

# State Policies Expanding Dependent Coverage to Young Adults in Private Health Insurance Plans

June 27, 2009

Academy Health State Health Research  
and Policy Interest Group Meeting  
Chicago, IL

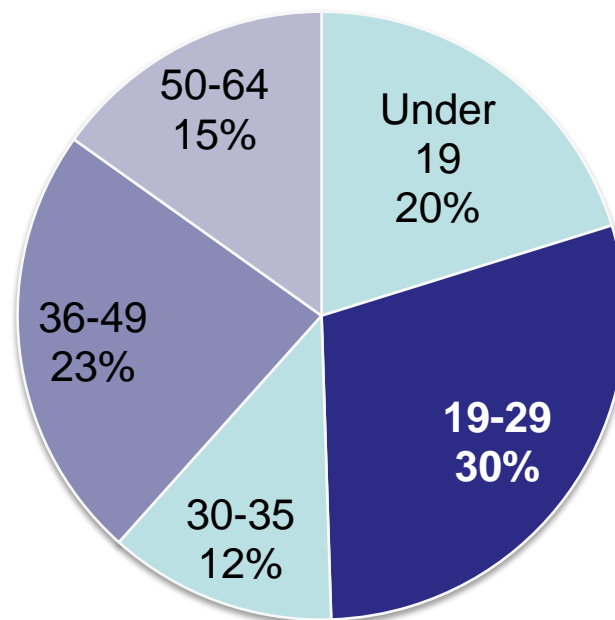
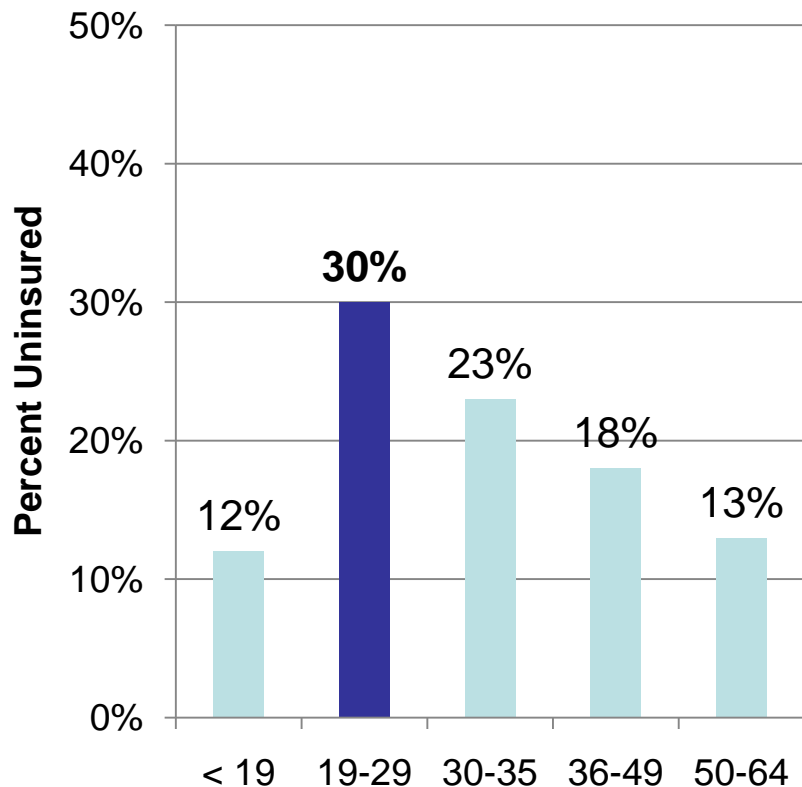
Alan Monheit<sup>\*,^</sup>, Joel Cantor\*, Derek DeLia\*,  
Dina Belloff\*, Margaret Koller\*, Dorothy Gaboda\*

\*Rutgers University Center for State Health Policy  
^UMDNJ School of Public Health

