The Role of Public Health Insurance in Reducing Child Poverty

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ABSTRACT

Over the past 30 years, there have been major expansions in public health insurance for low-income children in the United States through Medicaid, the Children's Health Insurance Program (CHIP), and other state-based efforts. In addition, many low-income parents have gained Medicaid coverage since 2014 under the Affordable Care Act. Most of the research to date on health insurance coverage among low-income populations has focused on its effect on health care utilization and health outcomes, with much less attention to the financial protection it offers families. We review a growing body of evidence that public health insurance provides important financial benefits to low-income families. Expansions in public health insurance for low-income children and adults are associated with reduced out of pocket medical spending, increased financial stability, and improved material well-being for families. We also review the potential poverty-reducing effects of public health insurance coverage. When out of pocket medical expenses are taken into account in defining the poverty rate, Medicaid plays a significant role in decreasing poverty for many children and families. In addition, public health insurance programs connect families to other social supports such as food assistance programs that also help reduce poverty. We conclude by reviewing emerging evidence that access to public health insurance in childhood has long-term effects for health and economic outcomes in adulthood. Exposure to Medicaid and CHIP during childhood has been linked to decreased mortality and fewer chronic health conditions, better educational attainment, and less reliance on government support later in life. In sum, the nation's public health insurance programs have many important short- and long-term poverty-reducing benefits for low-income families with children.

KEYWORDS: Children's Health Insurance Program; Medicaid; poverty; public health insurance; child poverty

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THE LINK BETWEEN poor health and poverty has been well documented and the relationship is complex. Not only is poverty a contributing factor to poor health outcomes, but people in poor health often have low incomes as a result of their health problems. The financial burden of medical care, measured as out of pocket spending relative to total family income, is substantially greater for low-income families with children than for families with higher incomes and for families that have children or other family members with special health care needs.[1,2] More than a quarter of poor families with children have total out of pocket expenditures exceeding 10% of family income,[1] a threshold commonly used to capture catastrophic spending or being "underinsured."

By subsidizing many of the costs associated with medical care, public health insurance can play a critical role in improving the financial well-being of low-income families with children. Over the past 30 years, there have been major expansions in public health insurance for low-income children in the United States under Medicaid and the Children's Health Insurance Program (CHIP). In addition, millions of low-income parents have gained coverage through the Medicaid expansion and subsidies available for marketplace coverage under the Affordable Care Act (ACA). In this article, we provide an overview of the public health insurance options available for poor and low-income families with children, and then review the evidence connecting public health insurance to financial and economic outcomes for families. We also discuss the role of public health insurance in reducing poverty in the United States. We conclude with a review of emerging evidence indicating that health insurance coverage during childhood might help mitigate the harmful effects of childhood poverty later in life. In the Table, a summary of the main themes discussed in this article are presented.

HEALTH INSURANCE OPTIONS FOR LOW-INCOME FAMILIES

To address disparities in child health care, US policy has primarily focused on increasing access to medical care for

Table. The Role of Public Health Insurance in Improving Family Financial Well-Being

Key Lesson	Research Findings	Sources
Public health insurance provides financial protection to families	• Less out-of-pocket medical spending and decreased household bankruptcy are associated with expansions in public health insurance for children. • Families with children who switch to public health insurance from either private insurance or being uninsured experience lower out-of-pocket costs, fewer difficulties paying medical bills, and less difficulty meeting their child's health care needs. • Expansions in public health insurance for low-income parents and adults decrease out-of-pocket medical expenses, difficulties paying medical bills, catastrophic expenditures, and the frequency of unpaid medical bills sent to collection agencies for recovery.	Finkelstein et al[3] McMorrow et al[4] Baicker et al[5] Banthin and Selden[6] Davidoff et al[7] Leininger et al[8] Clemans-Cope et al[9] Zickafoose et al[10] Shaefer et al[11] Gross and Notowidigio[12] Gruber and Yelowitz[13]
Fewer families live in poverty as a result of decreased out-of-pocket medical spending under public health insurance	• More children and families meet the Supplemental Poverty Measure definition of poverty in the absence of Medicaid.	Sommers and Oellerich[14]
Public health insurance connects families to other social support programs	• Increased participation in food assistance programs is associated with expanded eligibility for public health insurance.	Baicker et al[15] Yelowitz[16]
Public health insurance for children influences long-term health and economic outcomes	• Improved teenage and adult health including better self-reported health, lower mortality, fewer chronic conditions, and less frequent hospitalizations associated with increased exposure to public health insurance during childhood. • Improved educational attainment including higher reading test scores and increased rates of high school and college completion also associated with exposure to public health insurance during childhood.	Boudreaux et al[17] Wherry and Meyer[18] Wherry et al[19] Currie et al[20] Brown et al[21] Miller and Wherry[22] Levine and Schanzenbach[23] Cohodes et al[24]

children through expansions in eligibility for public health insurance. From the onset of the program in 1965, Medicaid coverage for nondisabled children was tied to family participation in the nation's cash assistance program. Beginning in 1984, Congress took steps to delink the Medicaid and cash assistance programs and expand Medicaid eligibility to children with family incomes at or below the federal poverty level (FPL) and to 133% of the FPL for infants and children younger than the age of 6 years.

In 1997, CHIP was created to address coverage gaps for children whose families had incomes that were too high to qualify for Medicaid but too little to afford private health insurance coverage.[25] Under CHIP, states could expand coverage to higher-income children through Medicaid, a separate non-Medicaid program, or a combination of both. Although CHIP was funded as a block grant and not as an entitlement like Medicaid, states received higher federal matching funds under CHIP and had more latitude over programmatic design features. CHIP also included policies designed to increase take up of Medicaid and CHIP coverage among uninsured children who were eligible but not enrolled, allowing states to disregard asset tests, eliminate face to face interview requirements, and grant children presumptive eligibility. The Children's Health Insurance Program Reauthorization Act of 2009 provided states with additional options for increasing uptake of Medicaid and CHIP. Under Medicaid and CHIP, 28 states currently cover children in families with incomes at or above 250% of the FPL, and 18 states and the District of Columbia cover children with family incomes at or above 300% of the FPL, with a national median of 255% of the FPL.[26]

As a result of these eligibility expansions and related policy changes, the Medicaid and CHIP programs play a major role in the health insurance coverage of children in the United States. In 2011, 38% of all children were enrolled in Medicaid or CHIP.[27] Furthermore, the proportion of children without health insurance coverage declined substantially over this period from 15% in 1984 to 6.6% in 2012, even as the uninsured rate for nonelderly adults increased.[27] The Figure shows drastic changes in rates of insurance and access to care for children from 1997 to 2012 according to household income level. A large literature has shown that expansions in Medicaid and CHIP eligibility have resulted in improved access and utilization of health care services for children, with a smaller number of studies on the effect on child health and mortality.[28] Most uninsured children are eligible for but not participating in either Medicaid or CHIP.[29] However, eligibility for Medicaid and CHIP is not universal among low-income children.