Almost There:

Covering the Remaining Uninsured Children in Rhode Island

New England Alliance for Children's Health,
a project of Community Catalyst,
in partnership with Rhode Island KIDS COUNT

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Introduction

Rhode Island has one of the lowest rates of uninsured children in the nation, although the rate has risen from a low of 4.3% in 2002 to 6.9% in 2007.[1] Children's health has remained a public policy priority even in tough economic times. With national trends of shrinking eligibility for coverage and rising costs of health care, maintaining strong levels of children's health coverage is more important than ever. Rhode Islanders recognize the critical role that access to health care plays in child development and education. Through a mix of employer-sponsored coverage and publicly funded programs, Rhode Island has a strong base of comprehensive coverage for the preventive and primary health care, as well as the emergency and specialty health services that children need to stay healthy.

Whether children are insured has major effects on their access to care.[2] Children without health coverage are less likely to have a usual place of care, have fewer visits to the doctor, and often have unmet medical needs.[3] Conversely, insured children are more likely than uninsured children to receive preventive care and medical treatment for common conditions such as asthma and ear infections – illnesses that if left untreated can have lifelong consequences and lead to more serious health problems.[4]

This policy brief examines some of the strengths and limitations of the major sources of health insurance coverage for children in Rhode Island. Eligibility and affordability are key to obtaining and keeping health insurance coverage. This brief identifies barriers that families face in terms of eligibility (some families are not able to enroll in health insurance programs) and affordability (the cost of premiums and cost sharing as percent of family income) of the various types of health insurance that cover children in Rhode Island. The recommendations focus on ways to keep children's health a priority and insure all Rhode Island children with quality, affordable coverage.

Let's finish the job

While fewer children in Rhode Island (6.9%) are uninsured than the national average (11.0%), there is more work to be done.[5] Rhode Island could reverse its recent downward trend in children's health coverage by holding the line against additional cuts to RIte Care, revising recent RIte Care/RIte Share premium increases, and adopting policies to prevent contractions of employer-sponsored coverage. With a number of small policy changes, Rhode Island can provide all children with the health coverage they need for healthy child development.

Rhode Island is *almost there*: taking steps to cover the remaining uninsured children

At every income level, there are still children who are uninsured in Rhode Island. In recent years, Rhode Island's rate of uninsured children has risen.

WHY IS IT A PROBLEM THAT SOME CHILDREN ARE STILL UNINSURED?

Uninsured children do not receive the preventive care they need to remain healthy. Uninsured children with common and chronic childhood illness, such as asthma, sore throats and earaches, are less likely to receive care when they need it.[6] In addition, uninsured children are five times more likely than the insured to use the emergency room as a regular place of care.[7]

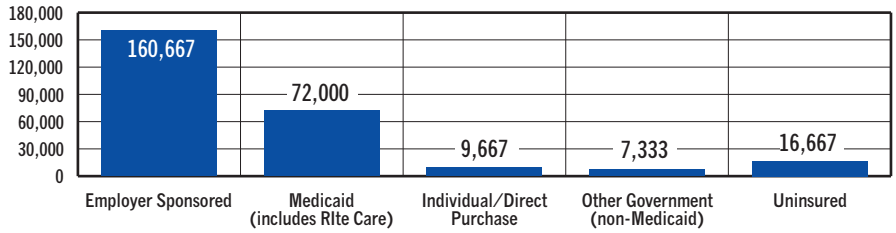
Nearly 70% of parents whose children do not have health care coverage say they worry frequently or almost all the time about whether they will have the money to pay for medical bills if their kids are sick or injured.[8] Children with health coverage are better prepared to learn in school.[9]

HOW ARE CHILDREN COVERED IN RHODE ISLAND?

In Rhode Island, 93.1% of children have health insurance coverage.[10] Rhode Island should be proud of its coverage of children overall. Businesses, families, taxpayers and policymakers have made great progress in doing their part to cover the vast majority of children with comprehensive health insurance.

About two-thirds of children are covered though employer-sponsored health insurance (ESI), slightly less than one-third are covered through public health insurance programs including Medicaid, RIte Care and RIte Share. The remaining insured children have coverage through the direct purchase of insurance in the individual market (which often is the only option for families who are not offered ESI through their employers) or other government sources, such as Medicare.

