Title
Kids at Risk: Declining Employer-Based Health Coverage in California and the United States

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Cover California's Kids

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Kids at Risk

Declining Employer-Based Health Coverage in California and the United States: A Crisis for Working Families

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Introduction

This study analyzes children's health insurance trends in the United States and California from 2000 to 2004, examines the impact of premium price increases on health insurance coverage, and predicts coverage rates over the next five years

The data on health insurance coverage in this brief comes from the March Supplement to the Current Population Survey for 2000 to 2004. This was augmented with premium price information from the Employer Health Benefit Surveys (2000 to 2004) conducted by the Kaiser Family Foundation and Health Research and Educational Trust. Children are defined as individuals who are 18 years of age or under.

The report finds that employer-based health coverage has eroded significantly over the past five years and that without immediate action this trend is likely to continue well into the future. If premiums continue to rise at current rates, 55% of the nation's children and fewer than half of California's children will be insured through a parent's employer by 2010. Adjusting for population growth, 1.7 million more U.S. children will be uninsured (280,000 more in California) and 2.7 million more children will be enrolled in a public program (470,000 more in California), than in 2004. The predicted drop in employer-based health insurance and the corresponding rise in public programs and uninsurance among children reflect a significant shift of health care costs from employers to working families and the public sector.

Health Coverage Trends

Health Coverage Increased for Children Between 2000 and 2004

Between 2000 and 2004, children experienced a rise in health insurance coverage due to implementation of State Children's Health Insurance Programs (SCHIP), known as Healthy Families in California. Nationally, health coverage for children rose from 88% to 89%, and in California coverage jumped from 83% to 88%. Low- and middle-income children accounted for a large portion of the overall boost in insurance. In California, coverage increased ten percentage points for children in families below 100% of the Federal Poverty Level (FPL), four percentage points for children between 100% and 200% of FPL, and five percentage points for children between 200% and 300% of FPL (Table 1). In 2003, the Federal Poverty Level for a family of four (two adults and two children) was $17,465. Median income for families in California and the United States was just below 300% of FPL.

Latino children experienced the greatest increases (six percentage points) in health coverage nationally, while the biggest jump in California was among African American

Table 1
Insurance Coverage for Children

	United States			California		
Federal Poverty Level (FPL)	2000	2004	Change 2000-2004	2000	2004	Change 2000-2004
Overall Health Coverage						
Less than 100%	77.7%	80.8%	3.1%	73.2%	82.7%	9.5%
100%-200%	80.8%	82.6%	1.6%	74.5%	78.7%	4.2%
200%-300%	88.8%	90.7%	1.9%	84.4%	89.0%	4.6%
300%-400%	93.5%	93.8%	0.3%	90.6%	92.6%	2.0%
400% and Above	95.4%	96.0%	0.6%	92.9%	95.5%	2.7%
Total	*87.8%*	*89.2%*	*1.4%*	*82.6%*	*87.8%*	*5.2%*
Employer-Based Coverage						
Less than 100%	15.9%	12.3%	-3.6%	11.7%	11.4%	-0.2%
100%-200%	49.5%	41.6%	-7.9%	44.4%	31.8%	-12.6%
200%-300%	74.1%	70.0%	-4.2%	67.8%	65.8%	-2.1%
300%-400%	84.4%	82.0%	-2.4%	80.3%	79.2%	-1.0%
400% and Above	87.9%	87.2%	-0.7%	82.9%	83.5%	0.6%
Total	*64.2%*	*60.1%*	*-4.1%*	*55.3%*	*54.0%*	*-1.3%*
Public Coverage						
Less than 100%	59.5%	65.7%	6.2%	61.3%	68.7%	7.5%
100%-200%	26.7%	39.4%	12.6%	28.5%	45.1%	16.6%
200%-300%	8.7%	16.6%	7.9%	8.8%	18.1%	9.4%
300%-400%	4.4%	6.9%	2.5%	7.7%	8.5%	0.8%
400% and Above	2.3%	3.4%	1.1%	3.3%	3.2%	-0.1%
Total	*18.9%*	*25.3%*	*6.3%*	*23.5%*	*28.8%*	*5.3%*

Source: Current Population Survey 2000-2004

children at thirteen percentage points. Although African Americans and Latinos still have lower coverage rates both in the United States and California, the disproportionate rise in health coverage (primarily through enrollment in public coverage programs) helped close the gap in children's coverage among different racial and ethnic groups (Table 2).