# Outline

- Young adult coverage
- State dependent coverage expansion policies
- Preliminary impact analysis
- Conclusions and limitations
- Next steps

# Young Adults at High Risk of Lacking Coverage and are Large Share of Uninsured



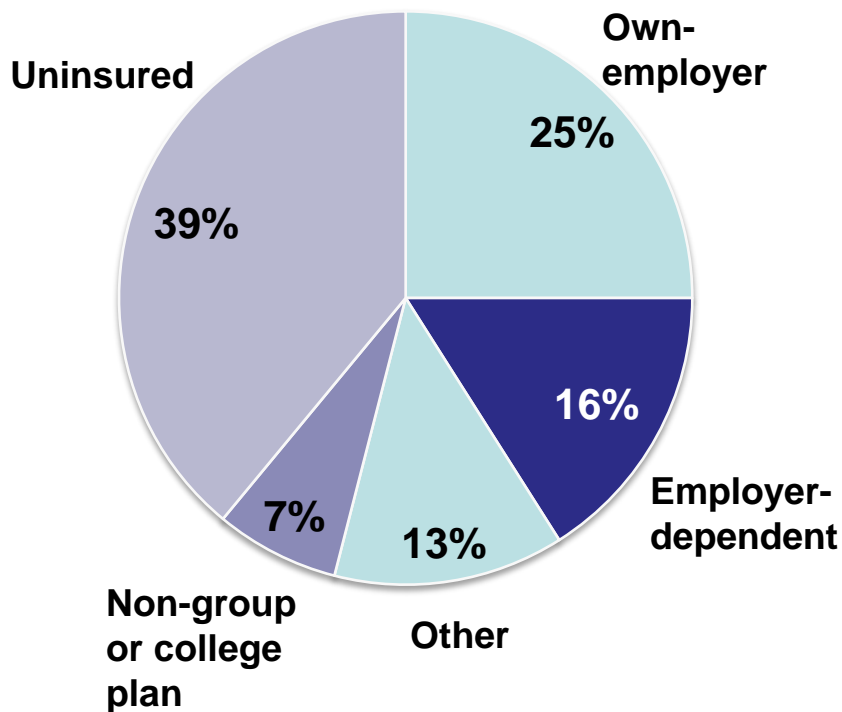
Age Distribution of Uninsured

Source: Kriss JL, SR Collins, B Mahoto, et al. "Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help, 2008 Update." The Commonwealth Fund, Issue Brief, May 2008. Pub. # 1139.

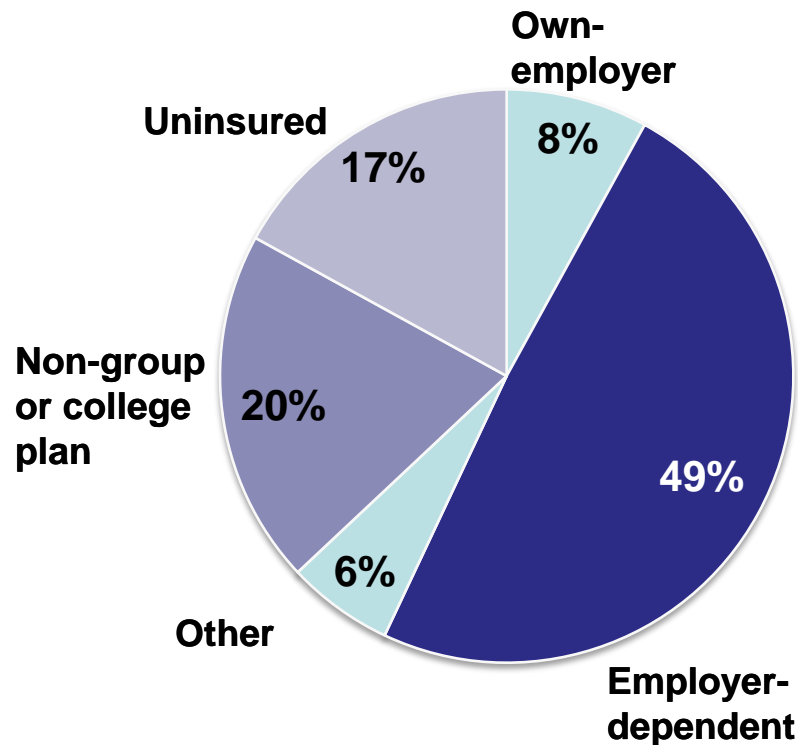
Center for State Health Policy  
 Institute for Health, Health Care Policy and Aging Research

