00	0.2 m	0.6 m	$9.4 B	$3.9 B	33%
	GH Assump	$1800	9.4 m	8%	0.7 m	0.03 m	3.2 m	0.2 m	0.00	2.4 m	2.9 m	$16.7 B	$6.3 B	16%

Democratic Leadership Proposals -- Cost Estimates

Scenario 2 (Low Subsidy): 25% Subsidy up to 250% Poverty, 10% Subsidy for 250% Poverty and Above

50% Employer Contribution Requirement
High (Case A), Medium (Case B), and Low (Case C) Participation Assumptions Shown

					Participants - Coverage Prior to Program							Financing		
Scenario 2		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
ARC Assump	A	$2100	3.6 m	33%	0.9 m	0.3 m	1.2 m	0.1 m	0.00	1.1 m	0.00	$7.4 B	$1.8 B	50%
	B	$2400	2.4 m	23%	0.4 m	0.1 m	1.2 m	0.1 m	0.00	0.5 m	0.00	$5.7 B	$1.4 B	62%
	C	$2500	1.9 m	14%	0.2 m	0.04 m	1.2 m	0.1 m	0.00	0.3 m	0.00	$4.6 B	$1.1 B	59%
GH Assump	A	$1800	8.8 m	6%	0.4 m	0.1 m	3.2 m	0.2 m	0.00	2.1 m	2.9 m	$15.8 B	$2.8 B	16%
	B	$1800	8.6 m	3%	0.2 m	0.04 m	3.2 m	0.2 m	0.00	2.1 m	2.9 m	$15.0 B	$2.6 B	13%
	C	$1700	8.4 m	2%	0.1 m	0.03 m	3.2 m	0.2 m	0.00	2.1 m	2.9 m	$14.5 B	$2.6 B	11%

Scenario 3 (High Subsidy): 50% Subsidy up to 250% Poverty, 25% Subsidy for 250% Poverty and Above

50% Employer Contribution Requirement
High (Case A), Medium (Case B), and Low (Case C) Participation Assumptions Shown

					Participants - Coverage Prior to Program							Financing		
Scenario 3		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
ARC Assump	A	$1800	6.2 m	30%	1.4 m	0.4 m	2.6 m	0.1 m	0.00	1.0 m	0.6 m	$11.2 B	$4.9 B	20%
	B	$2000	4.7 m	20%	0.7 m	0.2 m	2.6 m	0.1 m	0.00	0.5 m	0.6 m	$9.7 B	$4.1 B	28%
	C	$2100	4.0 m	13%	0.4 m	0.1 m	2.6 m	0.1 m	0.00	0.2 m	0.6 m	$8.5 B	$3.5 B	27%
GH Assump	A	$1400	17.2 m	11%	1.4 m	0.4 m	3.2 m	0.2 m	0.00	9.2 m	2.9 m	$24.9 B	$10.2 B	8%
	B	$1500	16.3 m	6%	0.7 m	0.2 m	3.2 m	0.2 m	0.00	9.2 m	2.9 m	$24.0 B	$9.7 B	10%
	C	$1400	15.9 m	3%	0.4 m	0.1 m	3.2 m	0.2 m	0.00	9.2 m	2.9 m	$23.1 B	$9.3 B	8%

Scenario 2 (Low Subsidy): 25% Subsidy up to 250% Poverty, 10% Subsidy for 250% Poverty and Above

0% Employer Contribution Requirement
High (Case A), Medium (Case B), and Low (Case C) Participation Assumptions Shown

					Participants - Coverage Prior to Program							Financing		
Scenario 2		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
ARC Assump	A	$2200	2.8 m	33%	0.9 m	0.02 m	1.2 m	0.1 m	0.00	0.5 m	0.00	$6.2 B	$1.5 B	55%
	B	$2300	2.0 m	22%	0.4m	0.02 m	1.2 m	0.1 m	0.00	0.3 m	0.00	$4.7 B	$1.2 B	51%
	C	$2700	1.7 m	14%	0.2 m	0.008 m	1.2 m	0.1 m	0.00	0.1 m	0.00	$4.4 B	$1.1 B	65%
GH Assump	A	$1800	7.3 m	6%	0.4 m	0.02 m	3.2 m	0.2 m	0.00	0.6 m	2.9 m	$13.4 B	$2.2 B	13%
	B	$1900	7.1 m	3%	0.2 m	0.009 m	3.2 m	0.2 m	0.00	0.6 m	2.9 m	$13.4 B	$2.2 B	15%
	C	$1800	6.9 m	2%	0.1 m	0.005 m	3.2 m	0.2 m	0.00	0.6 m	2.9 m	$12.9 B	$2.1 B	12%

