

# Addressing Coverage Challenges for Children Under the Affordable Care Act

## Timely Analysis of Immediate Health Policy Issues

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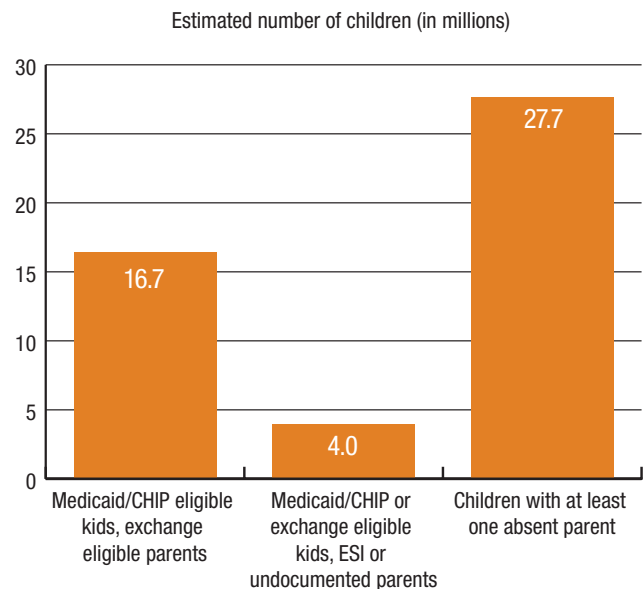
### Summary

The Affordable Care Act (ACA) will expand health insurance coverage options for many children and their families. The Medicaid expansion will extend eligibility to many individuals, and federal subsidies to purchase coverage in the health insurance exchanges will improve the affordability of coverage for low-and moderate-income families. To further encourage a reduction in uninsurance, the law also includes an individual requirement to obtain qualifying coverage that applies to most Americans. The ACA will improve accessibility and affordability of coverage for many Americans, but special attention may be required during implementation to ensure that children (age 0 to 18) in particularly complex coverage situations benefit from reform.

We estimate the number of children in several complex coverage and family scenarios to draw attention to those who might require special attention as regulations are developed and the law is implemented (see figure 1). Roughly 20 million children live in situations that create particular challenges in accessing insurance coverage due to within-family variation in eligibility for different types of coverage.<sup>1</sup> For example, some parents have employer-sponsored insurance (ESI) for which their children are not eligible, while some children are eligible for Medicaid or the Children's Health Insurance Program (CHIP), but their parents are not. Medicaid/CHIP eligibility within a family can vary due to different income eligibility thresholds for adults and children, or due to differences in citizenship and documentation status among family members. In addition, there are nearly 28 million children who live apart from at least one of their parents, creating additional complexities in accessing coverage. There is also considerable overlap between these two groups. We estimate that at least 6.5 million children face complex coverage options inside their household, due to within-family variation in eligibility for different types of coverage, and also have a parent living outside the household.<sup>2</sup> This group of children may face a number of different barriers to obtaining coverage. Overall, the total number of children facing complex coverage scenarios is clearly nontrivial.

The ACA will introduce additional coverage options for these children and their families, but ensuring that this

Figure 1. Children Facing Complex Coverage Situations



Source: The Urban Institute Health Policy Center tabulations of the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).

Notes: See text below for details on the children included in each scenario. The total number of children facing complex coverage scenarios will be smaller than the sum of the three categories shown as children can fall into multiple categories.

population benefits from reform will require special consideration of their complex situations. Some parents or guardians may wish to purchase coverage for children in the exchange while covering themselves with employer coverage or remaining uninsured. Other parents may seek coverage for themselves in the exchange while enrolling their children in public coverage. Eligibility for federal subsidies in such cases is not straightforward and would benefit from clarification. Outreach to immigrant populations will also be important, as will strategies for integrating eligibility and enrollment processes for Medicaid, CHIP and exchange coverage. For those with absent parents, the future of medical support orders will need to evolve to be more consistent with the requirements of the ACA. Addressing such issues will be critical to maximizing coverage for all children under the ACA.

## Introduction

The Patient Protection and Affordable Care Act introduces many changes to the health insurance landscape in the United States. Medicaid eligibility will be expanded to a mandatory minimum 138 percent of the federal poverty level (FPL) for all individuals in 2014. This will dramatically increase eligibility for both parents and childless adults. The law also calls for the establishment of state-based health insurance exchanges. The exchanges will be organized markets where individuals and small businesses can purchase health insurance coverage that is subject to new regulations intended to spread risk more broadly and promote competition in the market for health insurance. Low- and moderate-income individuals and families with incomes up to 400 percent of the FPL will also be eligible for federal subsidies to purchase coverage in the exchanges if they do not have affordable access to employer-based insurance. With these new options in place, most individuals will be required to obtain a minimum level of coverage or pay a penalty.<sup>3</sup>

While children have generally fared better than adults in obtaining health insurance coverage because of more expansive eligibility under Medicaid and CHIP, certain children face special challenges in obtaining insurance due to complex coverage options and family situations. Some children have parents with employer-sponsored insurance that does not cover dependents. Others are eligible for Medicaid or CHIP, but their parents are not. This can be due to different income eligibility thresholds for adults and children or differences related to citizenship and documentation status. Children living apart from one or both parents are often subject to complex health insurance choices. The ACA will open up new avenues to coverage for many children and families, but it will be important to consider how the new system and its rules will apply to children facing complex coverage scenarios.

