



Recent Increases in Uninsured Rate for Montana Children

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by

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INTRODUCTION

Health insurance coverage for Montana kids decreased over the past four years according to US Census data. The percent of Montana children of all ages lacking private or public health insurance went from 14 to 16 percent over a four year period ending in 2005. Children below the federal poverty level had some of the biggest declines in health insurance coverage going from an uninsured rate of 19 percent four years ago to 29 percent by 2005, a change representing 4,000 more uninsured low income children joining the ranks of Montana's uninsured.

Double digit increases in health insurance and increased employee shares of premiums for working parents have contributed on the cost side to the increasing number of uninsured kids and families. The state of Montana has responded to higher uninsured rates through initiation of the Insure Montana Program for small employers and expanded coverage of the Children Health Insurance Program and for mothers with young children in the Medicaid program.

Chart 1 compares uninsured trends for Montana kids compared to the US using 3 year averages of Census Bureau survey data. The uninsured rate for kids nationally has been essentially constant over a four year period

ending in 2005. Health insurance coverage for Montana kid's deteriorated over the same period with the state's uninsured rate for kids increasing from 14 percent to 16 percent by 2005, an uninsured rate representing 37,000 Montana children without private or public health insurance.

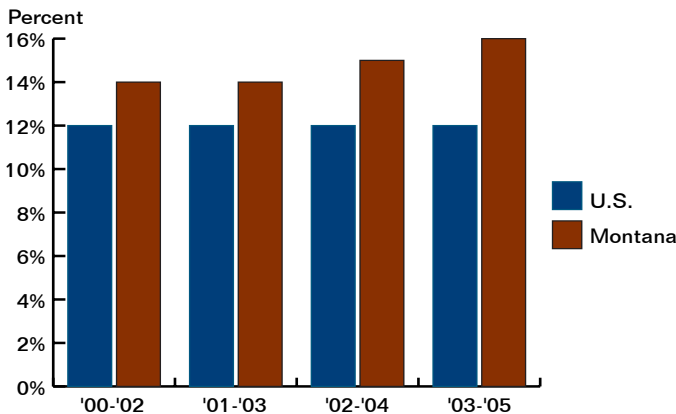
DECREASED INSURANCE COVERAGE FOR LOW-INCOME CHILDREN

Declines in healthcare access have especially affected low-income kids in Montana. The uninsured rate for Montana kids living in households that are below the federally defined poverty level has increased from 19 percent to 29 percent, a state rate that is 1.5 times higher than the national rate. Montana's increase of 10 percentage points in the uninsured rate for kids below poverty is in contrast to twenty seven other states where the uninsured rate for kids below poverty decreased over the same period.

Age breakdowns of the data show that many of the increases in the number of uninsured children are for those five years of age and under. Uninsured rates for children in these early, critical years of physical and mental development have increased from 13 percent in 2000 to 17 percent by 2005. Children 5 years of age and younger comprise about one fourth of the 12,000 kids below poverty without health insurance.

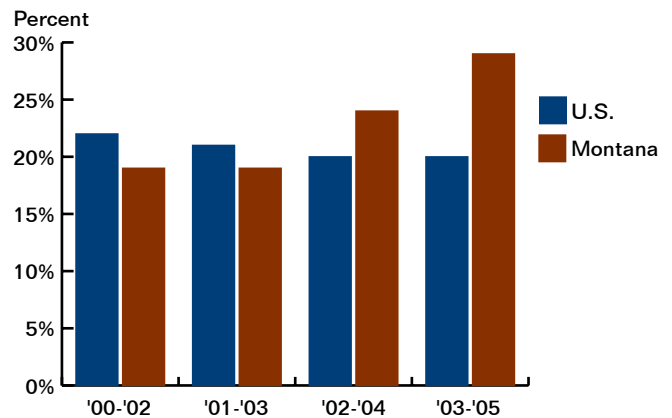


Figure 1
Percent of Children 18 and Under Without Health Insurance, Montana and U.S.



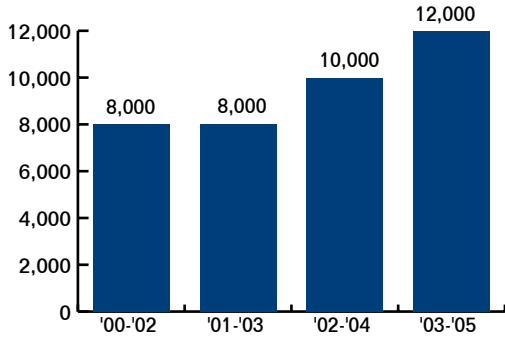
Source: U.S. Census Bureau, three-year averaging of Census Population Survey Data, Annie E. Casey Foundation, www.aecf.org.

Figure 2
Percent of Children 18 and Under Below the Federal Poverty Level without Health Insurance, Montana and U.S. (Three-Year Averages)



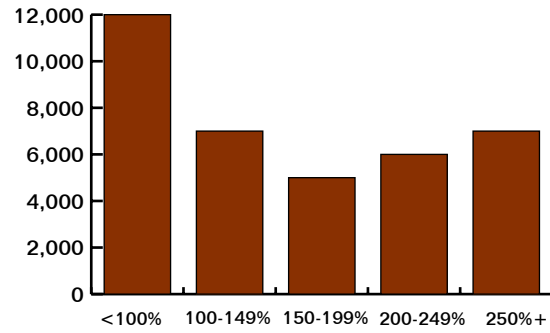
Source: U.S. Census Bureau, three-year averaging of Census Population Survey Data, Annie E. Casey Foundation, www.aecf.org.

