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*,^, Joel Cantor*, Derek DeLia*, Dina Belloff*, Margaret Koller*, Dorothy Gaboda*

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

Funded by the Robert Wood Johnson Foundation SHARE Program
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


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

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

Full-Time Students 7.6 million

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


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 (among reform states)</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

\[
\text{COVERAGEx}_i = a_1 + a_2\text{TARGET}_i + a_3(\text{TARGET}_i\ast\text{POLICY}_{s,t}) + a_4X_i + a_5Z_{s,t} + a_6\text{ADOPT}_s + a_7\text{STATE}_s + a_8\text{YEAR}_t + e_i
\]

Where:

- \(\text{TARGET}\) = expansion population dummy (regardless of year)
- \(\text{POLICY}\) = state policy in effect dummy
- \(\text{TARGET}\ast\text{POLICY}\) = 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
- \(\text{ADOPT}\) = predictors of state policy adoption
- \(\text{STATE}\) = state fixed effects
- \(\text{YEAR}\) = 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</th>
<th>DD estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single, Live w/Parent</td>
<td>All Young Adults</td>
</tr>
<tr>
<td>ESI as dependent*</td>
<td>0.0267</td>
<td>0.0193</td>
</tr>
<tr>
<td></td>
<td>(2.02)</td>
<td>(2.96)</td>
</tr>
<tr>
<td>Uninsured</td>
<td>0.0007</td>
<td>0.0086</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.89)</td>
</tr>
<tr>
<td>ESI as policyholder</td>
<td>-0.0202</td>
<td>-0.0201</td>
</tr>
<tr>
<td></td>
<td>(-1.64)</td>
<td>(-2.31)</td>
</tr>
<tr>
<td>Non-Group Coverage</td>
<td>-0.0094</td>
<td>-0.0067</td>
</tr>
<tr>
<td></td>
<td>(-1.23)</td>
<td>(-1.17)</td>
</tr>
<tr>
<td>Public Coverage</td>
<td>-0.0022</td>
<td>-0.0011</td>
</tr>
<tr>
<td></td>
<td>(-0.24)</td>
<td>(-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