The Increase in Public Coverage Offset a Decline in Employer-Based Coverage

The growth in health insurance among children was due to a significant rise in enrollment in public coverage. Children's coverage through a parent's employer dropped four percentage points nationally and one percentage point in California; however, during the same period public coverage rose six percentage points in the U.S. and five percentage points in California, offsetting the fall in employer-based coverage. Low- and middle-income children experienced the most noticeable decreases in employer-based coverage but also the highest take-up in a public program. employer-based coverage for children between 100% and 200% of FPL declined thirteen percentage points between 2000 and 2004 while public coverage jumped by seventeen percentage points.

In 2003 (most recent data available), 23.9 million of the nation's children were enrolled in either Medicaid or the SCHIP, the nation's largest public health insurance programs. This is an increase from 18.4 million in 2000[1]. In California, Medi-Cal (the state's Medicaid program)

[1] Center for Medicaid and Medicare Services, 2003 CMS Statistics, U.S. Department of Health Services. SCHIP enrollment (4.8 million in 2003) may include some adult enrollment; six states nationwide have expanded SCHIP to include some low-income parents of SCHIP children.

Table 2 Insurance Coverage for Children by Race and Ethnicity						
	United States			California		
Overall Health Coverage	2000	2004	Change 2000-2004	2000	2004	Change 2000-2004
Gender						
Male	86.4%	88.0%	1.6%	83.0%	86.6%	3.6%
Female	86.1%	87.9%	1.8%	80.1%	87.3%	7.2%
Race/Ethnicity						
White	90.8%	91.6%	0.8%	90.9%	91.6%	-0.7%
African American	82.1%	85.0%	2.9%	73.5%	86.1%	12.6%
Latino	72.7%	78.5%	5.8%	72.6%	81.4%	8.8%
Asian	83.2%	86.3%	3.1%	82.4%	91.7%	9.3%
Total	*86.3%*	*88.0%*	*1.7%*	*81.7%*	*87.0%*	*5.3%*

Source: Current Population Survey 2000-2004

supplied health insurance to approximately 3.36 million children in 2004, a 25% jump from 2000[2]. Meanwhile, SCHIP enrollment grew from 230,000 in 2000 to 700,000 in 2004[3].

Health Care Premiums

Family Health Care Premiums Rose Sharply

Health premiums have been rising rapidly over the last four years. Premiums for employer-based family plans in the United States grew at an average of 11% per year, rising from $6,567 in 2000 to $9,831 in 2004. Family premiums in California grew at an average of 13% per year and rose from $5,890 in 2000 to $8,422 in 2003 (most recent data available) (Table 3).

Employers Raised Employee Premium Contributions and Placed Limits on Coverage

Higher premium costs may translate into a decline in employer-based coverage for children through multiple channels: reduced odds of employers offering family

Table 3 Average Annual Premium and Average Worker Contributions			
Year	Average Annual Family Premium	Average Worker Contribution	Percent of Worker Contribution
United States			
2000	$6,567	$1,670	25%
2001	$6,603	$2,022	30%
2002	$7,695	$2,308	30%
2003	$8,760	$2,621	30%
2004	$9,831	$3,156	32%
California			
2000	$5,890	$1,477	25%
2001	$6,273	$1,536	25%
2002	$7,361	$1,923	26%
2003	$8,422	$2,552	30%

Source: Kaiser Family Foundation, Employer Health Benefit Survey

2 California Department of Health Services, Medi-Cal Beneficiaries by Age Category, Quarterly Report, 2004. Enrollment includes children ages 0-18.

3 California Managed Risk Medical Insurance Board, Healthy Families Archived Enrollment Reports, December 2000 and December 2004.

health plans, more stringent eligibility requirements such as longer waiting periods, and reduced worker take-up due to higher employee costs. Between 2000 and 2004, the average annual worker contribution in the United States rose from $1,670 to $3,156 for family coverage. Average worker contributions in California remained slightly lower than the national average but increased from $1,477 to $2,552 between 2000 and 2003.