The purpose of this brief is to explore several scenarios in which children may face particular challenges in

accessing health insurance coverage. We will estimate the number of children for whom each scenario applies and consider whether these populations require additional attention in order to make the changes under the ACA function most effectively for them. An awareness of the special circumstances of these children as regulations are developed and the law is implemented will help ensure they are able to access health insurance coverage under reform.

## Summary of the Affordable Care Act's Coverage Components

The ACA makes many changes to the health care system, but several components of the law are likely to have a major impact on coverage scenarios for children: the Medicaid expansion; the establishment of health insurance exchanges, insurance market reforms and federal subsidies to purchase private coverage; and the requirement that all individuals have minimum essential coverage.

### Medicaid expansion

The ACA will expand Medicaid eligibility to all individuals and families with incomes below 138 percent of the FPL starting in 2014. This is a major expansion for childless adults who currently have very limited Medicaid eligibility. It will also have a significant impact on parents. States vary in their current eligibility levels for parents, but some are as low as 25 percent of the FPL, while others approach or exceed the level required under the new law.<sup>4</sup> States will receive generous federal matching funds for the newly eligible populations under the ACA. Until 2017, the federal government will pay 100 percent of the costs for the expansion population, after which the federal share will begin to be phased down, reaching 90 percent in 2020. States are required to maintain current income eligibility levels for Medicaid and CHIP for children through 2019. CHIP funding however, is only extended through 2015, which raises questions about the viability of CHIP in 2016 and beyond. The possible

coverage gaps that could result from the defunding of CHIP or changes to the maintenance-of-effort requirements under the ACA are not considered in this brief.<sup>5</sup> Children will likely be affected by the significant Medicaid expansion to parents<sup>6</sup>, as evidence has shown that children are more likely to be enrolled when their parents are also eligible.<sup>7</sup>

### Health insurance exchanges, market reforms and federal subsidies

Under the ACA, states will be required to establish structured health insurance marketplaces, or exchanges, in which individuals and small firms can purchase adequate and affordable coverage. An exchange will contract with private insurers to offer coverage to all eligible individuals and employer groups. New insurance market regulations will also be established in the exchanges as well as outside them for the small-group and nongroup markets. In general, the new rules will prohibit insurers from denying coverage, limiting coverage or setting premiums based upon health status, prior claims, industry of employment or gender. Pre-existing condition exclusions and dollar caps on annual or lifetime benefits will also be eliminated. Premium variation in the same geographic area and plan will be limited to differences in the age and tobacco use status of enrollees, with age and tobacco rating bands not to exceed 3:1 and 1.5:1, respectively.<sup>8</sup> All plans offered in the small-group and nongroup markets inside or outside exchanges will have to include a set of minimum essential benefits, which will be determined by the Secretary, and cost-sharing limitations will also apply. The variation in policies sold within these markets will also be limited by new actuarial value standards, which will improve comparability across plans. Collectively, these reforms are intended to reduce administrative costs, improve risk-sharing and promote transparency and competition to improve the accessibility and affordability of health insurance.

To further improve affordability of coverage, federally financed premium and cost-sharing subsidies will be available to individuals and families with

incomes up to 400 percent of the FPL. The subsidies will only be available for the purchase of exchange-based coverage and are structured to limit a family's premium contribution to a maximum percentage of income. Families with the lowest incomes will have their premium contribution capped at 2 percent of income, while those nearing 400 percent of the FPL will have their premiums capped at 9.5 percent of income. Cost-sharing subsidies will also be available to those with incomes below 250 percent of the FPL. Undocumented immigrants will be ineligible to purchase in the exchange, with or without a subsidy, while those with employer offers of insurance will be subsidy-eligible only when their share of an employer plan premium exceeds 9.5 percent of income or the actuarial value of the plan is below 60 percent. Individuals eligible for any form of public coverage will also be ineligible for subsidies.

### Individual requirement to obtain coverage

An overarching goal of the ACA is to significantly expand insurance coverage and as such, an individual requirement to obtain qualifying health coverage is included in the law and applies to most Americans. Individuals will need to certify that they have coverage meeting a minimum standard set in the law or face a monetary penalty. Those applicable U.S. citizens and legal residents who do not comply with the coverage requirement will be assessed \$695 per year (\$347.50 per child) up to a maximum of \$2,085 per family, or 2.5 percent of household income, whichever is greater, beginning in 2016. The full assessment will be \$95 in 2014 and \$325 in 2015; after 2016 the amount will be increased by the cost-of-living index.<sup>9</sup> Individuals with incomes below the tax filing threshold are exempt from the penalty, and additional exemptions apply for religious objections, Indian tribes, undocumented immigrants, lack of access to a plan for which the premium falls below 8 percent of income and other financial hardship. The individual or married couple claiming a child as a dependent on their tax return is responsible

for providing evidence of the child's coverage or paying the required penalty.