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Scenario 3 (High Subsidy): 50% Subsidy up to 250% Poverty, 25% Subsidy for 250% Poverty and Above

0% Employer Contribution Requirement
High (Case A), Medium (Case B), and Low (Case C) Participation Assumptions Shown

					Participants - Coverage Prior to Program							Financing		
Scenario 3		Avg Cost	Total takeup	%Unins in Prog	Unins	Unins Offd ESI	Other Private	Other Priv + MC	MC	ESI	ESI SE	Total Cost	Federal Share	Selection Impact
ARC Assump	A	$2000	5.3 m	29%	1.4 m	0.05 m	2.6 m	0.1 m	0.00	0.5 m	0.6 m	$10.5 B	$4.5 B	27%
	B	$2200	4.3 m	18%	0.7 m	0.03 m	2.6 m	0.1 m	0.00	0.2 m	0.6 m	$9.4 B	$3.9 B	33%
	C	$2200	3.8 m	11%	0.4 m	0.03 m	2.6 m	0.1 m	0.00	0.1 m	0.6 m	$8.4 B	$3.4 B	28%
GH Assump	A	$1700	10.1 m	15%	1.4 m	0.05 m	3.2 m	0.2 m	0.00	2.4 m	2.9 m	$17.4 B	$6.7 B	15%
	B	$1800	9.4 m	8%	0.7 m	0.03 m	3.2 m	0.2 m	0.00	2.4 m	2.9 m	$16.7 B	$6.3 B	16%
	C	$1700	9.0 m	5%	0.4 m	0.03 m	3.2 m	0.2 m	0.00	2.4 m	2.9 m	$15.7 B	$5.9 B	13%

GEORGETOWN UNIVERSITY MEDICAL CENTER

Institute for Health Care Research and Policy

FACSIMILE COVER SHEET

TO: Chris

FAX Number:

FROM: Jeanne

Pages:

Comments:

I worry that I didn't clearly explain the options & advantages/disadvantages. Here is a summary. This does NOT preclude a 1/2 hour discussion about the options + how we proceed — I have an idea.

2233 Wisconsin Avenue, NW Suite 525 Washington DC 20007
202-687-0880 202-687-3110 *facsimile*

State Program for Kids

Eligibility: Kids in working families with income below 200 percent of poverty without insurance (previous 6 months) or access to employer-based insurance (previous 18 months). This includes Medicaid children in working families, except for SSI and institutionalized children. Coverage would be phased in.

Benefits: FEHBP Blue-Cross, Blue-Shield like package

Delivery System: State designed. States may cover children through Medicaid, State employee health plans, private HMOs or any other program suited to the State's circumstances.

Funding:

Federal: Federal Medicaid per capita cap amount for kids in the State

- Full amount for kids below 133 percent of poverty
- Partial amount for kids between 133 and 200 percent of poverty (for States that currently optionally cover these kids, they would get the full per capita, as under the per capita cap).

Note: A significant proportion of the total program funding would be a transfer from Medicaid to the new program. New spending would be for increased participation and States that do not now cover children at higher levels.

Participant: No premiums or cost sharing for children below 133 percent of poverty

Sliding scale premium for children 133 to 200 percent of poverty; co-payments for some services (not for preventive or primary care)

State/Private: The residual funding needed to assure that all eligibles receive the nationally-defined benefits package.

Discussion of Kids' Options

Why Kids:

- One of four uninsured is a child. Children are one of the fastest growing groups of uninsured.
- Probably have greater coverage per dollar spent than TU program [although I am not sure yet]
- Given the problems with the Chafee-Breaux amendment, this offers a substitute. Creates a uniform, national safety net of benefits and eligibility — the intent but the not effect of the OBRA '90 expansion.
- Counterbalances State reductions in welfare coverage

Why State Program:

- Less expensive than a full subsidy program since (a) only Federal share of per capita; (b) indexed through per capita cap; and (c) State optional.
- Given limited availability of new funding, allows States to use some current Medicaid funding in a more flexible program to pool for greater purchasing power.
- Builds on State Medicaid programs and other initiatives to cover children. Over 30 States have either State-only or public / private partnerships for coverage of children. Both Republican and Democratic governors have supported these initiatives; this is one of Chiles' and Romer's top issues.
- May reduce pressure on Medicaid for greater flexibility. If States can have more program flexiblity for healthy kids, they may not feel the same need to change the Medicaid program which would remain the source of coverage for kids with special needs.

Disadvantages:

- Likely to have some employer dropping.
- Advocates might feel that it goes back on EPSDT and other Medicaid protections
- If it becomes too flexible, it could do more harm than good by putting current Medicaid kids at risk.