The Effect of Increasing Premiums on Coverage Rates for Children

To study the relationship between rising premiums and children's health insurance we used a regression model to estimate the effect of health care premiums on various types of coverage. We used data on premium prices for family plans offered by employers over the past five years along with household data to estimate how different types of coverage respond to increases in premium prices for a variety of family types. The analysis focused specifically on how a change in premium costs affects employer-based coverage, the uninsurance rate, private coverage and public health coverage enrollment among U.S. children with working parents – holding constant demographic factors, income, job types, and state-specific factors such as public plan eligibility. Details of the methodology are presented in the Technical Appendix.

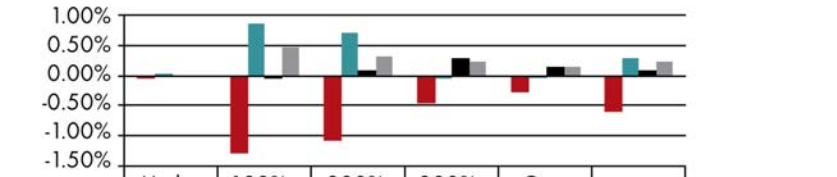
Results indicate that higher health premiums lead to lower employer-based coverage for children, combined with an increase in public coverage and uninsurance. Given a 10% rise in health care premiums, employer-based coverage for children decreases 0.60 percentage points nationally (Figure 1). Based on the 2004 U.S. population, this translates into 440,000 fewer children insured by employment-based plans (Table 4). Of these 440,000 children, one out of two (220,000) enroll in either SCHIP or Medicaid; about one out of three (160,000) go uninsured; while one out of seven (60,000) enroll in a private plan[4].

Table 4
National Response to a 10% Increase in Premium Costs on Children's Coverage

Children	Change in Coverage
Employer-Based Coverage	-440,000
Public Coverage	220,000
Uninsured	160,000
Private Coverage	60,000

The shift from private to public coverage or into uninsurance is most dramatic among children in families between 100% and 300% of FPL. For children between 100% and 200% of FPL, premium increases lead employer-based coverage to fall five times more than coverage for children above 400% of FPL, the top income category (Figure 1). Sixty-six percent of the children between 100% and 200% of FPL who are losing coverage enroll in a public plan and 34% become uninsured. Similarly, for children between 200% and 300% of FPL, employer-based coverage falls four times more than for children in the top income

Figure 1
Coverage Response to a 10% Increase in Premiums: Children

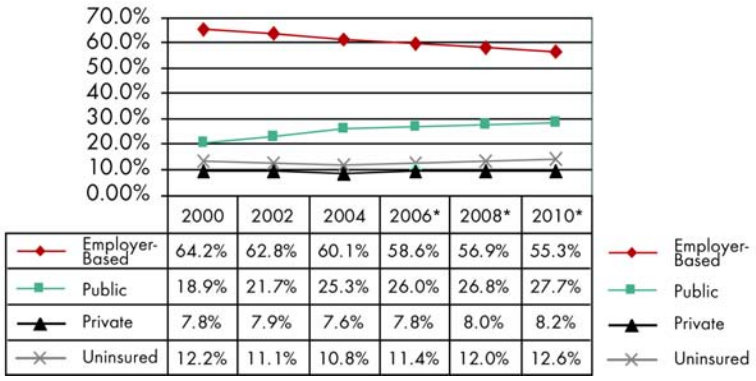


	Under 100%	100% - 200%	200% - 300%	300% - 400%	Over 400%	All
Emp-Based	-0.01%	-1.29%	-1.07%	-0.45%	-0.28%	-0.60%
Public	0.01%	0.86%	0.70%	-0.03%	-0.01%	0.29%
Private	0.00%	-0.03%	0.07%	0.27%	0.15%	0.09%
Uninsured	0.00%	0.47%	0.30%	0.21%	0.14%	0.22%

Employer-Based
Public
Private
Uninsured

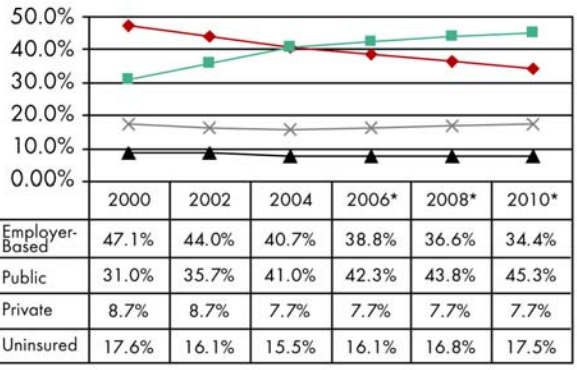
4 Source for population estimate: U.S. Census Interim Projections 2004.