### Implications for children

The ACA makes vast changes to the health care system in the United States, but many of the details have yet to be fully specified. There is considerable ambiguity, for instance, surrounding the determination of subsidy eligibility and amounts, particularly with regard to the ESI affordability test. Additional questions exist regarding subsidies for child-only policies and whether premium contributions to non-exchange coverage will be reflected in subsidy determination. Plans for integrating the eligibility and enrollment processes for Medicaid/CHIP and exchange coverage are also uncertain. Such issues will be particularly important for children in families facing complex coverage scenarios in which some family members are covered by employer policies, Medicaid or CHIP, while others seek subsidized coverage in the exchanges. The success of the ACA in covering children and families will depend on thoughtful consideration of these and other issues as regulations are developed.

### Data and Methods

The number of children facing complex family coverage scenarios is unknown. We estimate the number of children in several scenarios to determine those that warrant particular consideration in the development of ACA-related regulations. We then consider how these regulations and clarifications to the law could better serve these children and their families.

The main source of data for this analysis is the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). The 2010 ASEC includes information on income and health insurance coverage for 2009. Estimates of income as a percentage of poverty reflect the income of the health insurance unit (HIU) and the U.S. Census Bureau poverty thresholds.<sup>10</sup> HIUs are derived from information available on household structure from the CPS and are used as the family unit of analysis because they more closely align with the

family groupings used by states when determining Medicaid/CHIP eligibility than Census households or families.<sup>11</sup>

Estimates of Medicaid/CHIP eligibility are based on the Urban Institute Health Policy Center's CPS Medicaid/CHIP Eligibility Simulation Model.<sup>12</sup> The model simulates eligibility for Medicaid and CHIP using information on 2009 eligibility guidelines for each program and state, including the amount and extent of disregards.<sup>13</sup> These guidelines are applied to person and family level data from the CPS to simulate the eligibility determination process.<sup>14</sup> Because the CPS does not collect information on monthly income, it is not possible to determine how eligibility status changes as a result of income fluctuations throughout the year. Family-level characteristics used in determining eligibility, such as income, are based on the HIU.

Documentation status is imputed to immigrant adults in two stages using their individual and family characteristics, based on an approach that was developed by Passel.<sup>15</sup> Documentation status for children is imputed based on the status of co-residing adults (typically the child's parents). The imputations provided by this process are designed to match, in the aggregate, published summary estimates of the U.S. undocumented population, nationally and in a subset of large states.

We identify children with absent parents using a method consistent with a definition of child support eligibility.<sup>16</sup> We include children 0–18 residing with one biological parent and one step-parent or one biological parent only. We exclude children who reside with a single parent who has been widowed and children residing with one adoptive parent as these children may not have another parent living elsewhere. Those children living with no biological or adoptive parents are separately identified, excluding those who are parents themselves and those identified as the reference person or spouse of the CPS household.

We use the information on income, health insurance coverage, Medicaid/CHIP eligibility, documentation status and living arrangements to identify groups of children likely to face significant challenges in obtaining health insurance coverage. We also discuss the implications of the ACA for these children and their families and how their needs may be better addressed in forthcoming regulations and implementation.

## Covering Children Under the ACA

### Dependent ESI coverage issues

ESI remains the most common source of coverage for children. In 2009, 51 percent of children were covered by an ESI policy.<sup>17</sup> However, many children have no access to ESI coverage because their parents either do not work or do not have an offer of coverage from their employer. Currently, these parents and their children must rely on other sources of coverage including Medicaid/CHIP and private nongroup insurance or go without coverage. Issues for these families will be discussed in subsequent sections.

Some children, however, have parents with an ESI offer that does not include dependent coverage, or where the contribution for dependent coverage is unaffordable. No current information is available on the proportion of workers with an offer of ESI that includes dependent coverage. In 2009, however, employees contributed 27 percent of the total premium for family coverage, compared with 20 percent for single coverage. Employee contributions for family policies have also increased by 42 percent since 2004, and the proportion of covered workers electing family coverage has fallen from 53 to 50 percent.<sup>18</sup>

Under the ACA, most parents will be required to obtain coverage for their children or pay a penalty.<sup>19</sup> As is true today, some parents with no ESI offer for their dependents will be able to enroll their children in Medicaid or CHIP, but others may seek coverage in the new health insurance exchanges.

There remains considerable uncertainty as to how subsidy eligibility will be determined for those parents accepting an ESI offer and seeking to buy child-only policies in the exchange or those turning down an ESI offer and seeking family coverage in the exchange.

In 2009, there were 1.5 million children with either private nongroup insurance or no coverage while their parents had ESI coverage.<sup>20</sup> Over half (0.8 million) of those 1.5 million children have incomes between 138 and 399 percent of the FPL and thus could be eligible for federal subsidies under the ACA (data not shown).