CHILDREN'S HEALTH COVERAGE TYPES, RHODE ISLAND, 2007



Source: U.S. Census Bureau, Current Population Survey, 2006-2008, three-year average, compiled by Rhode Island KIDS COUNT. Data are for children under 18 years of age.

Who are the 17,000 uninsured children in Rhode Island?

NOT INCOME-ELIGIBLE FOR RITE CARE

In Rhode Island, approximately 38% of all uninsured children live in families earning more than 250% of the Federal Poverty Level (FPL), or $44,000 for a family of three.[11] Families at these income levels are likely working, and ESI is likely their major option for insurance. If these children are uninsured, it is most likely that their parents' employer(s) do not offer ESI, they are not eligible for it, or they cannot afford it. Children living in families at these income levels are not eligible for RIte Care, as they earn too much to qualify.

INCOME-ELIGIBLE FOR RITE CARE BUT NOT ENROLLED

Approximately 62% of uninsured children are eligible for RIte Care based on their incomes (less than 250% FPL or under $44,000 for a family of three), but are not enrolled in the program. These children may not be enrolled because their family cannot afford the premium, they do not know about the program or that they would qualify, or they have not been able to meet the federal citizenship and identity requirements for the application. Some children also may not be eligible due to their immigration status – either they are legal permanent resident children who have been in that status for less than 5 years or they are undocumented.

The backbone of children's health coverage: Employer-sponsored insurance (ESI)

The majority of children and adults in Rhode Island and the United States obtain health insurance coverage through employer(s). About two-thirds of Rhode Island's children receive health coverage through their parents' employers.[12] While Rhode Island employers are strong partners in insuring children, barriers remain for some workers to access insurance.

WHAT ARE THE BENEFITS OF ESI?

Employer-sponsored insurance is often more affordable and accessible to families than other options. Employees are able to secure insurance as part of a "group" through their employer and often receive an employer contribution toward the cost of coverage. In Rhode Island, nearly 161,000 children are covered by ESI.[13]

Rhode Island employers have a strong history of offering health insurance to their employees; 90% of Rhode Island employees in the private sector work for an employer who offers health insurance. Additionally, employer-sponsored health insurance benefit packages provided in Rhode Island have been found to be comprehensive, in contrast to other states in which eroding benefit packages cover fewer health services in favor of high-deductible health plans.[14,15] The adequacy of health benefits, based on the average percentage of medical bills that an insurer pays, also ranks higher for health plans in Rhode Island than other states.[16]

On the whole, Rhode Island employers have continued to provide comprehensive benefit packages that enable children and parents to receive the preventive care and medical treatment they need to remain healthy and to fully participate in educational and employment opportunities. Health insurance continues to be offered by Rhode Island employers, despite rising costs to do so.

WHAT ARE SOME LIMITATIONS TO ESI?

Affordability Barriers for Small Businesses

The number of small business employees who are offered health insurance coverage has declined in Rhode Island.[17] More than half of Rhode Islanders working for small businesses have an employer who does not offer health insurance as part of a benefit package. Small employers often have difficulty affording high health premiums themselves.[18]

Limitations on Employee Eligibility for ESI

A growing problem is that larger employers who offer health insurance benefits are limiting which workers may enroll in that health insurance coverage. While most employers in Rhode Island report offering some health insurance coverage to workers, about 54% of employees without coverage work at firms that offer insurance, but the employees are actually *not eligible* to enroll in that coverage.[19] For instance, employers may not allow certain employees to take part in ESI if they are working part-time or are within a waiting period after being hired. Therefore, employers may offer comprehensive benefit packages to some employees, but prevent other employees from enrolling in those plans. Large Rhode Island employers (those with more than 50 employees) are more likely to limit ESI eligibility to certain groups of employees than small businesses.[20] Also, the growth of many industry sectors, such as retail, that are more reliant on part-time workers will increase the number of people who are working and are without access to ESI.

This trend of declining eligibility for ESI is of concern given that the rate at which employees choose to enroll in health coverage (the "take-up" rate) has remained steady, about 81%.[21] When health insurance coverage is offered and they are eligible, employees in Rhode Island enroll in employer-sponsored coverage.

Is employer-sponsored coverage affordable?

A potential barrier to employer-sponsored coverage is the affordability of premiums and cost sharing. Rhode Island has the second highest annual health insurance premiums in the country—the family premium was $11,934 in 2006.[22] However, when the high quality of care and level of benefits are taken into account, Rhode Island premiums appear more modest compared with other states.

