

February 2014

## Expanded Young Adult Dependent Coverage under the Affordable Care Act and Its Implications for Risk Pooling

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### INTRODUCTION

The Patient Protection and Affordable Care Act (ACA) introduced multiple provisions designed to expand health insurance coverage. Some of the major provisions are an individual mandate requiring most residents to enroll in a qualified health insurance plan or face tax penalties; an employer “shared responsibility” mandate requiring employers with 50 or more full-time equivalent employees to offer employer-sponsored insurance or pay a financial penalty<sup>2</sup>; and federal funding for states to extend Medicaid eligibility to most individuals with income up to 138 percent of the Federal Poverty Level (FPL). The ACA also creates regulated health insurance exchanges or marketplaces for all 50 states, Washington DC, and U.S. Commonwealths & Territories to administer sliding-scale insurance premium tax credits for most individuals below 400 percent FPL and not eligible for Medicaid.

One of the earliest ACA coverage provisions implemented after the passage of the law was the expansion of young adult dependent coverage, which was designed to address the disproportionately high rate of uninsurance among young adults (in 2009, 31.4 percent of young adults aged 19 to 25 were uninsured, nearly double the overall national rate<sup>1</sup>). Effective in

*Under an earlier SHARE grant, authors Joel Cantor, Alan Monheit, and Derek DeLia began assessing the impact of young-adult dependent coverage expansions in 19 states using data from the Current Population Survey (CPS). They found that, while expanding eligibility for young-adult dependent coverage had been a popular state-level policy strategy, it was not an effective one, as young adults tended to drop their own health insurance coverage in favor of coverage under their parents’ policies, resulting in no net change in overall young adult coverage levels. This brief discusses their later SHARE-funded analysis of the ACA’s dependent coverage provision.*

the fall of 2010, all young adults, regardless of student status, marital status, financial dependency and other characteristics are eligible to remain on a parent’s health insurance policy until their 26<sup>th</sup> birthday. Initially, “grandfathered” plans were not required to provide this coverage and plans were not required to offer coverage to young adults with an employer-sponsored insurance offer, but as of 2014, all plans are now required to cover all young adult dependents. Prior to passage of the ACA, approximately two-thirds of states had young adult dependent expansion laws, but these laws did not apply to self-funded plans, often had limitations on eligibility, and did not necessarily require that the expanded coverage

### About SHARE

The State Health Access Reform Evaluation (SHARE) is a National Program of the Robert Wood Johnson Foundation (RWJF) created in 2006 to support the evaluation of health policy reform at the state level and develop an evidence-based resource to inform health reform efforts in the future. Key goals of the grant program are to develop a coordinated approach to the study of health reform issues – particularly as they relate to the state implementation of national reform – and to produce and disseminate informative, user-friendly findings for state and federal policymakers and agencies, as well as leading researchers. SHARE operates out of the State Health Access Data Assistance Center (SHADAC), an RWJF-funded research center in the Division of Health Policy and Management at the University of Minnesota School of Public Health. Information is available at [www.shadac.org/share](http://www.shadac.org/share).

population be charged the same premium as other dependents on the same plan.<sup>2</sup>

The ACA's expansion of dependent coverage has been widely considered to be successful in reducing uninsurance among young adults.<sup>2,3</sup> There is some evidence, however, of disparate impacts of the expansion by young adults' sex, race/ethnicity, citizenship, and English-speaking ability.<sup>3,4</sup> This variability raises questions about the young adults who choose dependent coverage under a parent's plan and whether they differ from other young adults in terms of health service utilization and expenditures. For example, if healthier young adults enroll in a parent's plan, then a relatively higher-risk group of young adults are left to enroll in other risk pools (e.g., private subsidized plans in the marketplaces), possibly contributing to upward pressure on premiums in these alternative pools. Conversely, if sicker young adults choose the dependent coverage option, then premiums could rise in the risk pools accepting their enrollment. Similar issues are raised for the distribution of income-based subsidies in health insurance marketplaces if the dependent coverage option attracts young adults with higher or lower income than average.

This brief highlights State Health Access Reform Evaluation (SHARE)-funded research on the health and socio-economic profile of young adults who obtained dependent coverage in the first full year of implementation of the ACA dependent coverage expansion and the resulting implications for risk pooling.

olds regardless of student status (i.e., the young adult group targeted by ACA) were compared to 27 to 30 year olds in order to evaluate the effect of the first full year of the young adult coverage expansion. Coverage, demographic, and health status variables from the CPS were linked to state-level unemployment rates from the Bureau of Labor Statistics and employer-sponsored insurance variables from the Medical Expenditure Panel Survey (MEPS). A difference-in-differences framework was used to estimate linear probability models predicting the likelihood of coverage changes for the ACA young adult target group relative to the comparison group in the post vs. pre-ACA period. The pre-ACA period was defined as calendar years 2004 through 2009, and 2010 and 2011 made up the post-ACA period. Interaction terms were incorporated to examine the results for gender, health risk, and income subgroups and the relationship between federal and state policies on change in coverage status among young adults.<sup>b</sup> Individuals in all states, except Hawaii and Massachusetts, were included in the analyses. (These two states were excluded because coverage was likely influenced by their respective employer and individual coverage mandates.) A total of 96,344 ACA-targeted young adults and 81,237 comparison group members were included in the analysis.