Figure 2
Past and Predicted Coverage Trends for All U.S. Children



	2000	2002	2004	2006*	2008*	2010*
Employer-Based	64.2%	62.8%	60.1%	58.6%	56.9%	55.3%
Public	18.9%	21.7%	25.3%	26.0%	26.8%	27.7%
Private	7.8%	7.9%	7.6%	7.8%	8.0%	8.2%
Uninsured	12.2%	11.1%	10.8%	11.4%	12.0%	12.6%

Figure 3
Past and Predicted Coverage Trends for All U.S. Children Below 300% of FPL



	2000	2002	2004	2006*	2008*	2010*
Employer-Based	47.1%	44.0%	40.7%	38.8%	36.6%	34.4%
Public	31.0%	35.7%	41.0%	42.3%	43.8%	45.3%
Private	8.7%	8.7%	7.7%	7.7%	7.7%	7.7%
Uninsured	17.6%	16.1%	15.5%	16.1%	16.8%	17.5%

category when premiums increase by 10%; 65% of these children move into a public program and 28% lose health insurance altogether.

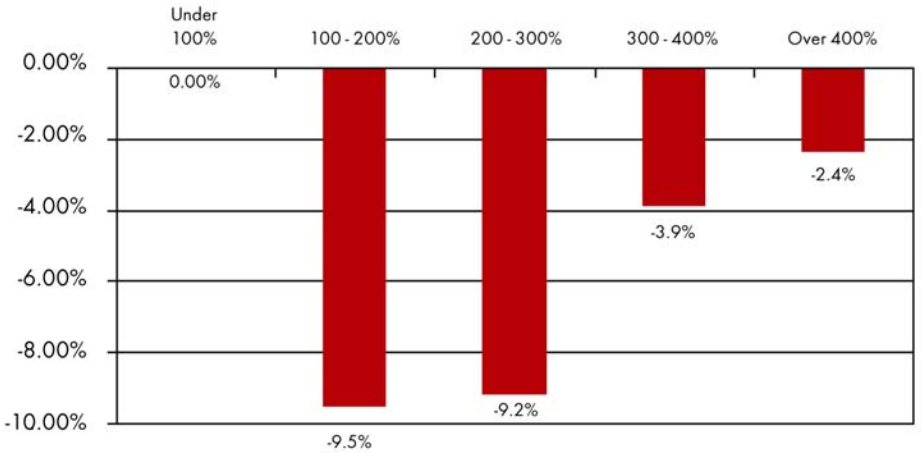
Predicted Effects of Increasing Premiums on Coverage Rates in the United States, 2005-2010

To estimate the impact of higher premiums on U.S. children over the next six years, we used the regression model to simulate changes in national coverage. Using 2004 cost data, we estimated the effect of a 10% annual increase in premiums on employer-based coverage, private coverage, public coverage, and the uninsurance rate of the nation's children. This analysis predicts changes in coverage solely due to premium price growth, holding constant other factors—such as job quality or demographic change—constant.

Employer-Based Coverage for Children is Projected to Decline, Accompanied by an Increase in Uninsurance and Public Coverage

Employer-based health coverage is predicted to decrease overall by five percentage points for U.S. children between 2004 and 2010, from 60% to 55%, so that by 2010 employer-based coverage will be insuring only just over half of the nation's children (Figure 2). Meanwhile,

Figure 4
Predicted Reduction in Employer-Based Coverage: Children



public coverage will jump almost three percentage points to cover 28% of all American children, and uninsurance will increase two percentage points to 13%.

Low-and Middle-Income Children Will See the Sharpest Declines

The steepest drops in employer-based coverage for U.S. children will occur for those in the low-to-moderate income groups (100%-300% of FPL), who will see declines of over nine percentage points (70% to 61% for the 200-300% of FPL group, and 42% to 32% for those just above the poverty line at 100% to 200% of FPL) (Figures 3 and 4).