On average, employers in Rhode Island contribute about 80% of their employees' health insurance premiums. Therefore, families are responsible for about 20% of their total health premiums.[23] Using the average family premium ($11,934) in Rhode Island, this works out to about $2,387 per family per year, or $199 per month.[24] This does not include cost sharing via co-pays and other out-of-pocket medical expenses. Based on national data, average out-of-pocket costs account for about 1.2% of family income for moderate-income families.[25]

The Poverty Institute at Rhode Island College develops a "standard of need" to determine what Rhode Islanders must earn to afford their basic economic needs. The *2008 Rhode Island Standard of Need* examines basic household budgets for a variety of family sizes and income levels. Data in this report assumes bare bones budgets for families; it does not include any savings, meals out, or debt repayment.[26]

Before accounting for health care costs, a single parent family with two children earning about $53,000 per year in Rhode Island, or 300% FPL, would spend nearly 97% of income on basic needs of housing, food, transportation, child care, miscellaneous items and taxes. (Miscellaneous refers to needs such as personal care items, clothing and over-the-counter medications).[27] This family would have $112 remaining per month for health care and any other needs. If we assume the family pays the average ESI premium of $199, plus cost sharing of about $53, this family would not have enough to pay their health costs, or would have to go without other basic needs. This family's health costs would account for about 6.6% of their net income.[28]

Because the *Rhode Island Standard of Need* accounts for costs for only the most necessary expenses, it may not be realistic for a family to adhere to this budget. If an emergency or unexpected expense arises, the family will likely not be able to afford health insurance at all.

A mix of private and public coverage: RIte Share

RIte Share is a public-private partnership that strengthens the enrollment of low-income and working families in employer-based coverage by helping them to afford it. A premium assistance program, RIte Share was instituted as a part of Health Reform Rhode Island 2000 legislation. Working families who are offered insurance through their employer but are unable to afford their share of the premium may participate in RIte Share. If a family has an employer-sponsored health plan that qualifies under state rules and the family qualifies for RIte Care based on the income guidelines, the family is required to obtain their health insurance coverage through RIte Share. The family is enrolled in the employer's plan and the state pays the employee's share of the premium (minus the RIte Care/RIte Share premium paid by the family). As of August 31, 2008, 7,279 people were enrolled in RIte Share, 5,342 of whom were children.[29] About 750 employers offer health insurance plans that are approved for RIte Share.[30]

WHAT ARE THE BENEFITS OF RITE SHARE?

RIte Share has been recognized by the federal government and other states as one of the most successful premium assistance programs in the nation. RIte Share has had its intended effect of increasing enrollment in employer-sponsored health insurance, while stabilizing RIte Care enrollment.

RIte Share prevents families who cannot afford employer-sponsored coverage from becoming uninsured, and it saves the state money. It is estimated that for every 1,000 people enrolled in RIte Share, there is approximately $1,000,000 in gross savings. In SFY 2007, the RIte Share program saved an estimated $8.2 million ($3.3 million of which was returned to the state and $4.9 million of which was returned to the federal government).[31]

WHAT ARE THE LIMITATIONS OF RITE SHARE?

While RIte Share's success has made it a model program for other states, there are ways it could be strengthened.

Employees must be eligible for a plan from their employer that meets certain state qualifications that are determined by the Rhode Island Department of Human Services (DHS). One of the major requirements is that the health insurance plan offered by the employer meets a "cost-effectiveness test." As health insurance becomes more expensive for businesses, greater numbers of employers are offering plans with increased cost sharing, such as high deductibles, which may not qualify for the RIte Share program.

Another issue is that increases to RIte Care premiums also apply to RIte Share members; premiums must be kept affordable so families can continue to enroll in RIte Share through their employers.

In addition, if the state could require all employers to submit information on a regular basis about the health benefits they offer to the DHS to determine qualification for RIte Share, more employees would likely be able to enroll. As a result of Article 17 of the FY09 state budget, Rhode Island Medicaid providers and state vendors are now required to comply with such a request from DHS.[32] However, because of the federal Employee Retirement Income Security Act (ERISA) law, states cannot require self-insured employers to furnish that information, so this change requires Congressional action.