# Source of Coverage for Young Adults (Age 19-29)

**Not Full-Time Students**  
12.5 million



**Full-Time Students**  
7.6 million



Source: Kriss JL, SR Collins, B Mahoto, et al...The Commonwealth Fund.

# Implications of High Uninsured Rate

- Critical developmental period to address risks of obesity, smoking, sexually transmitted infections, etc.
- Uninsured young adults are two to four times...
  - more likely than peers to delay/forgo care or an Rx due to costs
  - less likely to see a medical provider or have a usual source of care
- Uninsured young adults 20% more likely to report trouble paying medical bills or carrying medical debt
- Absence from risk pools has consequences for others

Sources: Kriss JL, SR Collins, B Mahoto, et al...The Commonwealth Fund.

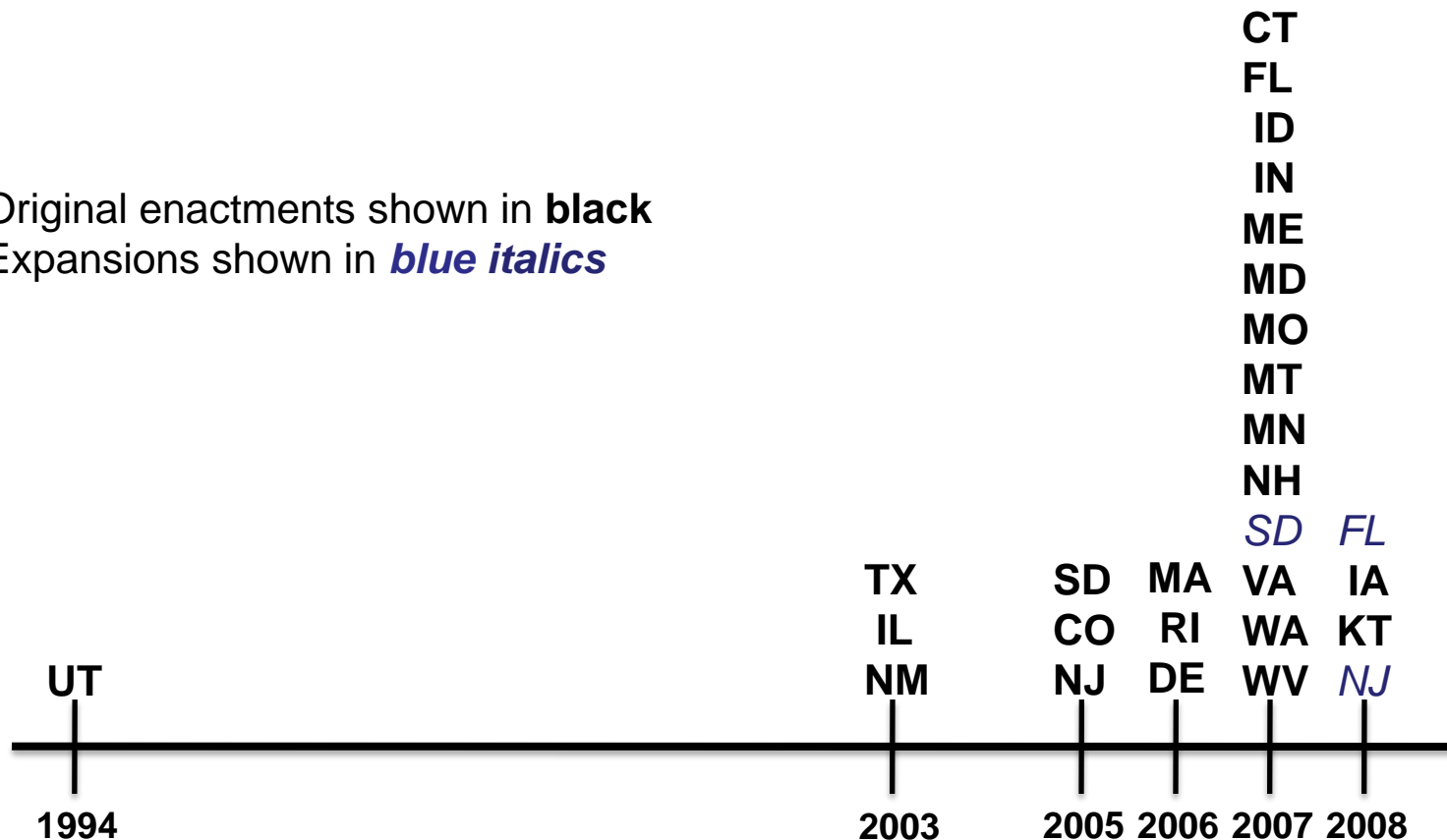
Callahan ST and WO Cooper. 2006. "Access to health care for young adults with disabling chronic conditions." *Archives of Pediatric and Adolescent Medicine*. 160:178-182.