These children could derive substantial benefits from reform, but several issues may arise for parents with an ESI offer seeking to cover their children in the exchange. A parent wishing to accept an employer offer and cover their child in the exchange will need access to a child-only policy. Insurers are required to offer these policies under the law, but it is unclear how eligibility for federal subsidies to purchase these policies will be determined. If the parent is already contributing to their employer policy, an important consideration that could affect the affordability of child-only exchange policies is whether that contribution will be considered in determining the amount that is deemed affordable for the family to contribute toward the purchase of a child-only policy in the exchange.

Other parents may wish to turn down an ESI offer and seek a family policy in the exchange. Federal subsidies are not available to individuals with an ESI offer if the worker's contribution is less than 9.5 percent of their income. Some uncertainty remains however, as to how the affordability threshold will be applied. For instance, if an employee has an offer of single coverage that is deemed to be affordable under the ACA, but where the family is either not offered coverage or the contribution for family coverage exceeds 9.5 percent of income, it is not clear whether he/she will be able to receive a subsidy to purchase a family policy in the exchange, whether the other family

members alone might be eligible and whether any ESI contributions by a family member will be counted when determining subsidy eligibility for the rest of the family. The interpretation of the law by the Joint Committee on Taxation (JCT) is that all members of a family would be ineligible for subsidized coverage in the exchange if the single ESI premium offered to one adult was less than 9.5 percent of the family modified adjusted gross income (MAGI). This could have serious implications on access to coverage for children.

Table 1 shows average worker and family incomes for nonelderly adult workers. It also uses the average employee contribution to a single or family employer health insurance policy in 2009, as reported on the Medical Expenditure Panel Survey-Insurance Component, to explore the affordability of ESI policies for workers, by poverty category. The estimates show that the average worker contribution to a single policy falls below the ACA affordability threshold of 9.5 percent of income using either average worker or family income as the benchmark across all income levels. On the other hand, the average contribution to a family policy exceeds 9.5 percent of family income for workers with family incomes below 200 percent of the FPL. Because we only know the average employee contributions and have no information on how these contributions vary by income, these are rough estimates, but underscore the importance of addressing the issue of income and premium definitions for the purposes of determining subsidy eligibility for families.

### Medicaid and CHIP family eligibility issues

Medicaid and CHIP covered 33 percent of children in 2009<sup>21</sup> and, in 2008, close to 5 million children were eligible for these programs, but remained uninsured.<sup>22</sup> Today, in many cases, children are eligible for Medicaid or CHIP, but their parents are not. This can be due to differing income eligibility thresholds for adults and children, as well as issues related to citizenship

**Table 1. Income of nonelderly adult workers (age 19 to 64) and average employee contributions to health insurance premiums, 2009**

	Average worker income	Average HIU income of workers	Average employee contribution to single premium as % of average worker income	Average employee contribution to single premium as % of average HIU income	Average employee contribution to family premium as % of average HIU income
<b>All workers</b>					
< 138% FPL	\$10,589	\$12,066	9.0	7.9	28.8
138–199% FPL	\$20,965	\$26,023	4.6	3.7	13.3
200–299% FPL	\$28,705	\$39,342	3.3	2.4	8.8
300–399% FPL	\$37,383	\$55,599	2.6	1.7	6.2
400% and up	\$74,124	\$125,007	1.3	0.8	2.8
<b>Full-time, full-year workers</b>					
< 138% FPL	\$14,695	\$15,982	6.5	6.0	21.7
138–199% FPL	\$23,138	\$26,353	4.1	3.6	13.2
200–299% FPL	\$31,453	\$38,957	3.0	2.5	8.9
300–399% FPL	\$40,745	\$54,767	2.3	1.7	6.3
400% and up	\$81,684	\$124,833	1.2	0.8	2.8

Source: The Urban Institute Health Policy Center tabulations of the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).

Notes: Average worker income defined among non-elderly adults, age 19 to 64. Average HIU income of non-elderly adults defined among all workers (age 15 and up) in the HIU. Workers can be (i) full-time, full-year, (ii) full-time, part-year, (iii) part-time, full-year or (iv) part-time, part year. Full-time is 35+ hours per week. Full-year is 50+ weeks per year. The average employee contribution to a single premium was \$957 and to a family premium was \$3,474 in 2009 according to data from the Medical Expenditure Panel Survey-Insurance Component (MEPS-IC).

and documentation status. Income eligibility thresholds vary by state, but most states have expanded eligibility for Medicaid and CHIP to cover children in families with incomes up to, or over, 200 percent of the FPL. Parents typically have much lower eligibility thresholds than children. Medicaid/CHIP eligibility may also vary within a family by citizenship and documentation status. Undocumented immigrants are not eligible for Medicaid or CHIP, with the exception of emergency services. Legal resident adults must have at least five years of residence in the United States to be eligible for federal benefits, while 22 states have allowed legal resident children to qualify for benefits without meeting this residency threshold.<sup>23</sup> These rules can result in a variety of eligibility scenarios for families in which some family members are eligible and others are not. Children in such families may face particular challenges in accessing coverage due to the complexity of their family's health insurance choices and concerns about the legal status of some family members.