Because RIte Share is based upon both the availability of ESI to the family through a parent's employer and RIte Care income guidelines, it is critical that RIte Care eligibility for parents is maintained at least at current levels (175% FPL for parents). If parent eligibility levels are further reduced, it will essentially eliminate many working families from qualifying for RIte Share, and leave them only with an unaffordable ESI option. A national study of premium assistance programs identifies the previous parent eligibility level of 185% FPL as one of the main reasons that RIte Share is so cost-effective.[33]

A successful public health insurance program: RIte Care

As a complement to the private health insurance market, public health insurance programs cover many children in Rhode Island. RIte Care is Rhode Island's Medicaid managed care program that provides health insurance coverage to low-income children and families. RIte Care insures about 30% of Rhode Island's children.

As of September 30, 2008, there were 104,546 children, parents and pregnant women enrolled in RIte Care. RIte Care enrollment has been declining steadily over the past four years. The September 2008 enrollment figure is a 12.4% decrease from September 2004's enrollment total of 119,294 children, parents and pregnant women.[34]

RITE CARE ELIGIBILITY, OCTOBER 2008

GROUP	PERCENTAGE OF THE FEDERAL POVERTY LEVEL (FPL)	ANNUAL INCOME (FOR FAMILY OF 3—VARIES BASED ON FAMILY SIZE)
Children under age 19	250% FPL	$44,000
Parents	175% FPL	$30,800
Pregnant women	250% FPL	$44,000

◆ Between 2001 and 2005, families earning less than 200% FPL accounted for nearly 70% of the growth in the Rhode Island's uninsured rate.[35] Children in these families are eligible for RIte Care, and therefore do not necessarily become uninsured. For most working families with lower incomes, RIte Care is available when ESI is not an option. RIte Care is an important component of the health insurance system in Rhode Island.

WHAT ARE THE BENEFITS OF RITE CARE?

RIte Care provides high quality, comprehensive care to children in low-income families, children in foster care, and children with special health care needs. Children covered by RIte Care live in families who do not have access to other coverage and would otherwise be uninsured. Many of the families enrolled in RIte Care are working, but they do not have access to employer-sponsored health insurance through their jobs because it is not offered or it is unaffordable for them.

RIte Care has a long history of producing positive health outcomes for the children, pregnant women, and parents enrolled in the program. Children and parents enrolled in RIte Care have low rates of emergency admissions to the hospital and low rates of preventable hospitalizations. Important health status indicators for pregnant women have improved since the inception of RIte Care. For example, the number of pregnant women who smoke has been cut in half, the time between births has increased and rates of low birth weight babies and infant mortality have dropped among RIte Care members. Children enrolled in RIte Care are as likely to have up-to-date immunizations and to be screened for lead poisoning as children with private health insurance.[36]

RIte Care is an excellent example of a health insurance program that has been successful, efficient and cost-effective. It costs $221 per member per month to provide comprehensive health coverage to eligible children and families through RIte Care, more than half of which is paid by federal funds.[37] Additionally, many families share in the cost to the state by paying a monthly premium. The trend at which RIte Care costs are increasing is well below that of commercial insurance.[38]

By covering families who would not have access to affordable health insurance any other way, RIte Care reduces the uncompensated care costs for hospitals and community health care providers. These costs would otherwise be passed on to Rhode Islanders through higher insurance premiums or increased taxes. RIte Care also draws millions of dollars in federal payments into Rhode Island's health care system, contributing to the state's economy through the wages of health care workers and the economic contributions of hospitals and other institutions.[39]

WHAT ARE SOME BARRIERS TO ENROLLING IN RITE CARE?

While RIte Care is a strong source of health coverage, a number of barriers leave certain children uninsured. Recent reductions in RIte Care eligibility for parents, increased RIte Care/RIte Share premiums, and the loss of eligibility for most immigrant children have resulted in more children who would have otherwise been enrolled not having health insurance. Because of new documentation requirements imposed by the federal government for U.S. citizens applying for RIte Care, limited outreach, and a downsized state workforce that has reduced the number of people to answer questions about RIte Care and enroll families into the program, there are eligible children who are not enrolled in RIte Care.

