



p o l i c y b r i e f

FAMILIES AT RISK:

**IMPACT OF LOWER ELIGIBILITY LIMITS FOR
PARENTS OF HUSKY A CHILDREN**

SUMMARY OF FINDINGS

- As many as 13,000 parents can be expected to lose HUSKY A coverage in April 2005 unless action is taken.
- The number of uninsured, low-wage parents earning less than 185 percent of the federal poverty level (FPL) can be expected to increase significantly from approximately 12,000 to more than 22,000 when coverage expires. The availability of Medicaid coverage for parents has kept the percentage of uninsured low-wage workers from rising significantly.
- The increase in the number of uninsured parents can be expected to create a cost shift of almost \$15 million annually to providers, other areas of federal and state budgets, and low-income persons themselves.

*At least 10,000 parents
can be expected to become
uninsured in April 2005.*

INTRODUCTION

In April 2003, Connecticut lowered the eligibility level for HUSKY A (Medicaid) health coverage for low-income, working parents from 150 percent of the FPL (\$23,507 for a family of three) to 100 percent of the FPL (\$15,671 for a family of three). In April 2005, the required two-year transitional period of coverage for about 13,000 working parents with income above the lowered eligibility level will end.¹ *More than 10,000 of these adults are likely to become uninsured.*² Most of these parents are not offered health coverage by their employers, and others who are offered coverage are unable to afford their share of the premiums. These parents will join an estimated 12,000 Connecticut parents whose income is less than 185 percent of the FPL who are already uninsured.³ *If coverage is terminated, the number of uninsured low-wage parents in Connecticut can be expected to increase significantly.*

If coverage is extended to parents at the same income level as their children, almost all the parents facing termination of coverage in April 2005 will remain eligible, and the estimated 12,000 uninsured parents with an income below 185 percent of the FPL will also become newly eligible for coverage.



WHAT WILL HAPPEN IN APRIL 2005 WHEN ALMOST 13,000 PARENTS LOSE HUSKY A?

According to the Connecticut Department of Social Services (DSS), approximately 13,000 parents are currently receiving coverage that is scheduled to expire in April 2005. *When this coverage expires, it is estimated that the number of uninsured individuals in Connecticut will increase by more than 10,000 in April 2005.*⁴

These parents will continue to use some health services and incur costs to the health care system, *resulting in an annualized cost shift of almost \$15 million.*⁵ Health care providers, especially hospitals and community health care centers, will absorb a substantial portion of these costs.

Providers will ultimately shift some costs they are forced to assume to insured patients, leading to increased rates for health insurance coverage.⁶

Some of the costs of providing health coverage to the newly uninsured parents also will be shifted to other state

and federal agencies such as the U.S. Department of Veterans Affairs and the Connecticut Department of Children and Families. Finally, uninsured families themselves will incur costs for health care services, increasing their debt and in some cases leading to personal bankruptcy.⁷

WHO ARE THE PARENTS WHO WILL LOSE COVERAGE?

Almost all of the parents receiving transitional health coverage are low-income workers.⁸ They live in every corner of Connecticut with less than 25 percent living in Hartford, New Haven, and Bridgeport. Three-quarters of the adults receiving transitional coverage are women; over 19 percent are African American; and 27 percent are Latino.⁹

The parents who are in danger of losing their Medicaid coverage are part of a larger group of low-income working adults who are increasingly less likely to receive employer-sponsored insurance (ESI). In 2004, only 24 percent of adults in HUSKY A were offered employer-sponsored insurance while a similar survey three years earlier found that almost half of adults in HUSKY A were offered coverage by their employers.¹⁰

Figure 1

Two-Thirds of Parents Who May Lose Coverage Reside Outside the Five Largest Cities in Connecticut

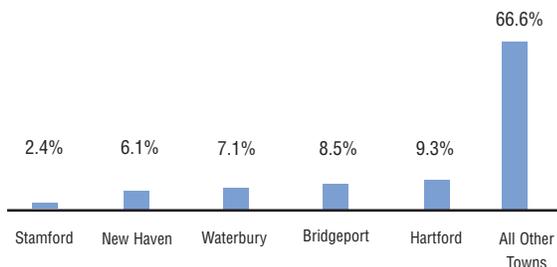
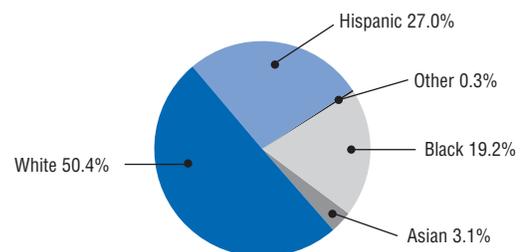


Figure 2

Parents Who May Lose Coverage Come from Different Ethnic Backgrounds



Notes: Parents who may potentially lose coverage are those in transitional Medicaid or on a two-year child support extension. Data as of October 2004.

Source: October 2004 HUSKY A enrollment data.

