

March 2010

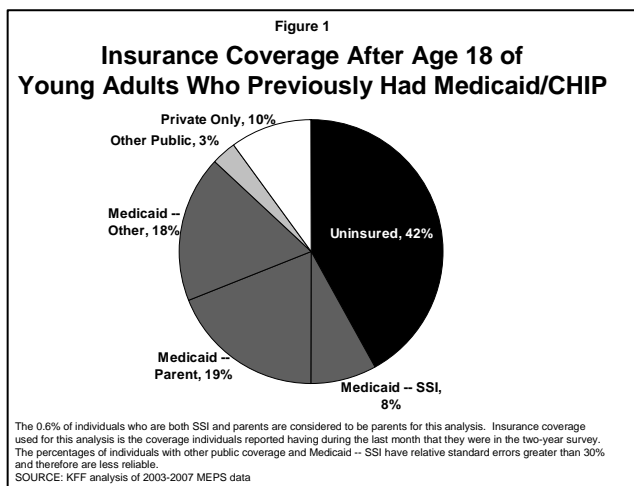
Aging Out of Medicaid: What Is the Risk of Becoming Uninsured?

Medicaid is a key source of coverage for children in the United States, providing insurance to about 29 million children at some point during the year.¹ States are required to provide Medicaid coverage for children until they turn 19 and this program, along with the Children's Health Insurance Program (CHIP), has been instrumental in lowering the uninsured rate for children. However, once children are 19 years old, in many cases they lose their age-based Medicaid or CHIP eligibility and are typically subject to the much more limited Medicaid eligibility criteria for adults. States are only required to provide Medicaid to non-disabled adults under age 65 if they are a pregnant woman or a parent of a dependent child. While eligibility levels for pregnant women are generally in the same range as for children, income eligibility levels for parents are often set much lower than for children.

Young adults who lose Medicaid or CHIP coverage after turning 19 are in danger of becoming uninsured and losing access to their health providers and the medical treatments they may need. The current recession likely leaves these young adults particularly vulnerable to becoming uninsured given the increased difficulty they now face finding employment. While the latest data on young adults is still being compiled, this study uses the most recent available data to illustrate patterns of coverage after children on Medicaid turn 19. These data from 2003 to 2007 demonstrate the challenges these young adults face finding and keeping coverage once they turn 19.

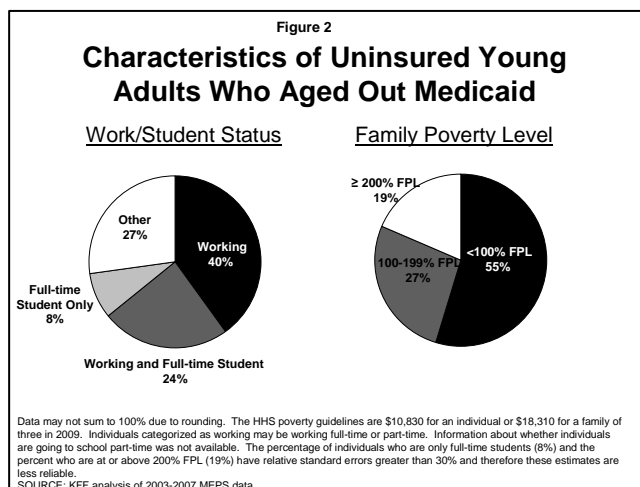
The Risk of Becoming Uninsured

After turning age 19, more than four-in-ten (42%) individuals who were previously covered by Medicaid or CHIP are uninsured (Figure 1). Very few of these individuals (10%) have private coverage after aging out of Medicaid or CHIP. The lack of private coverage reflects the difficulty 19-year-olds face finding jobs that offer affordable employer-sponsored coverage. About 45% of these individuals still have Medicaid coverage, and more than half of these young adults are either parents or are receiving Supplemental Security Income due to a disability. Other young adults who remain on Medicaid may be pregnant or may live in a state that has received a waiver from the federal government to provide Medicaid to childless adults or has chosen to fund such coverage with state-only dollars. Young adults who remain on Medicaid are able to continue to see the same providers as when they qualified for the program as children.



Profile of Uninsured Young Adults Who Aged Out of Medicaid

The young adults who age out of Medicaid or CHIP and become uninsured are typically working but have very low incomes. Although 64% of uninsured young adults who aged out of Medicaid are working, they may not have access to employer-sponsored coverage or may not be able to afford the premiums (Figure 2). More than half (55%) of the uninsured young adults in our study are in families with incomes below the federal poverty line (\$10,830 for an individual or \$18,310 for a family of three according to HHS guidelines).ⁱⁱ Only 19% of these individuals have incomes at or above 200% FPL.



