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

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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

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

Not Full-Time Students 12.5 million

- Uninsured: 39%
- Employer-dependent: 13%
- Non-group or college plan: 16%
- Other: 7%
- Own-employer: 25%

Full-Time Students 7.6 million

- Uninsured: 17%
- Employer-dependent: 49%
- Non-group or college plan: 20%
- Other: 6%
- Own-employer: 8%


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

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)

<table>
<thead>
<tr>
<th></th>
<th>STUDENTS</th>
<th>NON-STUDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number with Reform (25 total)</td>
<td>19*</td>
<td>23</td>
</tr>
<tr>
<td>Greatest Increase in Age Limit</td>
<td>No limit</td>
<td>12 years</td>
</tr>
<tr>
<td>Mean Increase in Age Limit</td>
<td>3.5 years**</td>
<td>5.7 years</td>
</tr>
</tbody>
</table>

### 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

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

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)*

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

*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)
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