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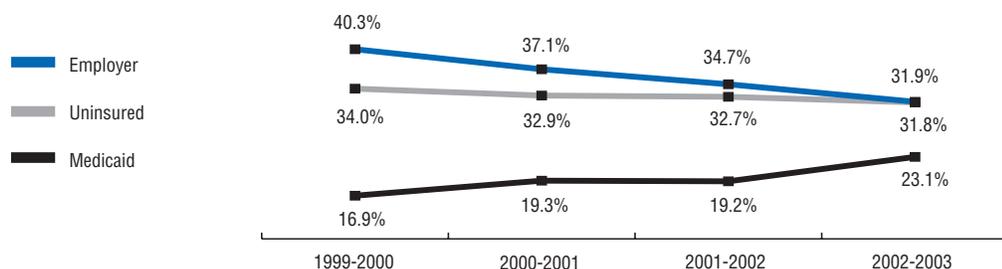
Source: October 2004 HUSKY A enrollment data.

If Medicaid coverage had not been available to parents who lost their jobs or whose employers stopped offering affordable health insurance coverage, the number of uninsured Connecticut residents would have increased significantly in recent years.¹¹ Between 1999 and 2003, the percentage of low-income non-elderly adults with ESI declined from 40 percent to 32 percent in Connecticut.¹² At the same time, the percentage of low-income non-elderly adults with Medicaid coverage increased from 17 percent to 23 percent. As a result, the percentage of uninsured low-income adults actually decreased from 34 percent to 32 percent.¹³

Figure 3
Characteristics of Parents Who May Lose Coverage

Age		Gender		Language Spoken	
19-24 years old	13.4%	Male	25%	English	91.3%
25-39 years old	57.5%	Female	74.5%	Spanish	7.4%
40+ years old	29.2%			Other	1.2%

Figure 4
Main Sources of Health Insurance Coverage of Low-Income Non-elderly Adults in Connecticut



Notes: Does not include those with individual coverage or public coverage other than Medicaid. Low-income is under 200 percent of the FPL.

Source: Kaiser Commission on Medicaid and the Uninsured analysis of Current Population Survey data.

WHY COVER PARENTS?

Covering parents increases their access to preventive services, reduces their use of emergency room services, and increases coverage of their children. Uninsured parents experience significant barriers in obtaining access to health care services. In one study, uninsured parents were twice as likely to have no regular source of health care, or rely on the emergency room for care compared to parents covered by Medicaid. They were less likely to have had a physician visit, dental visit, or breast examination in the previous year.¹⁴

Besides increasing access to health care services for parents, providing family coverage also increases the likelihood that parents will enroll their children in Medicaid. In a comparison of Medicaid participation rates for children in states with and without expansions of family coverage, participation rates in states with expansions were about 24 percentage points higher even when controlling for differences in the programs across the various states.¹⁵ Moreover, setting the eligibility level for parents and children at the same level will make it easier to determine eligibility for the whole family and will decrease administrative complexity.¹⁶

HOW MUCH WILL IT COST TO INCREASE FAMILY COVERAGE TO 185 PERCENT OF THE FPL?

Increasing the income eligibility level for HUSKY A to 185 percent of the FPL would allow most of the parents scheduled to lose their transitional benefits in April 2005 to remain eligible. In addition, increasing the income eligibility level would allow 12,000 low-income uninsured parents to become eligible for the program for the first time. Cost estimates for these two groups were derived separately applying the Medicaid managed care capitation rates that are currently in use.

In calculating the cost of maintaining the estimated 13,000 parents who are currently eligible, we assume that 10,500 still will be eligible when coverage expires in 2005 and remain eligible through state fiscal year (SFY) 2006. Not all families will remain eligible because some may have an income above 185 percent of the FPL and others may have left Connecticut or obtained other insurance.¹⁷ The estimated cost of covering this group of parents is \$7 million through the end of SFY 2005 and \$28.3 million for SFY 2006. The actual cost for SFY 2006 will probably be lower as not all the parents will remain eligible for the entire year.

For the newly eligible parents, we assume that 75 percent, or 9,000, will actually enroll during the first year coverage is available.¹⁸ Assuming that 750 new parents enroll each month until all 9,000 are enrolled by the end of the fiscal year, the cost of providing coverage to the newly eligible parents will be about \$13.1 million in SFY 2006.

The total cost of raising the eligibility level to 185 percent of the FPL is estimated to be \$7 million in SFY 2005 and \$41.4 million in SFY 2006. Since Medicaid is a federal matching program, the state's share would be one-half of the total.



CONCLUSION

In April 2005, as many as 13,000 parents of children in HUSKY A can be expected to lose their health care coverage. The vast majority of these parents will become uninsured – increasing the number of low-wage working parents without coverage from 12,000 to more than 22,000. Most of these parents work in jobs that are increasingly less likely to offer health insurance coverage. Uninsured individuals face reduced access to health care services and poorer health outcomes. The costs of providing care to these uninsured individuals will increase the demand for uncompensated care from hospitals, community health care centers, and other health care providers.

