

# The Role of Medicaid and SCHIP as an Insurance Safety Net

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Most people with private health insurance in the United States get it through an employer-sponsored insurance (ESI) plan. However, in recent years, the likelihood of having ESI has been falling, as it becomes more and more difficult for employers and employees to afford the costs of these plans.<sup>1</sup> Losing ESI is a particularly serious problem among low-income families, for whom purchasing private coverage on their own would represent a severe financial hardship. Policymakers recognize this hardship and provide assistance for some of these people through Medicaid and the State Children's Health Insurance Program (SCHIP).<sup>2</sup>

Eligibility for these two major public programs favors children over adults in virtually every state. In fact, almost 75 percent of all uninsured children are eligible for Medicaid or SCHIP, compared to only 14 percent of uninsured adults.<sup>3</sup> This broad eligibility for children's coverage through public programs will be debated over the next year as Congress considers the reauthorization of the SCHIP program. It is likely that a number of important issues will be discussed as part of the reauthorization process, including how much federal funding is needed and whether the federal government should continue giving states the latitude to cover parents and higher-income children with SCHIP funds.

This data brief explores how well Medicaid and SCHIP actually protected health insurance coverage for low-income children in comparison to low-income adults (low-income is defined as those with income below 200 percent of the federal poverty level [FPL])(i.e., \$38,614 for a family of four in 2004).<sup>4</sup> Because the decline in ESI coverage did not occur uniformly across states, and because states have discretion regarding who is eligible for public coverage and how programs are administered, we ask, "Did public coverage tend to offset the reduction in ESI in some states more than in others?"

## Data and Methods

This analysis uses data from the 2001 and 2005 March Supplements to the Current Population Survey (CPS). The CPS is a monthly household labor force survey that collects national employment and unemployment statistics. The March Supplement contains detailed income and health insurance information.<sup>5</sup> Because health insurance and income data collected on the CPS are meant to reflect the previous calendar year, we refer to the data by years 2000 and 2004. The analysis focuses on the low-income, non-elderly, civilian, non-institutionalized population.

Because state-level changes in health insurance coverage may be subject to greater random errors due to survey measurement than national estimates, we grouped states to produce more reliable estimates based on a ranking of changes in ESI among low-income adults between 2000 and 2004. We developed three categories of states based on these changes: (1) a reduction in ESI of greater than 6 percentage points; (2) a reduction in ESI of 3 to 6 percentage points; and (3) a reduction of less than 3 percentage points (including increases in ESI coverage). We used the ESI change among low-income adults as opposed to the ESI change among the entire low-income population, because ESI coverage of adults is not likely to be affected by eligibility for Medicaid or SCHIP. We also report state-level data, but these estimates should be interpreted with caution and only to the extent that they are statistically significant. A full set of state-level results is available in Table 2.

## Results

The data in the top panel of Table 1 show that, in both 2000 and 2004, low-income children were much more likely to have Medicaid or SCHIP and much less likely to be uninsured than low-income adults. However, in this brief our focus is on exploring how *changes* in the various types of health insurance related to each other for these two population subgroups.<sup>6</sup>

Nationally, between 2000 and 2004, the rate of ESI for low-income adults fell by 4 percentage points (from 33.9 percent to 29.7 percent) and by 5.5 percentage points for low-income children (from 36.1 percent to 30.6 percent). During this period, coverage under Medicaid or SCHIP increased by 8 percentage points for low-income children (from 36.5 percent to 44.7 percent). For low-income adults, Medicaid or SCHIP coverage rose by only 2 percentage points (from 16.1 percent to 17.9 percent).

The increase in Medicaid or SCHIP coverage for low-income children more than offset the reduction in ESI and lowered their uninsurance rate by 2 percentage points (from 21.9 percent to 19.5 percent). For low-income adults, the uninsurance rate rose by about 3 percentage points (from 37.6 percent to 40.3 percent).

The changes in ESI that these state-administered public programs needed to offset varied dramatically across groups of states. Data in the bottom three panels of Table 1 show how insurance coverage was changing with each group for low-income children and adults. In states with the largest reductions in ESI, ESI coverage rates among children fell by 10 percentage points, but Medicaid or SCHIP coverage increased by 11 percentage points. For adults in these states, ESI coverage fell by 10 percentage points, but public coverage grew by only 4 percentage points. As a result of these changes, uninsurance rates for adults increased by 5 percentage points in the states with the largest reductions in ESI, but held steady among children in these states.

