Children's Hospital of Philadelphia
PolicyLab

Keeping Kids Covered As Health Insurance Changes for Working Families

Population Health Sciences

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It would be an understatement to call our current moment in children's healthcare coverage a time of transition. There are numerous moving parts working in tandem to steer healthcare coverage in new directions under the Affordable Care Act (ACA). Even in the decade prior to the ACA, however, family health insurance began to look substantially different. Low- and moderate-income families have dealt with the increasingly complex task of keeping their children covered by insurance they can afford.

Many of these families have comfortably enjoyed employer-sponsored insurance (ESI) for a long time. While ESI is still a staple of many households, others families have been begun to feel the effects of its increasing costs. Over the last decade, family premiums for ESI have almost doubled, far outpacing the growth in median household income. At the same time, families with ESI have found themselves paying more out-of-pocket as deductibles have become more expensive. By 2015, the average annual ESI deductible for family coverage was more than $2,400.

Public Insurance

For families looking to pay less for a child's health insurance, the market for alternatives to ESI has broadened in recent years. The first place many families look is public insurance like the Children's Health Insurance Program (CHIP) and Medicaid. For those who qualify, the public options offer quality coverage with much lower out-of-pocket costs. A recent study from PolicyLab showed that children on these plans are more likely to have dental and preventive medical visits, and to have all of their medical needs met.

If public insurance really is a more affordable option for families, then the CHIP funding cliff in 2017 has troubling implications for millions of children. Though CHIP funding was re-authorized in 2015 and the program benefitted from a rare moment of bipartisan congressional support, there's no telling how Congress will view the program by next year. By extending CHIP funding in 2017, we will ensure that these children remain covered while longer-term considerations of pediatric coverage under the ACA are settled.

Marketplace Plans

The biggest change for families seeking coverage for a child was the introduction of the insurance Marketplaces in late 2013 as part of the ACA. Families have the option to purchase coverage for the entire family or child-only plans while receiving income-base subsidies to make this coverage more affordable. The promise of affordability and better quality has been especially good news for families without ESI who previously had to navigate the non-group market for insurance.

While the increased options for children's coverage were good news for many families, there are concerns about the pediatric benefits provided by these Marketplace plans. States are required to select a benchmark plan among various commercial plans sold in the state to serve as a template for other health plans to follow. A 2014 study from PolicyLab found that there were no states with benchmark plans specifying a distinct pediatric services benefit class, and some benchmark plans excluded treatments for children with special needs. This is a critical issue because children have very different needs than adults when it comes to the types and amounts of treatment they need. A solution for this would be to allow states to use CHIP as a benchmark plan for

pediatric services in order to reflect the benefits found in CHIP plans. Pediatric benefits in Marketplace plans should also have a high actuarial value (the percentage of health care expenses that an average person can expect the plan to cover) to reduce the burden of high deductibles, coinsurance and other forms of cost sharing.

Marketplace plans have another significant obstacle to overcome if they want to be a viable option for working families: the family affordability glitch. The subsidies provided to working families to purchase Marketplace plans are only available to families with ESI that is demonstrated to be unaffordable. The problem? Affordability is determined by the cost of individual ESI, not family ESI. No matter how expensive family ESI is, if individual ESI is deemed “affordable,” then Marketplace subsidies are off the table. This means that some of the families who could benefit most from Marketplace plans are unable to access them. Questions of how to fix the glitch quickly become entangled in a debate of what to do with an aging ESI system. Nevertheless, we simply cannot deny affordable Marketplace coverage to families just because parents have access to affordable coverage for themselves.

As ESI becomes less affordable for low- and moderate-income families, the role of government funding and regulation of pediatric coverage will only become more important. The ACA’s vision of expanded coverage drew a map of how our current system can eventually provide pediatric coverage that is both affordable and high quality for all children. Our job now is to make sure that today’s children and families aren’t left behind while we look toward the future.

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