Figure 3
Number of Montana Children Below Poverty Level (<100%FPL) Without Health Insurance (Three-Year Averages)



Source: U.S. Census Bureau, three-year averaging of Census Population Survey Data, Annie E. Casey Foundation, www.aecf.org.

Figure 4
Number of Montana Children 18 and Under at Different Poverty Levels Without Health Insurance (2003-2005 averages)



Source: U.S. Census Bureau, three-year averaging of Census Population Survey Data, Annie E. Casey Foundation, www.aecf.org.

BUDGET IMPACT OF EXPANDING COVERAGE

Low wage jobs and unaffordable health insurance contribute to the increased lack of health insurance for Montana kids and especially low-income kids. Although the state's unemployment rates are at historic lows, worker earnings have not grown dramatically during the state's recent economic expansion. This has been especially true in mining and oil and gas where they have not been a large number of new jobs even though these are usually well paying jobs.

Higher health insurance premiums and a shifting of those costs to workers by employers offering health insurance is another factor contributing to higher uninsured rates for Montana's children. A recent employer survey conducted by the UM Bureau of Business and Economic Research shows that employers experienced an 18 percent increase in health insurance premium costs. Workers had increases in their share of employer offered insurance plans go up by 2 to 3 times the employer's increase, a cost shift that makes job based health insurance increasingly unaffordable.

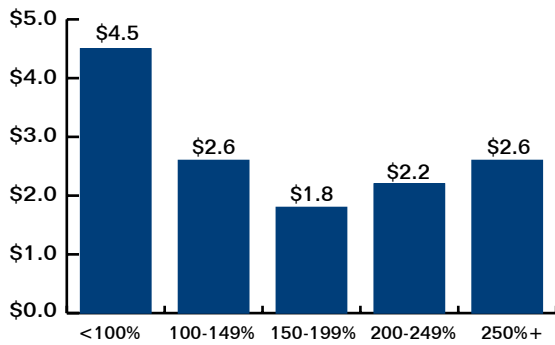
The state of Montana has initiated several positive responses to the state's high uninsured rate. Premium assistance

and tax credits to small employers under the Insure Montana Program are designed to alleviate the health insurance premium cost squeeze confronting working parents. Planned expansions in the state's Children Health Insurance Program and increased access to Medicaid for children aged 6 to 19 should help lower the uninsured rate for Montana kids, especially kids in low income households.

These new initiatives, the results from which are only just beginning to unfold, will affect some but not all of the 37,000 children in Montana without health insurance. Significant expansions in CHIP would go a long way to improving health care access for Montana kids, particularly for the 24,000 children living in households below 200 percent of the federal poverty level.

State budget dollars required for providing health care access to the majority of children in Montana can be calculated using \$1,734 per child, with Montana's match being \$371. These amounts are based on state fiscal year 2006 CHIP program data. Thus, the cost to the state would be \$4.5 million to insure the 12,000 children below 100% of the federal poverty level. To insure the 12,000 more Montana kids who are between 100 percent and 200 percent of the federal poverty level the cost to the state would be \$4.4 million (Figure 5).

Figure 5
State Dollars Required to Expand CHIP for
Montana Children Without Health Insurance,
by Federal Poverty Level Thresholds, 2005
(Millions of Dollars)



Source: Author's calculations and Montana Children's Health Insurance Program, Fiscal Year 2006.

has become extremely serious. Stability in healthcare access and establishment of a 'medical home' for children will help reduce the need for expensive hospitalizations and emergency room visits that will save the state and consumers money. In some states with health insurance coverage for all children, cost savings are estimated at 70 percent of the combined federal and state dollar outlay for program expansion (www.familiesusa.org).

Health insurance premiums for families who have insurance through their employers are, on average, 17 percent higher due to the cost of health care for the uninsured according to 2005 estimates (www.familiesusa.org). If Montana expanded CHIP to cover all uninsured children, it would reduce the number of uninsured persons in the state, which will in turn reduce premiums for employer-based insurance.

Expansion of children's coverage through CHIP brings in money in the form of federal matching dollars. These dollars contribute to economic growth just as visits by out-of-state tourists or the sale of manufactured products to customers outside Montana bring dollars into the state economy. The estimated \$13.7 million in state outlays for covering all children would bring in almost \$55 million in federal dollars providing a powerful positive stimulus to Montana's economy. These outside dollars would have a cumulative impact of \$60 million on labor income throughout the Montana economy generating state income taxes that would offset part of the state budget outlay from expanding the Children's Health Insurance Program.

CONCLUSION

Expanding health insurance coverage to all Montana children offers benefits for everyone in Montana. It will offer immediate help to children in the state who are uninsured today, and contribute to their healthy development and future role as citizens and members of the labor force. At the same time, reducing the number of uninsured in Montana will reduce the premiums paid by workers who have employer-based coverage now. And finally, full coverage of all Montana children will provide a valuable economic stimulus to the state's economy.

Another 6,000 Montana children would have health insurance if the eligibility cutoff were raised from 200% to 250% of the federal poverty level and would cost an additional \$2.2 million in state funds. Coverage of kids at 250% and above the federal poverty level would enroll another 7,000 children and cost another \$2.6 million in state dollars. Extending coverage to all Montana children kids would eliminate lack of health insurance for all children 18 years of age at a total cost to the Montana treasury of \$13.7 million dollars.

ECONOMIC BENEFITS

Lower health care costs for children, cost savings on employer based health insurance premiums, and positive impacts on the state economy through outside federal dollars are direct benefits from extending health insurance coverage to all of Montana's children.

A significant portion of the state's costs will be offset by savings from children receiving regular checkups and healthcare when it is needed and not when a health problem