In states with moderate reductions in ESI among adults, ESI coverage rates among children fell by 5 percentage points, but Medicaid or SCHIP coverage increased by 7 percentage points. For adults in these states, ESI coverage fell by 4 percentage points, but Medicaid or SCHIP remained virtually unchanged. As a result of these changes, uninsurance rates for adults increased in these states by 4 percentage points, but again held steady among children.

In states with the small reductions or modest gains in ESI among adults, ESI coverage rates among children fell by 3 percentage points, but Medicaid or SCHIP coverage increased by 7 percentage points. This differential led to the greatest reduction in uninsurance rates for children across the three groups of states that we studied — 4 percentage points. For adults in these states, ESI coverage fell by 1 percentage point, and Medicaid or SCHIP coverage grew by 1 percentage point (but neither change was significant), leaving uninsurance rates virtually unchanged.

## Conclusion

Uninsurance rates for children fell between 2000 and 2004, despite the fact that ESI was in significant decline. The reason was that Medicaid and SCHIP coverage expanded to more than offset the reduction in ESI. In fact, children did not even experience an increase in uninsurance in those states experiencing the greatest reduction in ESI, because the increase in state-administered public coverage was strong enough to buffer the decline. In states where the decline in ESI was least severe, the growth in Medicaid and SCHIP coverage was the driving force behind the decline in uninsurance. This latter group of states included some of the largest in the country (e.g., California, Texas and New York) and drove the national decline in uninsurance observed among children.

For adults, uninsurance rates increased, driven by the decline in ESI. Although there was a modest increase in state-administered public coverage for adults, neither Medicaid nor SCHIP served as the coverage safety net for adults as it did for children. Those states experiencing the biggest reductions in ESI among low-income adults had the biggest growth in uninsurance, on average, despite having a significant increases in Medicaid and SCHIP coverage. For the group of states in which decreases in ESI were moderate, increases in Medicaid and SCHIP coverage were very small and, as a result, uninsurance increased. States with little change in ESI also had little change in public coverage and no change in uninsurance.

The rate of ESI coverage fell by about the same amount, on average, for adults and children. Therefore, it does not appear that broader eligibility for Medicaid and SCHIP among children has been driving the reduction in ESI as much as other factors, such as rapidly rising health care costs. Instead, this analysis shows that Medicaid and SCHIP have protected children's health insurance during this period of general decline in rates of ESI coverage.

It is not clear that public programs will be able to continue providing a coverage safety net to the same degree in the coming years. The future level of federal funding for SCHIP has not yet been determined, but it may fall well short of the level required to maintain the programs at their current scale. In addition, the changes in cost-sharing requirements for near-poor adults covered by Medicaid that are permitted in Deficit Reduction Act passed earlier this year may reduce enrollment in public programs. Thus, these changes could make it more difficult for Medicaid and SCHIP to respond to economic downturns in the future.

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<sup>1</sup> J Holahan, and A Cook, "Changes In Economic Conditions And Health Insurance Coverage, 2000-2004," *Health Affairs* Web Exclusive, November 1, 2005.

<sup>2</sup> Some states cover parents using SCHIP funding under waivers granted by the federal government.

<sup>3</sup> L Dubay, J Holahan, and A Cook, "The Uninsured and the Affordability of Health Insurance Coverage," *Health Affairs*, forthcoming.

<sup>4</sup> Children are defined as being less than 19 years of age.

<sup>5</sup> Because individuals on the CPS are allowed to report more than one type of health insurance coverage, we assigned individuals reporting multiple coverage types to one type of coverage based on the following hierarchy: employer sponsored coverage, Medicaid/SCHIP, other federal coverage, individually purchased coverage, and uninsured. For example, if an individual reported both employer-sponsored and other federal coverage, we assigned them to employer-sponsored coverage only.

<sup>6</sup> Throughout this report, all group or state-level changes in coverage that are mentioned are significant with a p-value < 0.10, unless otherwise noted. We also applied the same criteria for reporting differences in changes in coverage between children and adults.