Merluzzi TV and RC Nairn. 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 Illness*. (pp. 189-206). Mahwan, NJ: Lawrence Erlbaum.

# State Dependent Coverage Expansion Enactment Timeline

25 states as of 2008

Original enactments shown in **black**  
Expansions shown in *blue italics*



## Change in Age of Dependent Eligibility (as of 2008)

	STUDENTS	NON-STUDENTS
Number with Reform (25 total)	19*	23
Greatest Increase in Age Limit	No limit	12 years
Mean Increase in Age Limit (among reform states)	3.5 years**	5.7 years

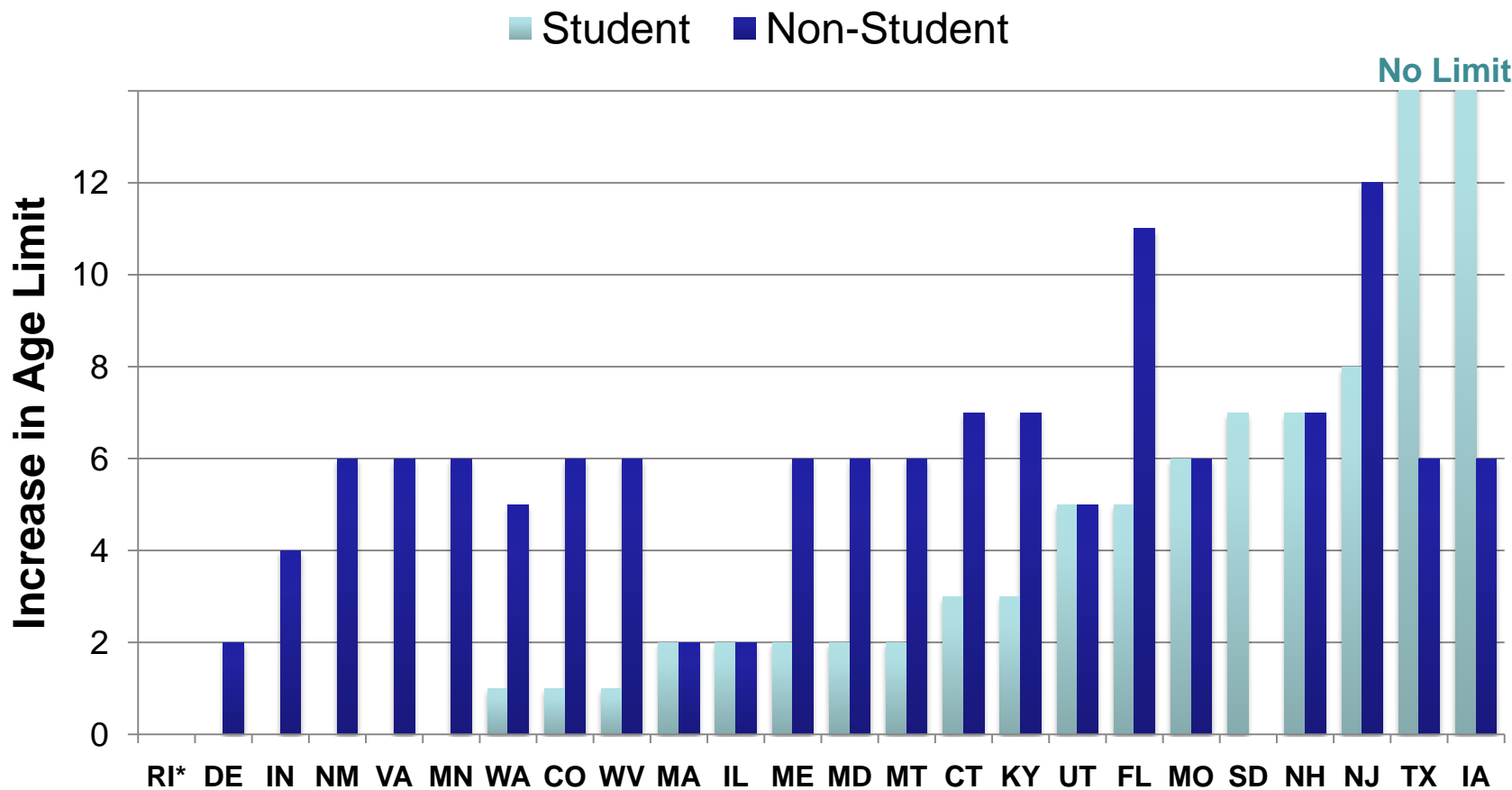
### Notes

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.

# Change in Age of Dependent Eligibility (as of 2008)



Based reforms enacted as of December 2008.

\*RI raised age limit for part-time students from 18 to 24 (i.e., treating PT as FT students).



## Other Provisions

- **Unmarried** – 22 states
- **No dependents** – 4 states
- **Other limits**
  - Most states – residency for non-students, but not FT students
  - 9 states – financial dependence or living with parents
  - 6 states – continuous or creditable coverage
- **Included markets**
  - Most states – all regulated markets and public employee plans
- **Premium rules**
  - 12 states – cost averaged into group premium
  - 8 states – establish premiums for new dependent enrollees

# Factors Potentially Limiting Impact

- ERISA preemption
  - e.g., In NJ, ~33% of state population subject to state regulation (25% in state-regulated plans; 8.6% in state health benefit plan)
- Possible burdens on insurers or employers
  - Taxable as income for those over 23 years
- Possible impact on premiums and costs
  - Risk selection
  - Premium rules
- Unanticipated consequences
  - Non-group or other risk pools
  - Young adult behavior (e.g., marriage, child bearing)

# Impact Analysis Strategy

- CPS March Supplements (2000-2008)
  - Utah and Massachusetts excluded
  - 15 states implementing by 2007, ~23 state-years of experience
- Young adults (ages 19-29)
  - Restricted: Single adults living with a parent (n=66,654)
  - Full: All young adults (n=227,002)
- Five linear probability models predicting “COVERAGE”
  - Covered by employer-sponsored insurance (ESI) as dependent (on parent’s policy, in restricted model)
  - Covered as ESI policyholder
  - Non-group coverage
  - Public coverage
  - Uninsured
- Adjusted for complex sample design (Davern, et al.)