Under the ACA, Medicaid eligibility will be expanded to a mandatory minimum of 138 percent of the FPL, which will make many parents newly eligible for coverage. Because states are required to maintain their current eligibility thresholds for children, however, there will remain a subset of Medicaid/CHIP eligible children with incomes above 138 percent of the FPL whose parents are not eligible for public coverage. These parents may be eligible for federal subsidies in the exchange, however. Health reform will also affect the options available to families with mixed citizenship and documentation status. Undocumented parents will remain ineligible for Medicaid under reform and will also be unable to purchase coverage in a health insurance exchange, even without a federal subsidy. Legal resident parents, however, will be permitted to purchase coverage in the exchange and obtain subsidies, including those with less than five years of residence who would otherwise be eligible for Medicaid coverage based on their income. Thus, children will continue to face a wide

variety of family eligibility scenarios that may complicate coverage decisions.

Table 2 provides estimates of the number of citizen/legal resident children, by their own Medicaid/CHIP eligibility and documentation status, as well as by the documentation status of their parents and their HIU income. In the first panel, we focus on children with only citizen parents or legal resident parents meeting a five-year residency requirement. These parents will qualify for any public coverage or subsidies to which their income entitles them. There are an estimated 35.7 million Medicaid/CHIP-eligible children of citizens and roughly 54 percent have incomes below 138 percent of the FPL, indicating that, under reform, their parents will also be eligible for Medicaid coverage. There are 16.2 million higher-income Medicaid/CHIP-eligible children with citizen parents, however, with incomes such that their parents will not be eligible for Medicaid under the ACA, but will potentially be eligible for federal subsidies for exchange coverage.<sup>24</sup> Some of those children are

covered by CHIP plans that require premium contributions.

Maximizing coverage for this group under reform will require:

- Determining whether any premiums paid toward public coverage for children will be accounted for in the parents' subsidy eligibility determination; and
- Ensuring that states enroll eligible children in Medicaid/CHIP when their parents are enrolling in subsidized exchange coverage.

In the second panel of table 2, we explore children with undocumented parents. In 2009, there were an estimated 3.5 million citizen/legal resident children with only undocumented parents.<sup>25</sup>

Due to their documentation status, the parents of these children are not eligible for Medicaid/CHIP and cannot purchase coverage in the exchanges. The vast majority of these children (3.0 million) are Medicaid/CHIP eligible, while a much smaller number (0.2 million) are ineligible for Medicaid/CHIP, but

have incomes that would qualify for exchange subsidies.

Maximizing coverage for this group under reform will require:

- Targeted outreach to enroll these Medicaid/CHIP eligible children;
- Clarifying the subsidy determination process for child-only exchange policies, particularly since these parents are less likely to file taxes.

The third panel of table 2 examines children with legal resident parents with fewer than five years of residency in the United States. In 2009, there were an estimated 0.7 million children of these legal residents. Legal resident adults with fewer than five years of residency in the United States are not eligible for Medicaid coverage, but they will be able to receive federal subsidies for exchange coverage. Seventy percent (0.5 million) of these children are Medicaid/CHIP eligible and have family incomes below 400 percent of the FPL, indicating that their parents may be eligible for federal subsidies.

Maximizing coverage for this group under reform will require:

- Determining whether any premiums paid for child's public coverage will be accounted for in parents' subsidy determination; and
- Ensuring that children are enrolled in Medicaid/CHIP coverage where eligible when parents are enrolling in exchange.

In addition to the above groups, there are an estimated 1.9 million citizen/legal resident children whose parents have mixed documentation status including children with one citizen and one undocumented parent, one citizen and one legal resident parent and one legal resident and one undocumented parent. Such children would face a similar set of issues to those already discussed.

### Children with absent parents

We have thus far considered complex coverage scenarios for children and their custodial parents. In many cases, however, there may be additional complexity introduced when one parent

**Table 2. Medicaid/CHIP eligibility of citizen/legal resident children (age 0 to 18), by own and parents' documentation status and HIU income, 2009 (Estimated number of children, in thousands)**

