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**State Experiences
Expanding Dependent Health
Insurance Coverage to Young Adults**

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Acknowledgements

Funded by the State Health Access Reform Evaluation (SHARE)
Program of the Robert Wood Johnson Foundation

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Thanks to
Brian Quinn, PhD of RWJF
Lynn Blewett, PhD, SHARE director and the SHARE project team

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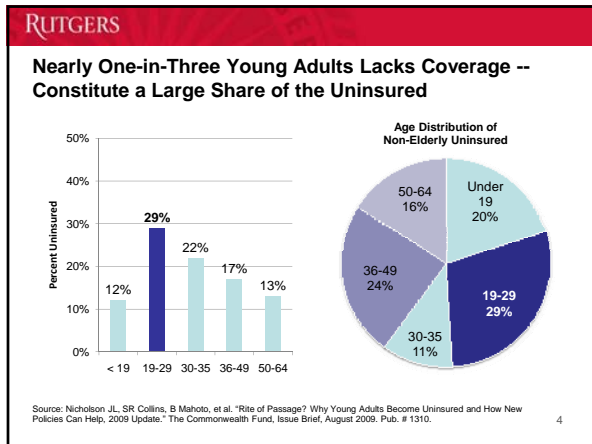
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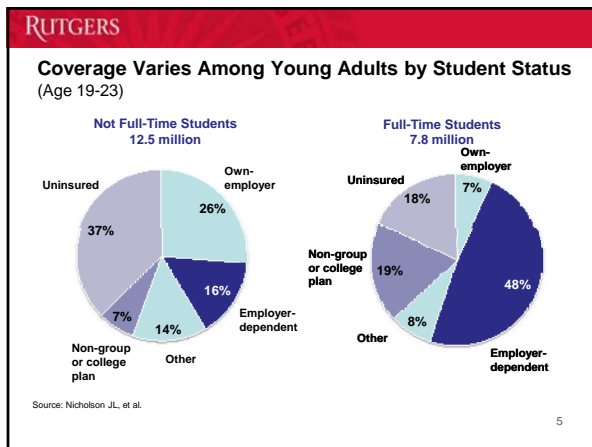
Outline

- The young adult coverage problem
- State strategies to expand dependent coverage of young adults
- Findings on the impact of state reforms
- Implications for national reform

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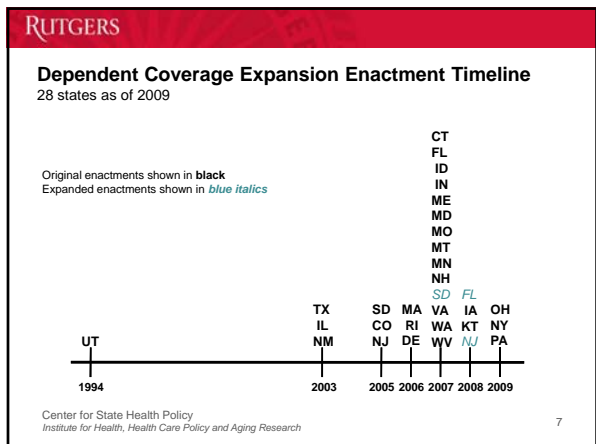


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Implications of High Uninsured Rate

- Compared to insured peers, uninsured young adults are...
 - Three to four times **more likely** to delay or forego care due to costs
 - Two to four times **less likely** to see a medical provider, have a usual source of care, or fill a prescription
 - Two times **more likely** to have trouble paying medical bills or to have medical debt
- Critical developmental period to address risks of obesity, smoking, sexually transmitted infections, etc.
- Absence from risk pools has consequences for others

Sources: Nicholson, J.L., et al.; Callahan, ST & WO Cooper, 2005. "Uninsurance and Health Care Access among Young Adults in the United States" *Pediatrics* 116 (1), 88-95; Meruzzi TV and RC Naim. 1999. "Adulthood and aging: Transitions in health and health cognition." In Whitman, TL, TV Whitman, and RD White (eds). *Life-Span Perspectives on Health and Fitness*. (pp. 199-206). Mahwah, NJ: Lawrence Erlbaum.

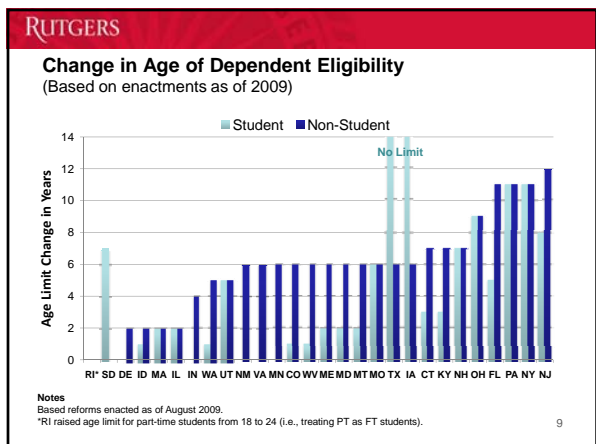


Change in Age of Dependent Eligibility
(Based on enactments as of 2009)

	STUDENTS	NON-STUDENTS
States enacting Reform (28 total)	22*	26
Greatest Increase in Age Limit	No limit	12 years
Average Increase in Age Limit (among reform states)	4.2 years**	6.0 years

Notes
Based on date of enactment.
*Includes one state (RI) that increased age limit for part-time students only.
** Excludes two states (TX, IA) that eliminated the upper age limit for full-time students.