Reduced parent coverage

Parents who have health insurance coverage are more likely to have insured children and have usual places of care.[40] However, Rhode Island recently reduced eligibility for coverage for parents from 185% FPL ($32,560 per year for a family of three) to 175% FPL ($30,800 per year for a family of three). This resulted in nearly 1,000 parents losing RIte Care eligibility.[41]

Limited eligibility for immigrant children

In 2007, RIte Care ended eligibility for children who are not U.S. citizens, including children who are legally present in the United States but have been here less than 5 years and those who are undocumented. Children in these two groups who had ever been enrolled were "grandfathered' into coverage. However, RIte Care eligibility for approximately 2,800 children who had been grandfathered in 2007 (about 1,300 legal permanent residents and 1,500 undocumented children) was ended in June 2008.[42,43]

Administrative barriers

For families who are eligible for RIte Care, administrative barriers may prevent them from enrolling in RIte Care. For instance, the federal government now mandates states to require additional paperwork from U.S. citizens to document their citizenship and identity, which makes the enrollment process much more onerous for families. Nationally, thousands of children who are U.S. citizens have lost coverage due to these requirements, despite being income-eligible for Medicaid programs.[44]

As Rhode Island downsizes the state workforce, the field offices operated by the Rhode Island Department of Human Services (DHS) have diminished ability to process applications in a timely fashion. Although DHS supports and pays for a network of Family Resource Counselors that assist families in applying for or renewing their RIte Care coverage, only staff at DHS field offices can approve and enroll applicants. This staff shortage issue is beginning to create delays in enrolling families in RIte Care.

Some families may be unaware that they and/or their children are eligible for health insurance through RIte Care/RIte Share. Greater outreach and enrollment support from the state could aid more children who are eligible to enroll.

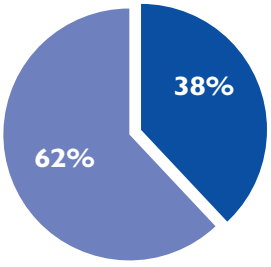
Uninsured children who are "over-income" for RIte Care

Currently, children living in families who earn up to 250% FPL are eligible for RIte Care. Thirteen states have extended eligibility for children in their Medicaid/SCHIP programs to 300% FPL or above and some have created buy-in programs for children living in families who earn more and who do not have access to affordable health coverage through any other source.[45]

CHILDREN UNDER AGE 19 WITHOUT HEALTH INSURANCE, BY POVERTY LEVEL, RHODE ISLAND, 2007

62% Under 250% FPL (less than $44,000/yr for family of 3)

They live in families who cannot afford RIte Care premiums, face administrative barriers or are ineligible due to immigration status



38% Above 250% FPL (over $44,000/yr for family of 3)

They live in families who are not offered or cannot afford ESI

Source: Population Reference Bureau analysis of U.S. Census Bureau, Current Population Survey, 2006-2008, three-year average.

Increased premiums

RIte Care premiums for children and families were increased as of October 2008. A new monthly premium was instituted for families earning between 133% FPL ($23,408 per year for a family of three) and 149% FPL ($26,399 per year for a family of three). The existing premiums for families earning between 150% FPL ($26,400 per year for a family of three) and 250% FPL ($35,200 per year for a family of three) were increased. Rhode Island already had some of the highest premiums in the nation before the increases, which means that RIte Care has become less affordable for Rhode Island families.[46]

RITE CARE PREMIUMS, NOVEMBER 2008

% FPL	MONTHLY INCOME FOR FAMILY OF 3	PREVIOUS MONTHLY FAMILY PREMIUM	NEW MONTHLY FAMILY PREMIUM	TOTAL # OF FAMILIES REQUIRED TO PAY PREMIUMS	TOTAL # OF CHILDREN & ADULTS IN FAMILIES WITH PREMIUMS
133%-149% FPL*	$1,950-$2,199	$0	$45	2,303	7,165
150%-184% FPL	$2,200-$2,712	$61	$86	3,128	8,278
185%-199% FPL	$2,713-$2,932	$77	$106	664	1,113
200%-250% FPL	$2,933-$3,666	$92	$114	1,236	2,038
Totals				*7,331*	*18,594*

Source: Rhode Island Department of Human Services, Cost Sharing Report, October 2008. * The premium charged to families between 133% and 149% will go into effect on November 1, 2008. The number of families and total people who will be required to pay the premium is the estimate provided by DHS when this budget initiative was proposed during the 2008 legislative session. Actual numbers may differ when the policy is implemented.

Is RIte Care affordable?