**Table 1: Health Insurance Coverage of the Low-Income (Less than 200% of FPL), Nonelderly By Age and State ESI Decline Groupings, 2000-2004**

			2000		2004		Percentage point change in coverage, 2000 to 2004	
			Millions of People	Percent Distribution	Millions of People	Percent Distribution		
<b>United States</b>								
	<b>Adults</b>	<b>Total</b>	<b>49.3</b>		<b>56.4</b>			
		ESI	16.7	33.9	16.7	29.7%	-4.2%	*
		Medicaid/SCHIP	7.9	16.1	10.1	17.9%	1.8%	* a
		Other	6.1	12.5	6.8	12.1%	-0.3%	
		Uninsured	18.5	37.6	22.8	40.3%	2.7%	* a
	<b>Children</b>	<b>Total</b>	<b>31.4</b>		<b>33.3</b>			
		ESI	11.3	36.1	10.2	30.6%	-5.5%	*
		Medicaid/SCHIP	11.5	36.5	14.9	44.7%	8.1%	*
		Other	1.7	5.5	1.7	5.2%	-0.3%	
		Uninsured	6.9	21.9	6.5	19.5%	-2.3%	*
<b>States with an ESI decline of greater than 6.0%</b>								
Arizona, Arkansas, Connecticut, Indiana, Iowa, Maine, Maryland, Massachusetts, Mississippi, Missouri, North Carolina, Oregon, South Carolina, South Dakota, Tennessee, Utah, Vermont, Wisconsin	<b>Adults</b>	<b>Total</b>	<b>11.9</b>		<b>13.8</b>			
		ESI	4.6	38.9	4.0	29.1%	-9.8%	*
		Medicaid/SCHIP	2.0	16.8	2.8	20.5%	3.7%	* a
		Other	1.6	13.0	1.9	14.0%	0.9%	
		Uninsured	3.7	31.3	5.0	36.5%	5.2%	* a
	<b>Children</b>	<b>Total</b>	<b>7.6</b>		<b>8.0</b>			
		ESI	3.2	42.0	2.5	31.6%	-10.4%	*
		Medicaid/SCHIP	2.7	35.4	3.7	46.5%	11.1%	*
		Other	0.5	6.0	0.5	5.7%	-0.3%	
		Uninsured	1.3	16.6	1.3	16.3%	-0.4%	
<b>States with an ESI decline of 6.0%-3.0%</b>								
Alabama, Colorado, Delaware, District of Columbia, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Michigan, Nevada, New Jersey, New Mexico, Pennsylvania, Virginia	<b>Adults</b>	<b>Total</b>	<b>16.6</b>		<b>19.3</b>			
		ESI	5.9	35.6	6.1	31.5%	-4.1%	*
		Medicaid/SCHIP	2.4	14.5	3.0	15.5%	1.0%	a
		Other	2.1	12.9	2.4	12.4%	-0.6%	
		Uninsured	6.1	37.0	7.8	40.7%	3.7%	* a
	<b>Children</b>	<b>Total</b>	<b>10.2</b>		<b>11.2</b>			
		ESI	3.9	38.2	3.7	33.1%	-5.1%	*
		Medicaid/SCHIP	3.5	34.6	4.7	41.9%	7.3%	*
		Other	0.6	6.1	0.6	5.3%	-0.8%	
		Uninsured	2.2	21.1	2.2	19.7%	-1.4%	
<b>States with an ESI decline of less than 3.0%</b>								
Alaska, California, Hawaii, Idaho, Minnesota, Montana, Nebraska, New Hampshire, New York, North Dakota, Ohio, Oklahoma, Rhode Island, Texas, Washington, West Virginia, Wyoming	<b>Adults</b>	<b>Total</b>	<b>20.8</b>		<b>23.4</b>			
		ESI	6.1	29.6	6.7	28.5%	-1.1%	
		Medicaid/SCHIP	3.5	16.9	4.3	18.3%	1.4%	a
		Other	2.4	11.8	2.5	10.9%	-0.9%	
		Uninsured	8.7	41.7	9.9	42.4%	0.6%	a
	<b>Children</b>	<b>Total</b>	<b>13.6</b>		<b>14.2</b>			
		ESI	4.2	31.2	4.0	28.0%	-3.1%	#
		Medicaid/SCHIP	5.3	38.6	6.5	45.9%	7.3%	*
		Other	0.7	4.9	0.7	4.9%	0.0%	
		Uninsured	3.4	25.3%	3.0	21.2%	-4.1%	*

\*Note: ESI decline categories are based on changes in state estimates of employer sponsored insurance (ESI) coverage rates among low-income adults between 2000 and 2004. Children are less than 19 years of age and adults are 19 through 64 years of age.