## Model Specification

$$\text{COVERAGE}_i = a_1 + a_2 \text{TARGET}_i + a_3 (\text{TARGET}_i * \text{POLICY}_{s,t}) + a_4 X_i + a_5 Z_{s,t} + a_6 \text{ADOPT}_s + a_7 \text{STATE}_s + a_8 \text{YEAR}_t + e_i$$

### Where:

TARGET = expansion population dummy (regardless of year)

POLICY = state policy in effect dummy

TARGET\*POLICY = interaction of being in target population and living in a state post-policy implementation ( $a_3$  is DD estimator)

X = vector of individual characteristics

Z = vector of time-varying state characteristics

ADOPT = predictors of state policy adoption

STATE = state fixed effects

YEAR = time fixed effects

## “TARGET” define by...

- State of residence
- Age
- Marital status
- Student status
- Other state-specific eligibility criteria

## Other Variables...

- Individual characteristics (X vector)
  - Demographics (age, sex, race/ethnicity)
  - Fair/poor health
  - Student status
  - Educational attainment
  - Family income (% FPL)
  - Marital status (unrestricted model)
  - Live with parent (unrestricted model)
- Time varying state characteristics (Z vector)
  - Unemployment rate
  - Percent college graduate
- Policy adoption predictors (ADOPT vector)
  - Number of benefit/provider coverage mandates
  - Party of governor and legislature
  - Number of insurance department staff
  - Elected insurance commissioner
  - State net budget revenues

# Hypotheses

- Policy impact as intended
  - Positive and significant DD estimate for **ESI as dependent**
  - Negative and significant DD estimate for **Uninsured**
- Unintended substitution effect
  - Positive and significant DD estimate for **ESI as dependent**
  - Negative and significant DD estimate for **ESI policyholder, non-group coverage, and/or public coverage**

# Policy Impact Estimates

*Change in Probability of Coverage (t-statistic)*

Coverage Outcome	DD estimates Single, Live w/Parent	DD estimates All Young Adults
ESI as dependent*	<b>0.0267</b> (2.02)	<b>0.0193</b> (2.96)
Uninsured	0.0007 (0.05)	0.0086 (0.89)
ESI as policyholder	<b>-0.0202</b> (-1.64)	<b>-0.0201</b> (-2.31)
Non-Group Coverage	-0.0094 (-1.23)	-0.0067 (-1.17)
Public Coverage	-0.0022 (-0.24)	-0.0011 (-0.18)

\*Dependent on parent's ESI plan in restricted model, any dependent ESI in unrestricted model  
**Bold** indicates significant at  $p < .10$  level