## FINDINGS

Consistent with previous research, descriptive analyses showed that the proportion of targeted young adults with non-spousal dependent coverage increased dramatically from the pre- to the post-ACA period (27.3% vs. 18.5%). The overall prevalence of young adults with own-name or spousal coverage and of uninsured young adults also decreased over this time period (own-

## DATA & METHODS

This study analyzed data from the Current Population Survey (CPS) for calendar years 2004 to 2011. Non-student 19 to 23 year olds and all 24 and 25 year

**Table 1. Difference-in-differences estimates of ACA impact on coverage status of young adults by health, gender, and income**

	Percentage point change in source of coverage		
	Private - non-spouse dependent	Private - Self or Spouse	None
Overall Impact	7.2**	-2.8**	-4.5**
Health status			
Exc./Very Good/Good	7.4**	-2.9**	-4.5**
<b>Fair/Poor</b>	5.2**	-1.0	-4.9
Gender			
Male	8.2**,‡	-2.9**	-6.0**,‡
<b>Female</b>	6.3**	-2.8**	-3.0**
Income			
Low (≤138 FPL)	2.8**,‡	-1.1 ‡	-2.7*
Medium (139-400 FPL)	7.4**, ‡	-1.7 ‡	-4.6**
<b>High (&gt;400 FPL)</b>	15.0**	-10.3**	-5.6**

*Notes:* All models are adjusted for eligibility under state dependent coverage expansion laws, state fixed effects, year fixed effects, linear time trend, state by trend interaction, state-year unemployment rate, student status, educational attainment, age, gender, race/ethnicity, living with parent(s), marital status, health status, income as percentage of the federal poverty level, state-level annual unemployment rate, employer health benefits offer rate, and share of employer-sponsored insurance enrollees in self-insured plans. Results of model for public coverage are not shown.

Reference categories for tests of differential policy impact by health, gender, and income are in **bold**.

Coefficient is different from 0 at the \*5% level, \*\*1% level.

Coefficient is different from reference category coefficient at the †5% level, ‡1% level.

name/spousal coverage: 36.8% vs. 27.1; uninsured: 35.2% vs. 23.8%).

Findings from the multivariate analysis, seen in Table 1, show that changes in sources of insurance coverage among young adults were unrelated to young adult health status but were somewhat related to gender and family income. Compared to females, males experienced a two percentage point greater gain in non-spousal dependent coverage (8.2 vs. 6.3 percent increase) as well as a three percentage point greater reduction in likelihood of being uninsured (6.0 vs. 3.0 percent decrease). Overall, however, the magnitude of these gender differences was relatively small.

In terms of family income, young adults with a higher family income observed more insurance coverage changes between the pre- and post-ACA period than young adults in lower income groups. Compared to young adults in the highest income category, those from the middle income range had only about half of the gain in non-spousal dependent coverage (7.4 vs. 15.0 percentage points) and those in the lowest income group had about one-fifth the gain (2.8 percentage points) of the highest income young adults. Additionally, young adults with higher incomes exhibited a 10.3 percentage point decline in own-name or spousal private coverage in the post-implementation period, but this type of coverage did not decline significantly for either low or medium-income young adults. Targeted young adults in all income groups showed significant reductions in the likelihood of being uninsured, and the magnitude of this impact did not vary significantly by income. Therefore, our analysis provides little evidence that any changes in the income composition of the uninsured are a function of the ACA's dependent coverage expansion.

## CONCLUSIONS

The ACA's dependent coverage expansion achieved early success. Since implementation in the last quarter of 2010 and through 2011, the overall prevalence of uninsurance among young adults decreased. The results from this study showed no evidence that overall young adult coverage increased differentially by self-reported health status, income or gender in such a way to meaningfully alter the risk

profile of the remaining uninsured young adults. In other words, our analyses did not yield adverse selection implications for Medicaid or subsidized private plans in the health insurance marketplaces.

The young adult dependent coverage expansion appears to have benefited high income young adults the most, presumably because higher-income young adults are more likely to have parents with private coverage. However, in 2014 and beyond, with the individual mandate in effect and coverage through the marketplaces available, low and moderate income young adults may be more inclined to take up private coverage. Income subsidies provided through the marketplaces may make health insurance coverage more affordable across incomes, thus making dependent coverage a more economical choice for families. Young adults with more moderate family incomes may also choose to take up dependent coverage as their parents gain private coverage through the marketplaces.

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<sup>a</sup> This requirement has been delayed until 2015 (Mazur, 2013).

<sup>b</sup> Models including interaction terms for state and federal dependent coverage eligibility showed no significant differential impact on any of our coverage outcomes and negligible increases in explanatory power. Therefore, these terms were removed from the final model specification.