Due to their low-incomes, coverage in the individual market would likely be unaffordable for these young adults. Even if these uninsured young adults are offered coverage through an employer, they would likely have trouble affording their share of the premiums and the cost-sharing associated with private insurance. The average annual total premium for single coverage through an employer is \$4,824, and the average employee share is \$779.ⁱⁱⁱ Without substantial employer subsidies, most children aging out of Medicaid would likely not be able to afford these premiums. Additionally, 74% of firms have a waiting period before workers are eligible for coverage.^{iv} Although most waiting periods are relatively short, six percent of all firms have waiting periods of four months or more.^v These waiting periods can lead to gaps in coverage for the newly employed.

Current Public Coverage Options for Children Aging Out of Medicaid

Children typically benefit from more expansive Medicaid eligibility than adults, and CHIP extends that coverage to reach even more low and moderate income children. Medicaid coverage for adults is more limited and some adults do not qualify regardless of income. Under current law, states are required to provide Medicaid to children, pregnant women, elderly and disabled individuals, and parents who meet income eligibility thresholds. While parents in all states are covered as a mandatory eligibility group, states have a great deal of flexibility when setting income eligibility levels and typically offer more generous eligibility levels for children than for parents. All states are required to cover children below the poverty line and all but four states extend public coverage to children at or above 200% FPL; in contrast only 16 states and Washington, DC extend Medicaid coverage to working parents at or above the poverty line.^{vi} States currently do not receive federal matching funds for extending Medicaid coverage to adults without dependent children, and states seeking to cover these adults must either obtain a federal waiver or create fully state-funded coverage. In more than half of states, no public health coverage is available for childless adults, and some states with coverage for these adults offer them more limited benefits or have programs that are not accepting new beneficiaries.^{vii}

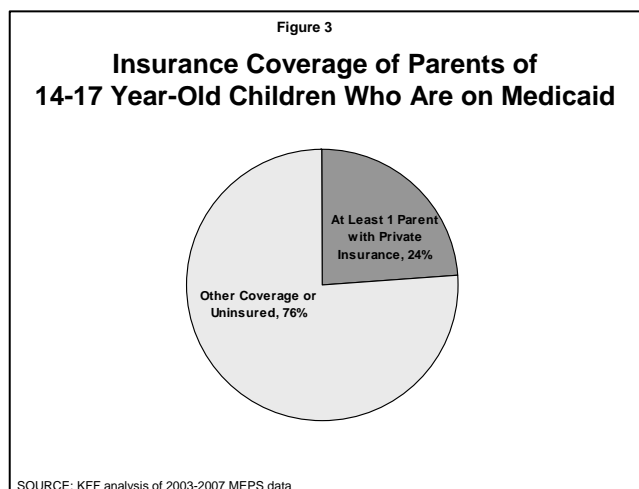
States can also expand the reach of public coverage by taking up the option to extend children’s Medicaid coverage to age 21 instead of ending that coverage when a child turns 19. States do not have a similar option to extend CHIP coverage up to age 21. Extending Medicaid eligibility to age 21 allows children who have had Medicaid to continue their health coverage with the same providers. However, most states have not expanded Medicaid to age 21 due to a lack of available funding. Some states that do extend public coverage once a child turns 19 offer these individuals a plan with more limited benefits than their Medicaid programs. For example, Pennsylvania offers qualifying 19-year-olds aging out of Medicaid the opportunity to enroll in a state-funded program, but the health insurance is more limited than Medicaid and does not cover prescription drugs.

Efforts to Increase Insurance Coverage That Could Benefit Young Adults

Several proposals currently being debated at the state and national level would increase the availability of health insurance to young adults who have aged out of Medicaid. The health reform bill that passed the U.S. Senate and is the basis for the health reform legislation now pending on Capitol Hill would have the largest potential impact on this population by expanding Medicaid eligibility and providing premium subsidies to low- and middle-income individuals. The legislation would extend Medicaid coverage to all individuals at or below 133% FPL, which would allow about two-thirds (65%) of the 19-year-olds who now become uninsured after aging out of Medicaid to remain on the program. Most of the remaining young adults would qualify for subsidies to purchase coverage in a health insurance exchange. Those subsidies would be available for individuals with family incomes up to 400% of the poverty level, which would leave only about two percent of those who now become uninsured after aging out of Medicaid to purchase market-rate coverage.