\* Indicates change in percent of people is statistically significant (at the 95% confidence level).

# Indicates change in percent of people is statistically significant (at the 90% confidence level).

a Indicates difference between change in adult coverage and change in children's coverage is statistically significant (at the 95% confidence level).

**Table 2: Low-Income Nonelderly (Less than 200% FPL) — ESI, Medicaid/SCHIP and Uninsurance by State, 2000-2004**

	Percentage Point Change in ESI		Percentage Point Change in Medicaid/SCHIP		Percentage Point Change in Uninsured		Uninsured (thousands)		2004 Uninsured (thousands)	
	Children	Adults	Children	Adults	Children	Adults	Children	Adults	Children	Adults
United States	-5.5%*	-4.2%*	8.1*	1.8%*	-2.3%*	2.7%*	-346.5#	4237.1*	6509.2	22765.8
Alabama	-4.0	-4.5	10.7*	4.4	-6.0#	-1.3	-33.6#	44.6	59.9	356.7
Alaska	0.3	0.4	9.9#	2.0	-5.2	-1.8	-2.1	2.9	14.9	42.1
Arizona	-6.2	-9.4*	9.1*	10.1*	-2.6	-0.3	-18.3	34.3	170.2	467.4
Arkansas	-12.9*	-10.4*	23.8*	1.3	-8.9*	8.7*	-36.1*	52.7#	32.9	258.3
California	-3.8*	-2.3	7.0*	1.2	-4.1*	-0.1	-143.8	421.1*	1021.7	3461.4
Colorado	-2.7	-4.3	8.1#	0.2	1.2	2.7	6.4	77.8*	136.6	334.6
Connecticut	-12.7*	-11.2*	13.1*	10.0*	-3.2	-2.5	-14.8	19.1	29.5	162.8
Delaware	-4.4	-6.0	-7.3	-0.2	11.0*	2.5	11.3*	15.2*	19.9	49.5
District of Columbia	-4.5	-3.9	10.0#	8.4*	-3.5	-3.1	-1.5	0.1	8.1	36.1
Florida	1.8	-3.3	3.7	-1.3	-6.0*	4.3#	-51.9	358.4*	465.5	1604.0
Georgia	-9.6*	-3.7	14.1*	0.5	-1.9	4.7	23.5	235.6*	215.1	754.1
Hawaii	10.2#	3.5	5.5	3.3	-7.2*	-3.0	-10.9*	-6.3	11.9	56.5
Iaho	-6.0	-0.3	15.8*	-0.6	-11.1*	1.4	-14.6#	18.4	25.6	101.2
Illinois	-4.5	-3.3	2.7	4.2*	2.0	0.1	43.1	51.2	303.8	872.6
Indiana	-10.0*	-12.6*	22.7*	8.6*	-9.9*	6.8#	-45.6#	123.7*	101.1	410.3
Iowa	-17.9*	-11.0*	3.0	6.5*	-3.6	5.0	-5.5	40.6#	36.9	154.3
Kansas	-0.1	-3.0	11.3*	4.8#	-5.1	4.6	-9.1	49.9*	40.7	168.3
Kentucky	-5.3	-4.5	4.6	3.6	-1.1	-0.8	7.3	58.1	73.8	336.9
Louisiana	-7.1#	-5.0	20.1*	0.1	-9.9*	6.7#	-79.9*	86.9#	85.7	483.7
Maine	-18.3*	-10.7*	21.4*	22.6*	-4.1	-6.2#	-5.2	-11.0	11.5	52.9
Maryland	-9.6#	-15.0*	7.6	1.1	0.4	12.7*	11.0	162.7*	98.4	374.9
Massachusetts	-5.7	-11.5*	3.1	3.3	2.9	9.9*	-4.8	127.5*	60.5	349.0