	All incomes	Less than 138%	138–399% FPL	400% FPL and up
<b>Parents are citizens/legal residents (5+ yrs)</b>	<b>67,618</b>	<b>19,324</b>	<b>28,157</b>	<b>20,137</b>
Citizen child	67,527	19,285	28,108	20,134
Legal resident child	90	39	49	3
Eligible for Medicaid/CHIP	35,714	19,282	16,174	259
Citizen child	35,659	19,247	16,154	259
Legal resident child	55	35	20	0
Ineligible for Medicaid/CHIP	31,903	42	11,983	19,878
Citizen child	31,868	38	11,955	19,875
Legal resident child	35	4	29	3
<b>Parents are undocumented</b>	<b>3,468</b>	<b>2,218</b>	<b>1,026</b>	<b>224</b>
Citizen child	3,468	2,218	1,026	224
Legal resident child	0	0	0	0
Eligible for Medicaid/CHIP	3,007	2,218	787	2
Citizen child	3,007	2,218	787	2
Legal resident child	0	0	0	0
Ineligible for Medicaid/CHIP	460	0	238	222
Citizen child	460	0	238	222
Legal resident child	0	0	0	0
<b>Parents are legal residents (&lt;5 yrs)</b>	<b>710</b>	<b>370</b>	<b>270</b>	<b>70</b>
Citizen child	492	228	212	52
Legal resident child	218	142	58	18
Eligible for Medicaid/CHIP	502	330	171	1
Citizen child	372	228	143	1
Legal resident child	130	102	27	0
Ineligible for Medicaid/CHIP	208	40	100	68
Citizen child	119	0	69	51
Legal resident child	88	40	31	18

Source: The Urban Institute Health Policy Center tabulations of the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).

Notes: Medicaid/CHIP eligibility simulated using the Urban Institute Health Policy Center's CPS Medicaid/CHIP Eligibility Simulation Model. Documentation status imputed by the Urban Institute Health Policy Center. Citizens also refer to legal residents with 5+ years residence because their access to Medicaid/exchange is equivalent. FPL is federal poverty level and is defined using the Census poverty thresholds. Estimates may not sum due to rounding.

is living outside the household or when a child is living with grandparents, other relatives or foster parents.

Today, parents living separately often share the responsibility for obtaining health insurance coverage for their children, sometimes as the result of a court order. The non-custodial parent (NCP), for instance, may be required by a child support order to cover the child by an employer policy or to purchase a nongroup policy on the child's behalf. When the NCP lives in another state, the policies available to the NCP may not be particularly useful to the child with respect to health services provider accessibility. The 2008 Child Support Supplement to the CPS found that approximately 25 percent of NCPs did not live in the same state as the custodial parent.<sup>26</sup>

Children living with neither of their biological parents, including those living with grandparents or other relatives as well as foster children, face another unique set of potential coverage scenarios. For children living in kinship care, for instance, grandparents receiving Medicare benefits may need to enroll a child in Medicaid/CHIP or purchase a child-only policy in the nongroup market. Children living with nonelderly relatives may or may not be eligible as a dependent on an employer-sponsored policy depending on the legal nature of

the guardianship relationship as well as on the health plan's policies.

Under the ACA, new options may be available for both custodial and non-custodial parents. Parents may gain Medicaid coverage under reform, or one or both parents may qualify for subsidies to purchase coverage in the exchange. The parent who claims the child as a dependent for tax purposes will be legally responsible for complying with the requirements to obtain coverage for the child or any penalties resulting from noncompliance. This parent will also be eligible for any subsidies on behalf of the child. Currently, however, this may or may not be the same parent that is responsible for providing coverage under a child or medical support order, which may create additional complications for these families.

The ACA requires that child-only plans be offered by all qualified health plans in the exchange, which will be particularly important for this population, but, as noted, the subsidy determination process for these policies remains unclear.

As shown in table 3, in 2009, an estimated 24.1 million children 18 and under lived with only one biological parent and were likely to have another parent living elsewhere.<sup>27</sup> Over 50 percent of these children had family incomes below 138 percent of the FPL,

and 89 percent had incomes below 400 percent of the FPL.

Maximizing coverage for this group under reform will require:

- Evolution of medical support orders to be consistent with new coverage requirements under the ACA. Conflicts between medical support orders requiring a non-custodial parent to provide coverage and the ACA coverage requirements are likely, at least in the early years of reform. The parent claiming the child as a dependent is responsible to obtain coverage for the child and is potentially eligible for subsidies for the child's coverage. It is common today, however, that the custodial parent claims the child as a dependent, whereas the noncustodial parent is required to contribute to the cost of a child's medical care. This issue will primarily need to be addressed in the structure of child support orders going forward, with guidance from the HHS Office of Child Support Enforcement.

In addition to the children living with only one of their biological parents, table 3 also shows that there were an estimated 3.7 million children living without either of their biological parents in 2009. Most of these children (2.8 million) were living in kinship care with grandparents or other relatives, while the remaining 0.9 million were living

