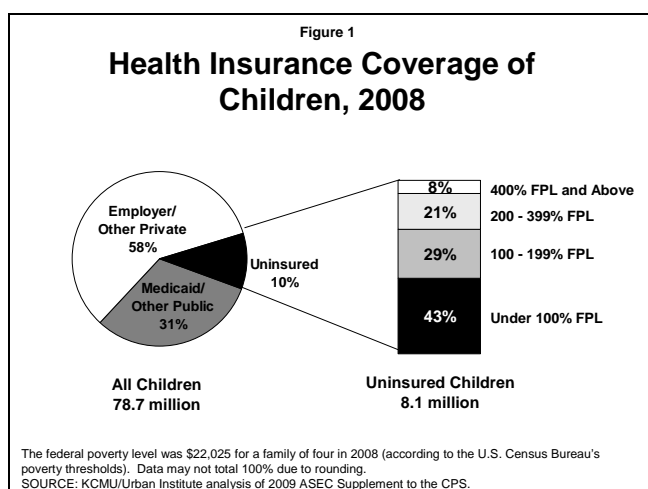


October 2009

## HEALTH COVERAGE OF CHILDREN: THE ROLE OF MEDICAID AND CHIP

During the current recession, Medicaid and the Children's Health Insurance Program (CHIP) have played an increasingly important role providing coverage for children and now insure almost one-third of all children. These children are typically from lower income families for whom private plans are often unavailable or unaffordable. Despite Medicaid and CHIP coverage, 8.1 million children remain uninsured, and the vast majority of them are from low- and middle-income families (Figure 1).



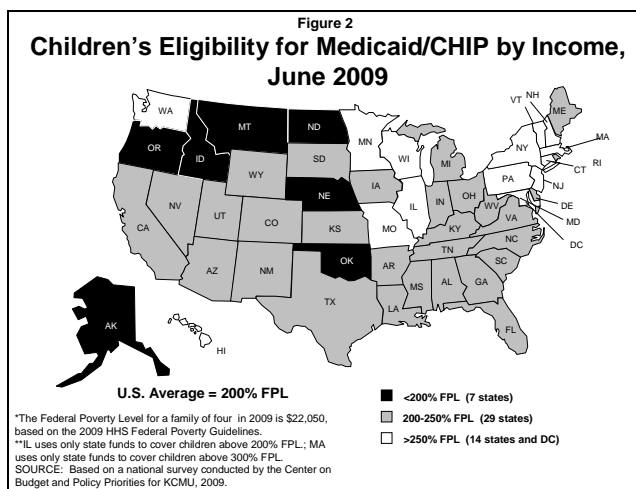
### MEDICAID AND CHIP COVERAGE OF CHILDREN

Medicaid pays for a full set of services for children, including screening and treatment (EPSDT), check-ups, physician and hospital visits, and vision and dental care. In 2006, Medicaid covered 29 million children at some point in the year. Children represent half of all Medicaid enrollees, but account for only 19% of total program spending.

States are required to extend Medicaid eligibility to children under 6 years old living in families with incomes at or below 133% of poverty (\$29,327 for a family of four in 2009), and to children ages 6-18 living in families with incomes at or below 100% of poverty. States also have broad authority to expand Medicaid income eligibility beyond these federal minimum standards, and many states have used this authority to reach more low- and moderate-income children.

States can also cover children beyond their Medicaid eligibility levels through CHIP, which was created in 1997 and covers about six million children. Within CHIP, states are allowed to set premiums and cost sharing on a sliding scale based on income and can provide a more limited set of benefits than Medicaid. States and the federal government jointly fund both programs, although the federal government pays a higher proportion of CHIP costs up to a capped total amount for each state.

The enactment of CHIP spurred states to invest heavily in outreach and improve their enrollment processes for both Medicaid and CHIP while expanding children's coverage. As the cost of employer-sponsored coverage has increased and more families have had trouble affording private coverage, many states have raised eligibility levels for public coverage. Forty-three states and the District of Columbia cover children in families with incomes at 200% of poverty or higher (Figure 2).



Undocumented children are barred from federally financed coverage. Until 2009, states were precluded from using federal dollars to provide Medicaid or CHIP coverage to legal immigrants who had been in the U.S. less than five years. States now have the option of providing coverage to children and pregnant women who previously would have been subject to the five year ban.

### TRENDS IN CHILDREN'S COVERAGE

In 2008, despite a recession and a resulting decline in employer-sponsored coverage, the uninsured rate for children continued to drop and nearly 800,000 fewer children were uninsured than in 2007. That decline was caused by an increase in public coverage, with 1.7 million children gaining coverage through Medicaid or CHIP in 2008. In contrast, from 2004 to 2006, public coverage rates for children did not increase as private coverage rates fell. These trends resulted in a rise in the number of uninsured children during this earlier period.