Michigan	-8.9*	-3.5	6.7#	1.0	2.9	6.5*	58.5*	209.6*	152.9	637.8
Minnesota	-4.2	-0.7	0.5	-0.9	4.5	0.6	22.8	26.2	58.4	194.8
Mississippi	-18.3*	-7.6*	9.0#	5.3#	8.6*	4.7	42.1*	66.7*	82.1	259.7
Missouri	-7.7	-11.3*	10.1*	2.6	0.7	7.5*	23.1	120.5*	94.4	335.8
Montana	0.8	-1.0	4.5	-0.2	-1.9	5.1	-2.7	20.0*	25.4	89.8
Nebraska	-11.2*	-2.1	18.9*	-0.6	-4.8	13.5*	-5.3	47.1*	22.6	115.1
Nevada	-5.7	-4.9	2.9	-0.8	1.6	3.5	12.5	69.5*	76.4	210.2
New Hampshire	-4.6	-0.7	-2.3	-11.2*	6.1	16.0*	4.4	29.2*	17.1	66.5
New Jersey	-3.2	-4.3	3.2	1.3	2.9	4.2	8.9	95.0#	144.9	576.1
New Mexico	-0.3	-4.2	7.0	5.4#	-5.1	-3.3	-16.1	-9.9	56.5	206.8
New York	3.9	2.0	2.3	4.9*	-4.1*	-4.2*	-70.6	-62.4	302.1	1359.8
North Carolina	-10.8*	-9.6*	7.8*	4.5*	1.5	3.5	19.4	151.0*	198.8	677.5
North Dakota	-6.4	1.1	-1.5	5.4*	3.0	-5.2	2.2	-6.5	12.7	26.9
Ohio	-6.0#	-1.1	8.8*	3.3	-3.4	1.4	-30.6	139.3*	175.0	669.8
Oklahoma	-2.0	2.3	10.7*	1.7	-3.1	-0.1	-34.1	-23.4	102.4	300.5
Oregon	-2.2	-6.6#	4.5	-5.4#	-5.1	10.1*	-14.2	124.8*	64.9	317.3
Pennsylvania	-16.7*	-6.0*	5.1	-1.1	7.0*	7.1*	101.2*	209.8*	238.8	718.6
Rhode Island	-7.8	-0.3	-3.2	-3.1	5.3	5.6	7.4*	20.1*	13.7	58.1
South Carolina	-16.8*	-8.5*	18.5*	2.5	0.8	8.2*	9.9	113.5*	67.7	335.8
South Dakota	-17.7*	-6.7#	29.2*	4.7#	5.1	4.1	-3.0	7.5	10.1	41.9
Tennessee	-7.2	-7.6*	2.2	-2.3	7.9*	2.9	52.2*	66.7	121.8	396.0
Texas	-6.0*	-2.4	10.4*	-0.8	-5.4*	4.0*	-114.2	567.1*	1094.4	2728.7
Utah	-13.4*	-7.9*	7.1#	4.0#	0.5	-2.3	12.2	13.3	58.3	142.6
Vermont	-16.8*	-10.3*	16.5*	4.6	-1.0	5.7	-1.2	4.3	3.1	25.0
Virginia	-3.0	-4.8	11.9*	-1.4	-4.9	6.4#	-22.9	145.6*	129.5	482.2
Washington	-2.1	-0.8	3.1	3.1	-5.4	-1.3	-33.6	19.0	68.7	410.0
West Virginia	-7.9#	-2.5	11.5*	-3.0	-3.2	4.7	-10.3	28.4#	29.3	169.6
Wisconsin	-14.3*	-9.6*	13.7*	1.7	1.2	4.2	16.2	88.7*	56.1	276.6
Wyoming	-7.6	0.7	18.6*	2.7	-8.7*	-6.5	-5.6*	-6.9	6.5	28.7

\* Indicates change is statistically significant (at the 95% confidence level). # Indicates change is statistically significant (at the 90% confidence level). Note: Children are less than 19 years of age and adults are 19 through 64 years of age.

Source: Urban Institute, 2006. Based on data from the 2001 and 2005 March Supplements to the Current Population Survey (CPS).