**Table 3. Children (age 0 to 18) with absent parents, by HIU income, 2009**

	All incomes		Less than 138% FPL		138–399% FPL		400% FPL and up	
	# of children (thousands)	Percent	# of children (thousands)	Percent	# of children (thousands)	Percent	# of children (thousands)	Percent
<b>Children living with one absent parent</b>	<b>24,065</b>	<b>100.0%</b>	<b>12,793</b>	<b>53.2%</b>	<b>8,705</b>	<b>36.2%</b>	<b>2,567</b>	<b>10.7%</b>
Living with one biological and one step-parent	4,570	19.0%	1,079	8.4%	2,248	25.8%	1,244	48.5%
Living with a non-widowed biological mother only	17,073	70.9%	10,795	84.4%	5,367	61.7%	911	35.5%
Living with a non-widowed biological father only	2,422	10.1%	919	7.2%	1,090	12.5%	413	16.1%
<b>Children living without any parents</b>	<b>3,660</b>	<b>100.0%</b>	<b>3,607</b>	<b>98.6%</b>	<b>46</b>	<b>1.3%</b>	<b>7</b>	<b>0.2%</b>
Children living with grandparents or other relatives	2,799	76.5%	2,779	77.0%	16	35.4%	4	49.8%
Children living with foster parents	219	6.0%	219	6.1%	0	0.0%	0	0.0%
Children living with other non-relatives	642	17.6%	609	16.9%	30	64.6%	4	50.2%

Source: The Urban Institute Health Policy Center tabulations of the 2010 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).

Notes: Living arrangements based upon HIU level analysis of child support eligible children. Living arrangement does not reflect CPS family type. FPL is federal poverty level and is defined using the Census poverty thresholds. Children living without any parents are placed in their own HIU and therefore HIU income for this group includes the child's income only. Estimates may not sum due to rounding.

with nonrelatives. Of those living with nonrelatives, roughly a quarter identify themselves as foster children.

Maximizing coverage for this group under reform will require:

- Determining subsidy eligibility and amounts for grandparents or other relatives wishing to purchase child-only exchange policies.

### Other complex scenarios

There are several other scenarios in which children may continue to face complicated insurance choices for which data were not available to estimate prevalence. Children of veterans may need to be covered by Medicaid/CHIP or an exchange policy while their veteran parent can be covered by VA benefits. Children in Native American Schools, children of prisoners and runaway, homeless and institutionalized children may also face difficulties obtaining and maintaining coverage.

## Conclusion

The ACA will create new avenues to obtaining health insurance coverage for many families, but children with complex coverage options and family situations may face challenges in accessing coverage. The following groups of children warrant special consideration as regulations are developed and implementation of the ACA continues:

- An estimated 0.8 million children have a parent with ESI coverage but are uninsured or covered by private nongroup coverage and have incomes that may qualify them for exchange subsidies;
- An estimated 16.2 million Medicaid/CHIP eligible children have citizen parents who will be income-ineligible for Medicaid under the ACA but who will be potentially eligible for exchange subsidies;
- An estimated 3.0 million Medicaid/CHIP-eligible children have undocumented parents and an estimated 0.5 million Medicaid/CHIP-eligible children have legal resident parents with fewer than five years of residency;
- An estimated 24.1 million children have a parent living outside the household and an additional 3.7 million children live with neither of their parents.
- In summary, roughly 20 million children live in situations that create particular challenges in accessing insurance coverage due to within-family variation in eligibility for different types of coverage.<sup>28</sup> In addition, nearly 28 million children live apart from at least one of their parents, creating additional complexities in accessing coverage. We also estimate considerable overlap between these two groups, with at least 6.5 million

children facing complex coverage options inside their household, due to within-family variation in eligibility for different types of coverage, along with having a parent living outside the household.<sup>29</sup> These children face a number of different barriers to obtaining coverage. The ACA will introduce additional coverage options for these children and their families, but ensuring that this population benefits from reform will require special consideration of their complex situations.

Under the ACA, the parents or guardians of some of these children may need to purchase child-only plans in the health insurance exchanges. Other parents may be seeking exchange coverage for themselves while enrolling their children in public coverage. Eligibility for federal subsidies in such cases is not straightforward and would benefit from clarification. Outreach to immigrant populations will also be important, as will strategies for ensuring eligible children are enrolled in public coverage when their parents are ineligible. The future of medical support orders will also need to evolve to be more consistent with the requirements of the ACA. Given the number of children in one or more of these situations, addressing these issues will be critical to maximizing children's health insurance coverage as ACA implementation continues.