A growing barrier to RIte Care is the cost of premiums for families. Because RIte Care covers families with low incomes, it is critical to consider basic economic needs of these families and how they affect their family budgets when considering the affordability of health care. Research has found that even small premiums can have adverse effects on low-income families and often reduce their likelihood of enrolling in public programs.[47]

Increased premiums for families enrolled in RIte Care (instituted in October 2008) mean that families now pay a greater amount of their income toward health care. For families with already-tight budgets, these premium increases may mean either not being able to afford RIte Care, or going without other basic needs.[48]

The Poverty Institute's *2008 Rhode Island Standard of Need* shows that a single parent family with two children at 133% FPL ($23,408 per year) would need $2,473 per month to afford a basic budget including housing, transportation, subsidized child care and miscellaneous needs (personal care items, clothing). This is before adding health care costs.

This family would make $2,437 per month after accounting for the Earned Income Tax Credit (EITC), child tax credits, and food stamps. *With the new RIte Care premium of $45, this family would have an $81 gap between income and expenses for very basic needs.*[49] The family would then also face out-of-pocket health costs.[50]

At 133% FPL, a family may be forced to forego health insurance in order to maintain their housing, pay for child care, or meet other basic needs. Because they have little discretionary income, no amount of RIte Care premiums are affordable for those families. In fact, with the recent premium increases, low-income families enrolled in RIte Care/RIte Share now may pay the same percentage of their income toward health care as higher-income families with ESI. Based on average costs for the employee portion of family coverage in Rhode Island, a family of three earning 500% FPL ($88,000 per year) would pay about 4% of their income per month in premiums and average cost sharing, the same as a family earning 133% FPL.

Recommendations

Rhode Island should be proud of its overall coverage rates for children. Businesses, families, taxpayers and policymakers have made great progress in doing their part to cover the vast majority of children with quality health insurance.

By focusing on various ways children are currently covered by health insurance, the foundation of children's coverage can be strengthened and expanded.

Insuring ***all*** children is attainable in Rhode Island.

BOLSTER AND STRENGTHEN EMPLOYER SPONSORED COVERAGE

- Assist small businesses in offering health insurance coverage as a benefit.
- Provide incentives to large employers to offer affordable health insurance coverage to all of their employees (including part-time and seasonal employees) upon hire with no waiting periods.
- Create a Rhode Island "Health Hub" that would pool employer contributions and allow families to access health insurance products geared to those who are underinsured (such as those that work multiple part-time or seasonal jobs).

STRENGTHEN AND EXPAND RITE SHARE

- Restore RIte Share/RIte Care eligibility for parents to 185% FPL. Federal matching funds are available for this restoration.
- Revise RIte Share/RIte Care premiums to make coverage affordable.
- Expand RIte Share to all families earning less than 300% FPL to help them afford employer-sponsored health coverage.
- Work with the next federal administration and Congress to amend the ERISA law to allow states greater flexibility in obtaining information about benefits offered by businesses.

PRESERVE AND STRENGTHEN RITE CARE

- Maintain comprehensive RIte Care benefits for children, parents and pregnant women.
- Revise RIte Care/RIte Share premiums to make coverage affordable.
- Restore RIte Care/RIte Share eligibility for parents to 185% FPL. Federal matching funds are available for this restoration.
- Restore RIte Care coverage for all children who qualify based on family income, regardless of immigration status.
- Expand RIte Care eligibility from 250% to 300% FPL for children.
- Create a "buy-in" program through RIte Care. Families with incomes above 300% FPL ($52,800 per year for family of three) and without access to affordable employer-sponsored health insurance would pay a monthly premium to enroll their children in RIte Care.
- Eliminate administrative barriers to enrolling in RIte Care, including devoting dedicated funding to outreach and enrollment of children who are eligible but not enrolled.

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[48] Premium increases in the RIte Care program were enacted in the FY08 Supplemental and FY09 budgets in May and June 2008, respectively.

[49] The Poverty Institute calculates Standard of Need by adding all sources of income and expenses and dividing these by twelve to develop a monthly budget. However, EITC and the child tax credit may not be available as resources on hand throughout the year. Therefore, the monthly budget amounts are averages.

[50] Ku, L and T. Coughlin. Sliding Scale Premium Health Insurance Programs: Four States' Experiences, *Inquiry,* Winter 1999-2000.

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