Another measure in the bill that passed the Senate aims to increase access to health coverage for young adults, but would have a limited effect on the population aging out of Medicaid. Specifically, the Senate bill would build on state efforts to extend the age that children can be covered as dependents under their parents' health plans. Under that bill, dependent coverage would be extended up to age 26 in all private individual and group policies.

However, this coverage is only potentially available to young adults whose parents have private coverage themselves. About three-quarters (76%) of older children on Medicaid would not benefit from extensions of dependent coverage because their parents do not have private coverage (Figure 3). Moreover, parents who do have private coverage may not be able to pay the



additional premiums to add their children to their policy once they turn 19 and are no longer eligible for Medicaid.

Discussion and Implication

As the data in this brief demonstrate, children are at a high risk of becoming uninsured once they turn 19 and age out of Medicaid and CHIP. The data analyzed for this brief is from 2003-2007 when the economy was stronger than it is today. This risk has likely gotten worse since this data was collected due to the current recession. Young adults who are currently aging out of Medicaid are likely finding it more difficult to afford health insurance than the individuals included in our study. The unemployment rate for individuals ages 18 and 19 was 23.7% in February 2010, compared to unemployment rates that ranged from 13.2% to 17.8% from 2003-2007.^{viii} Young adults who are unable to find jobs face limited options for maintaining coverage if they do not continue to qualify for Medicaid. Additionally, those who find jobs in the current tight labor market may be working in low-wage jobs or for small firms that may not offer health insurance.

Being uninsured puts the young adults who lose coverage at an increased risk of having problems accessing needed medical care. Previous research demonstrates that young adults age 19-29 report a range of access problems at rates that are significantly higher than young adults with insurance. About one in five (21%) uninsured young adults report that they were unable to get needed care due to cost within the past year.^{ix} Similarly, about one-quarter (24%) of uninsured young adults said they could not afford a prescription drug they needed in the past year.^x

Given the current recession and the effects being uninsured has on young adults' access to care, 18 year-olds on Medicaid today are in particular danger of becoming uninsured and having resulting difficulties receiving needed care. Recent efforts to target uninsured young adults have focused on extending dependent coverage, but this would have a limited reach for those aging out of Medicaid because most of their parents do not have private coverage. Extending Medicaid eligibility for children to age 21 in all states would help children maintain their coverage and allow them to continue to access their health care providers. Comprehensive health reform being discussed in Washington would also help these individuals by providing increased access to Medicaid and subsidies for lower income individuals purchasing their own insurance. However, these federal health reform measures would not take effect until 2014, leaving many young adults aging out of Medicaid during the recession without affordable options to remain insured. As the recession continues, state efforts to extend the age when children can qualify for Medicaid will strengthen the base of public coverage in advance of health reform and help prevent these individuals from becoming uninsured just as they begin their adult lives.

Methods:

This analysis used data from the 2003-2007 Medical Expenditure Panel Survey. Specifically, we identified children who turned 19 during the two years they were in the survey. Individuals who turned 19 and had Medicaid or CHIP during the first month of the survey were included in our analysis. Our data set included 252 such children, 109 of whom were uninsured in the last month of the survey. Individuals who did not remain in the survey for all two years were excluded from our analysis along with those who did not answer the health insurance questions.

This Kaiser Commission on Medicaid and the Uninsured policy brief was prepared by Karyn Schwartz and Anthony Damico of the Kaiser Family Foundation.

ⁱ Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on 2006 MSIS data.

ⁱⁱ Our analysis used health insurance unit income, meaning income of family members is added together only if they could qualify for a family health insurance policy. Using a more expansive definition of family, 42% were below poverty.

ⁱⁱⁱ Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2009 Annual Survey*, (September 2009).

^{iv} Ibid.

^v Ibid.

^{vi} D. Ross, M. Jarlenski, S. Artiga and C. Marks, "A Foundation for Health Reform: Findings of a 50 State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP for Children and Parents During 2009." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#8028).

^{vii} S. Artiga, "Where Are States Today? Medicaid and State-Funded Coverage Eligibility Levels for Low-Income Adults." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#7993).

^{viii} Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, accessed March 10, 2010.

^{ix} K. Schwartz and T. Schwartz, "Uninsured Young Adults: Who They Are and How They Might Fare Under Health Reform." Kaiser Commission on Medicaid and the Uninsured, January 2010 (#7785-02).

^x Ibid.

This publication (#8057) is available on the Kaiser Family Foundation's website at www.kff.org.