## Notes

- 1 There are an estimated 19.9 million children eligible for Medicaid/CHIP or exchange subsidies whose parents are not eligible for the same coverage as their children due to income eligibility thresholds or documentation rules. There are also an estimated 0.8 million children who are potentially eligible for exchange subsidies whose parents have their own ESI coverage and thus may not be eligible for exchange subsidies. There is likely to be some overlap between these two groups, and thus the total number of children facing this type of complex coverage scenario is estimated to be between 19.9 and 20.7 million.
- 2 This includes Medicaid/CHIP eligible children with incomes below 400 percent of the FPL whose parents are income-ineligible for Medicaid (5.5 million), undocumented (0.8 million) or legal residents with fewer than five years of residency (0.2 million). There is likely to be additional overlap between those with absent parents and other children in complex coverage scenarios, particularly those without access to a dependent ESI offer, but precise estimates are unavailable.
- 3 Exceptions to the coverage requirements exist for religious objections, financial hardship and those under the tax filing threshold.
- 4 Kaiser State Health Facts, "Income Eligibility for Working Adults at Application as a Percent of the Federal Poverty Level," January 2011, <http://www.statehealthfacts.org/comparereport.jsp?rep=54&cat=4>.
- 5 See G. Kenney and A. Cook, "Potential Impacts of Alternative Health Care Reform Proposals for Children with Medicaid and CHIP Coverage" (Washington, DC: The Urban Institute), [http://www.urban.org/uploadedpdf/411993\\_CHIP\\_coverage.pdf](http://www.urban.org/uploadedpdf/411993_CHIP_coverage.pdf).
- 6 The ACA also includes a Medicaid expansion to children age 6 to 18 between 100 and 133 percent of the FPL which will transfer children from CHIP into Medicaid in the states that do not currently cover those children in Medicaid under Title XIX.
- 7 L. Dubay and G. Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Health Coverage under Medicaid," *Health Services Research* 38, no. 5 (2003): 1283–1302; U.S. Government Accountability Office (GAO), "Medicaid and CHIP: Given the Association between Parent and Child Insurance Status, New Expansions May Benefit Families" (Washington, DC: GAO, 2011).
- 8 A 3:1 ratio indicates that a premium for a 64-year-old cannot be set more than three times that of an 18-year-old for the same coverage; 1.5:1 indicates that a premium for a tobacco user cannot be set more than 1.5 times that for a non-tobacco user of the same age.
- 9 The total penalty will be capped at a maximum value amount representing a national average premium.
- 10 U.S. Census Bureau, "Poverty Thresholds for 2009 by Size of Family and Number of Related Children under 18 Years" (Washington, DC: U.S. Census Bureau), <http://www.census.gov/hhes/www/poverty/data/threshld/thresh09.html>.
- 11 Health insurance units include the members of a nuclear family, including the family head, spouse and own children under 19 years of age or own full-time student children 19–22 years of age.
- 12 L. Dubay, and A. Cook, "How Will the Uninsured Be Affected by Health Reform?" (Kaiser Commission on Medicaid and the Uninsured, 2009), <http://www.kff.org/healthreform/upload/7971.pdf>.
- 13 Disregards are expenses or earnings deducted from gross income in determining eligibility for Medicaid/CHIP. Disregards are one way of expanding coverage to individuals who would otherwise be ineligible for Medicaid/CHIP due to their higher level of gross income. The model takes into account childcare expense, work expense and earnings disregards in determining eligibility, but does not take into account child support disregards.
- 14 To account for the possibility that some foreign born individuals are unauthorized immigrants and therefore not eligible for public health insurance coverage, the model takes into account imputed documentation status.
- 15 See J. Passel and D. Cohen, "A Portrait of Unauthorized Immigrants in the United States" (Washington, DC: Pew Hispanic Center, 2009).
- 16 T. Grall, "Custodial Mothers and Fathers and Their Child Support: 2007" (Washington, DC: U.S. Census Bureau, Current Population Reports, 2009).
- 17 Kaiser Family Foundation, "Health Insurance Coverage in America: 2009 Online Chartbook," <http://facts.kff.org/chartbook.aspx?cb=60>.
- 18 Agency for Healthcare Research and Quality, "Medical Expenditure Panel Survey Insurance Component Tables." Generated using MEPSnet/IC.
- 19 Exceptions exist for religious objections, financial hardship and those under the tax filing threshold.
- 20 Health insurance coverage estimates are adjusted to account for the likely underreporting of Medicaid/CHIP on the Current Population Survey (CPS). We apply a set of logical coverage edits when the data suggest that a child's enrollment in Medicaid/CHIP may not have been accurately reported. The edits are based on a methodology described in V. Lynch, "Memo on Applying Logical Coverage Edits for Analyzing Medicaid/CHIP Participation and Coverage in the 2008 ACS" (Washington, DC: Urban Institute, 2010).
- 21 Kaiser Family Foundation, "Health Insurance Coverage in America."
- 22 G. Kenney, V. Lynch, A. Cook and S. Phong, "Who and Where Are the Children Yet to Enroll in Medicaid and the Children's Health Insurance Program?" *Health Affairs* 29, no. 10 (2010): 1920–29.
- 23 Kaiser State Health Facts, "Income-Eligibility Limits for Children's Regular Medicaid and Children's CHIP-Funded Medicaid Expansions as a Percent of Federal Poverty Level, January 2011," <http://www.statehealthfacts.org/comparereport.jsp?rep=76&cat=4>.
- 24 Parents with affordable ESI offers will not be eligible for subsidies.
- 25 There are an additional 1.2 million children with one undocumented parent and one citizen or legal resident parent.
- 26 Current Population Survey, "Custodial Mothers and Fathers and Their Child Support: 2007 Detailed Tables, Table 9. Child Support Award and Receipt Status of Custodial Parents: by Sex and Selected Characteristics of Non-custodial Parents."
- 27 We exclude cases where a single biological parent reports being widowed, but we do not have data available to exclude cases where a child is living with a biological parent and a step-parent and the child's other biological parent has died.
- 28 Refer to endnote 1 for details.
- 29 Refer to endnote 2 for details.

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