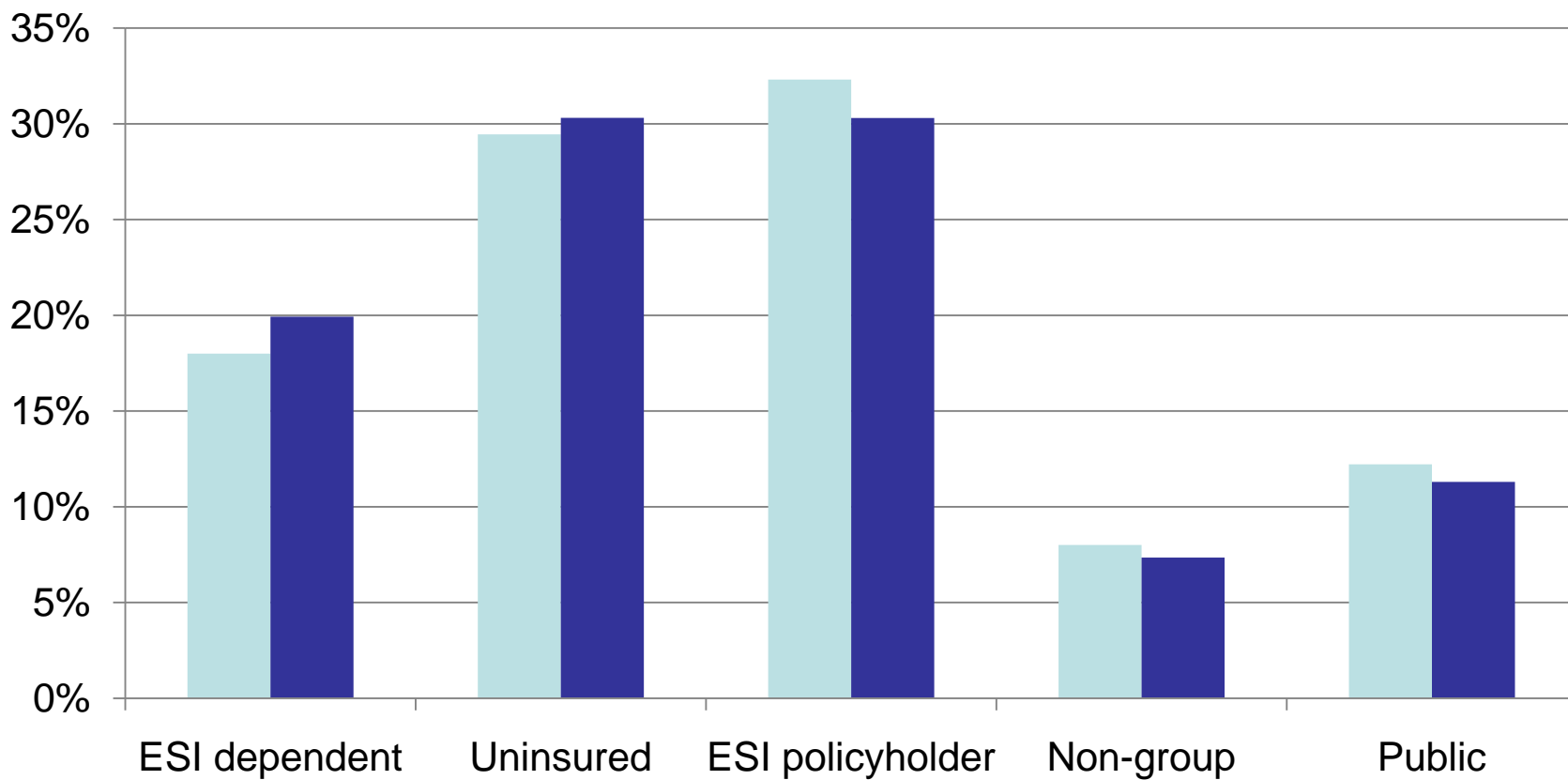


# Predicted Coverage Status

*Standard Population of Young Adults (ages 19-29)*

*Based on Unrestricted Model (n=227,002)*

■ No Expansion    ■ Expansion Policy



## Conclusions So Far

- Very popular strategy, policy details vary
- Expanded dependent coverage appears to substitute for other private insurance
  - ESI dependent coverage increase of about 2 to nearly 3 percentage points in the target population
  - Offset by drop in own-name ESI
  - No impact on uninsured rate

# Limitations

- Early experience
  - 23 state-years experience as of 2007
  - Nearly half (11 state-years) in first year of implementation, including 4.7 state-years in 9 states that implemented in 2007
- Some eligibility characteristics unmeasured
  - Parental coverage status and state of residence (eligibility assigned by young adults' state of residence)
  - Financial dependence of young adults on parents
  - Parent's plan ERISA status
  - Assumed to be random with respect to adoption

## Next Steps

- Update analysis with 2009 CPS
  - Add 19 more state-years (including 5 states implementing in 2008)
- Additional modeling
  - Confirm linear probability models with Logit or Probit
  - Refine policy variable (e.g., # years post-implementation, examine specific state policy features)
  - Consider DDD approach comparing to middle aged adults
- Implementation case studies
  - Stakeholder interviews in several states TBD
- NJ Family Health Survey analyses, 2001 and 2009
  - Pre-post impact analysis
  - Estimates of eligible population
  - Risk selection