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Other Typical Provisions

- **State regulated markets and state employee plan**
- **State residency for non-students**
- **Unmarried only** (25 states)
- **Financial dependence or live with parents** (9 states)
- **Continuation or creditable coverage** (7 states)
- **No coverage for dependents of young adults** (4 states)
- **Premium rules**
 - Blended with group family premium (12 states)
 - Set premiums for new dependent enrollees (8 states)

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Factors Potentially Limiting Impact of State Reforms

- **Federal ERISA preemption**
 - Precludes state regulation of "self-insured" employee benefit plans
- **Restrictions in state laws**
 - Marital status
 - Residency requirements (non-students)
- **Possible burdens on insurers or employers**
 - Administrative burdens
 - May not use pre-tax income to pay premiums of those over 23 years
- **Possible impact on premiums and costs**
 - Risk selection
 - Premium setting rules
- **Unanticipated consequences**
 - Impact on other risk pools
 - Young adult behavior (e.g., marriage, child bearing)

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How We Measure the Impact of State Reforms

- **Data:** Current Population Survey (CPS) Annual Demographic Supplement data 2001 to 2009 (reflecting prior year coverage)
- **Focus:** 19 states *implementing* expansions by January 2008
- **Outcomes:** Coverage of young adults (age 19-30) by...
 - Employer plan in own name
 - Non-group plan
 - Employer plan as a dependent
 - Public plan
 - No plan (uninsured)
- **Analysis:** Compare coverage status of eligible to ineligible young adults over time and across states
 - Difference-in-differences framework with controls for young adult characteristics, predictors of policy adoption, and differences among states and overall time trends (i.e., state and year fixed effects)

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Major Findings

- Small increase in coverage of eligible young adults as dependents on employer sponsored plans
- Offset by an equivalent decline in coverage of eligible young adults on their own employer plans
- No impact on the number of uninsured young adults
- Analyses suggest somewhat larger policy impact, but still no change in the number of uninsured...
 - Among young adults age 19-25 and living with parents
 - The longer the expansion policy was in effect

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Limitations of the Analysis

- Focus only on early experiences
 - Only 19 early states, with a collective 35 years of experience
 - More than half had only one year of experience
- CPS data do not measure some eligibility characteristics
 - Financial dependence of young adults on parents
 - Parents' coverage and state of residence
 - Except when young adults lives with their parent
 - Whether state law applies to parents' plan (i.e., ERISA status)

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Conclusions: Impact of State Reforms

- Widely popular state reform strategy
 - Little or no state budget impact
 - Promise of little burden on employers
 - Potential to cover uninsured young adults
- Modest increase in dependent coverage, but offset by decline in own-name coverage with **no impact on the uninsured rate**
 - Attractive option for many
 - But, reforms may not sufficiently address affordability to attract the uninsured

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Young Adult Coverage in National Reform

- Starting this year
 - Option for states to cover childless adults in Medicaid
 - Subsidies for high risk pools
 - Low-wage small business tax credits
 - **New dependent coverage requirements**
- Starting in 2014
 - Low-income childless adults eligible for Medicaid
 - Mandated enrollment and subsidies within Exchanges
 - No pre-existing condition exclusions and other consumer protections

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New Federal Dependent Coverage Rules

- Effective fall 2010
- Up to age 26
- Regardless of student or marital status (excludes children of the young adults)
- All non-group and group health plans (not just state-regulated plans)
- Young adults with coverage offer from their own employer *not* eligible until 2014
- HHS Secretary to define "dependent"
- No change in IRS definition of dependence
- State laws with higher age cutoffs will likely remain in effect

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Implications of State Findings for National Reform

- National reform has a broader reach (not just state-regulated plans, not just unmarried, not just those living in-state or students)
- National reform is very high profile, may improve awareness
- Thousands will have a new, more attractive option, but state findings suggest only a modest impact on the number of uninsured young adults prior to 2014

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Continuing Research

- Detailed research report currently under peer review
- Implementation case studies in selected states
- More detailed analysis in New Jersey

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THANK YOU

Dependent Coverage Issue Brief
www.shadac.org/files/shadac/publications/DependentCoverageCompanionBrief.pdf

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