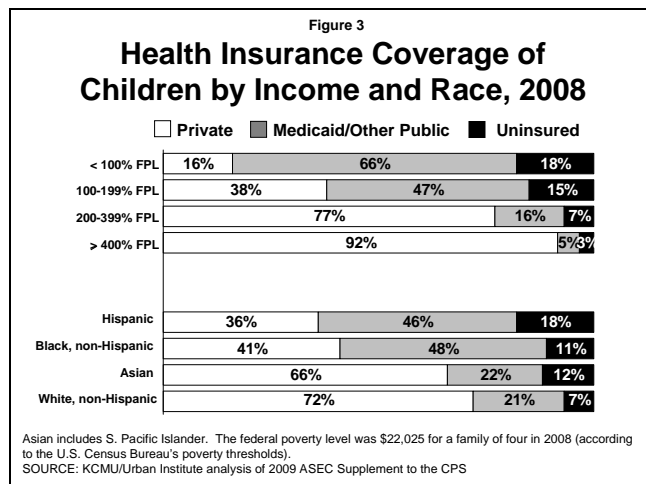
Medicaid and CHIP are in a strong position to prevent children from losing coverage during the current recession because many states had expanded their Medicaid and CHIP programs in previous years when their economies were growing. These expansions were aimed at reaching more of the uninsured and began in anticipation of a robust CHIP reauthorization, which was enacted in

February 2009. To aid states struggling to maintain Medicaid coverage during the recession, the federal government is temporarily providing additional Medicaid funding to help pay for the influx of new enrollees at a time when state revenues are declining. Even during the recession, several states are moving forward with children's coverage expansions.

## UNINSURED CHILDREN

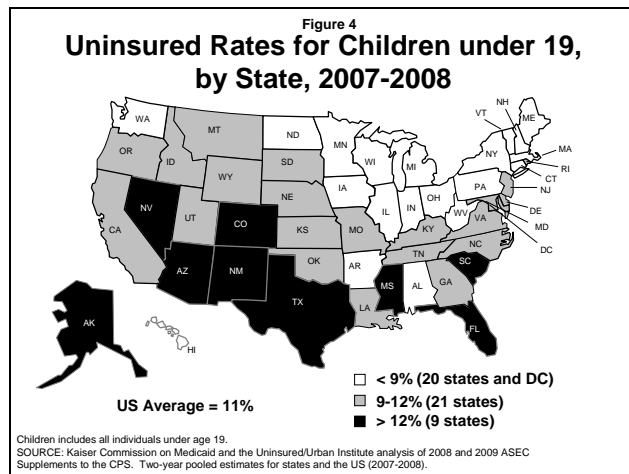
Almost three-quarters (72%) of the 8.1 million uninsured children in the U.S. live in families with household incomes below 200% of the federal poverty level (about \$44,000 for a family of four). The majority of uninsured children (68%) live in families with at least one full-time worker. These families often are not offered coverage by an employer or cannot afford the premiums. The full cost of family coverage purchased through an employer has doubled since 2000, reaching \$13,375 in 2009.

Public coverage targets lower income children who are more likely to be uninsured (Figure 3). Most of the 5.8 million uninsured children below 200% of poverty are eligible for Medicaid or CHIP, but are not enrolled. About 7% of children from middle income families (200-399% of poverty) are uninsured. These children are less likely to be eligible for public coverage and their families may have trouble affording private coverage. In many families with uninsured children, the parents are not eligible for Medicaid coverage. Research suggests that this may lead to confusion about eligibility rules that results in children going uninsured when they qualify for Medicaid or CHIP.

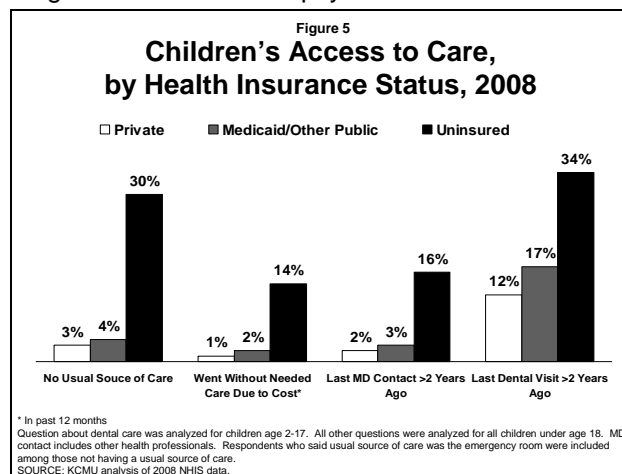


Racial and ethnic minority children are more likely to be uninsured than white children. However, uninsured rates for black and Hispanic children decreased significantly in 2008 as more children enrolled in Medicaid and CHIP.

The risk of being uninsured also differs depending on where a child lives, as the share of children who are uninsured varies widely across states (Figure 4). While the uninsured rate for children is 5% or less in six states (HI, IA, MA, ME, NH, WV), in four states (FL, NM, NV, TX) more than 15% of children are uninsured. Additionally, almost half (47%) of all uninsured children live in 5 states (CA, FL, GA, NY and TX).



The role of health insurance coverage in improving access to care is well documented. Uninsured children have worse access to care than those who are insured (Figure 5). Data also show that Medicaid and private insurance provide similar access to care. Findings from surveys and focus groups demonstrate that both parents of children with public coverage and those with uninsured children think highly of Medicaid and CHIP. Medicaid and CHIP also offer stronger protection against high out-of-pocket costs than private insurance, which may have high deductibles and co-pays.



## OUTLOOK

With the economy in a recession, Medicaid and CHIP are providing the safety net to ensure that low-income children who lose private coverage do not become uninsured. Meanwhile, policymakers in Washington are continuing to debate broader health care reform that includes efforts to expand coverage. These proposals build on the current base of Medicaid and CHIP coverage while also providing subsidies for private insurance. As health reform legislation moves forward, it will be important to consider the impact the proposals will have on reducing the number of uninsured children and providing coverage that is affordable and promotes access to the full range of services children need.

This publication (#7698-03) is available on the Kaiser Family Foundation's website at [www.kff.org](http://www.kff.org).