SUMMARY OF FINDINGS

- As many as 13,000 parents can be expected to lose HUSKY A coverage in April 2005 unless action is taken.
- The number of uninsured, low-wage parents earning less than 185 percent of the FPL can be expected to increase significantly from approximately 12,000 to more than 22,000 when coverage expires. The availability of Medicaid coverage for parents has kept the percentage of uninsured low-wage workers from rising significantly.
- The increase in the number of uninsured parents can be expected to create a cost shift of almost \$15 million annually to providers, other areas of federal and state budgets, and low-income persons themselves.

REFERENCES

1 In April 2003, 16,000 parents with an income of more than 100 percent of the FPL began receiving transitional coverage. According to DSS, approximately 13,000 parents remain in this group and are scheduled to lose coverage in April 2005 when their two-year transitional coverage period expires.

2 See footnote 3.

3 Estimate based on an analysis of Current Population Survey data by the Connecticut Center for Economic Analysis. This analysis found that there are an estimated 13,000 uninsured parents with an income below 200 percent of the FPL. Using this analysis, we assume that approximately 12,000 of these parents have income below 185 percent of the FPL.

4 We assume that 80 percent of those losing coverage will become uninsured. The estimate that 80 percent will become uninsured is based on the Connecticut Office of Health Care Access (OHCA) survey finding that 24 percent of the parents in HUSKY A are offered employer-sponsored insurance. This is a somewhat conservative estimate because we further assume that most but not all the parents offered coverage will sign up even though in many cases this coverage may be unaffordable.

5 This estimate is based on a finding by researchers at the Urban Institute that uninsured persons cost the health care system approximately 53 percent of the cost of an insured person in a public program. Jack Hadley and John Holahan, "How Much Medical Care do the Uninsured Use and Who Pays for It?" *Health Affairs Web Exclusive*, Feb. 12, 2003. The anticipated cost of continuing to provide coverage to 10,400 parents was multiplied by 53 percent. See also Alker, J. and Solomon, J. Families at Risk: Cost of Proposed Medicaid and HUSKY A Changes to the Connecticut Economy, March 2004.

6 Hadley and Holahan, *ibid*.

7 Melissa B. Jacoby et al. "Rethinking the Debates over Health Care Financing: Evidence from the Bankruptcy Courts" *New York University Law Review* Volume 76, Number 2, May 2001.

8 While transitional coverage also is available to families when child support payments increase their income over the income eligibility level, the vast majority of families receive transitional coverage because of their earnings.

9 Analysis of October 2004 HUSKY A enrollment data.

10 Information from unpublished DSS analysis citing findings from OHCA surveys. Another indication that most parents in HUSKY A do not have access to employer-sponsored coverage is that only 15 percent of enrollees have third-party coverage. Personal communication with DSS personnel.

11 Gains in Medicaid offset the decline in ESI not just in Connecticut, but throughout the United States between 1999 and 2002. Stephen Zuckerman, *Gains in Public Health Insurance Offset Reductions in Employer Coverage Among Adults*, (Urban Institute, September 2003).

12 Analyses of Current Population Survey data by the Kaiser Commission on Medicaid and the Uninsured. Individuals with family income under 200 percent of the FPL are considered low income.

13 2004 Household Survey, which was released in January 2005 by OHCA, confirms the analyses of Current Population Survey data, finding that increases in HUSKY enrollment kept Connecticut's uninsured rate relatively stable. The survey also found that of all the families, with income between 101 percent and 185 percent of the FPL, were most likely to be uninsured. *Snapshot: Connecticut's Health Insurance Coverage*.

14 Lisa Dubay and Genevieve Kenney, "Addressing Coverage Gaps for Low-Income Parents," *Health Affairs*, Vol. 23: 225-234.

15 Lisa Dubay and Genevieve Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Coverage under Medicaid," *Inquiry*, Vol. 38, October 2003, 1283-1302. An additional analysis of Massachusetts enrollment data showed that Medicaid coverage for children increased by 14.2 percentage points more than the rest of the country over the same time period. The rate of uninsurance for children in Massachusetts fell by 11 percentage points more than in other states.

16 The Legislative Program Review and Investigations Committee of the Connecticut General Assembly recently found that the percentage of overdue family Medicaid applications increased from 10 percent to 16 percent between state fiscal year 2001 and SFY 2004. *Findings and Recommendations: Medicaid Eligibility Determination Process*, Dec. 16, 2004.

17 The reason that our assumption of the number of parents who will stay enrolled is slightly higher than the number of parents who will become uninsured is that some of the parents who are currently enrolled already may have private insurance with Medicaid serving as wrap-around secondary coverage. These parents will not become uninsured if coverage is eliminated, and they might still be eligible for continued coverage. According to a representative of DSS, about 15 percent of families enrolled in HUSKY A have third party coverage. When a family has third party coverage, Medicaid only pays for services that are not covered by the private insurance.

18 See Peter J. Cunningham, "SCHIP Making Progress: Increased Take-Up Contributes to Coverage Gains," *Health Affairs*, Vol. 22, No. 4, 2003: 163-170. The authors found the highest take-up rate of 72.8 percent for Medicaid and State Children's Health Insurance Program (SCHIP) coverage in communities with low rates of uninsurance.

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