By contrast, children over 400% of FPL will see just a two percentage point drop from 87% to 85%, and children with incomes ranging from 300% to 400% of FPL will see a slightly larger drop of four percentage points from 82% to 78%. Children living below the federal poverty line, 65% of whom already receive public coverage, and only 12% of whom had employer-based insurance in 2004, will see no decline in employer-based care by 2010 (Table 5).

For low- and moderate-income children, in contrast to adults, the decline in employer-based coverage for children will result in a sizable increase in public coverage that will mitigate the growth in uninsurance. In fact, for U.S. children under the approximate median income level of 300% of FPL, public coverage will supercede employer-based coverage as the primary source of health insurance by 2010. Whereas in 2000 employer-based coverage accounted for 47% versus 31% of children receiving public coverage, and in 2004 employer-based and public coverage each covered about 41% of children in this group, by 2010 employer-based coverage will cover only 34% of U.S. children under median income, while 45% will have public coverage (Figure 3).

Children above median income in the 300% to 400% of FPL group, who will be losing coverage at a rate of four percentage points but who are typically not eligible for public programs, will see an increase in private coverage, from 7% to 9% (Table 5).

By 2010, 2.7 Million More Children Will be Enrolled in a Public Program and 1.7 Million More Will be Uninsured

Based on our simulation and using 2010 population projections, we can estimate the number of children who will be covered by a parent's employer in the next six years. The total number of children in the United States is projected to grow from 72.02 million in 2004 to 75.53 million in 2010. Taking into account population growth and assuming a continued 10% rise in health care premiums, 1.5 million fewer children will be insured through a employer-based plan, 2.7 million more will be insured through a public program and 1.7 million more will be uninsured (Figures 5 and 6).

Table 5
Past and Predicted health Coverage for All U.S. Children, 2004-2010

FPL	2004	2010*
Employer-Based Coverage		
Under 100% of FPL	12.3%	12.3%
100%-200% of FPL	41.6%	32.1%
200%-300% of FPL	70.0%	60.8%
300%-400% of FPL	82.0%	78.1%
Over 400% of FPL	87.2%	84.9%
Total	*60.1%*	*55.3%*
Public Coverage		
Under 100% of FPL	65.7%	65.7%
100%-200% of FPL	39.4%	45.8%
200%-300% of FPL	16.6%	23.1%
300%-400% of FPL	6.9%	6.6%
Over 400% of FPL	3.4%	3.3%
Total	*25.3%*	*27.7%*
Uninsured		
Under 100% of FPL	19.3%	19.5%
100%-200% of FPL	17.4%	20.9%
200%-300% of FPL	9.3%	11.7%
300%-400% of FPL	6.2%	8.0%
Over 400% of FPL	4.0%	5.2%
Total	*10.8%*	*12.6%*
Private Coverage		
Under 100% of FPL	6.1%	6.1%
100%-200% of FPL	8.1%	7.7%
200%-300% of FPL	9.0%	9.3%
300%-400% of FPL	7.5%	9.9%
Over 400% of FPL	7.4%	8.7%
Total	*7.6%*	*8.2%*

Predicted Effects of Increasing Premiums on Coverage Rates in California, 2005-2010

To estimate the impact of higher premiums on California's children over the next six years, we adjusted the statistical model to the state's demographics, income and public coverage eligibility levels. As with the national model, we used 2004 cost data to estimate the effect of a 10% annual increase in premiums on employer-based coverage, private coverage, public coverage, and the uninsurance rate of the state's children.

Figure 5
Health Coverage for U.S. Children, 2004

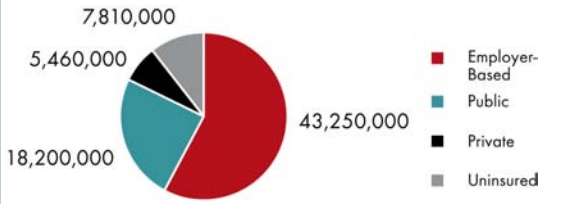
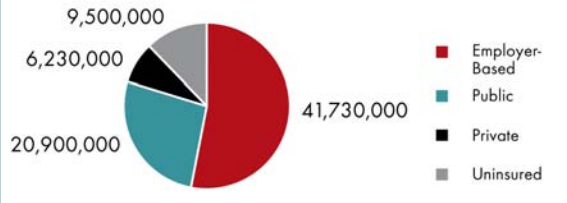


Figure 6
Health Coverage for U.S. Children, 2010



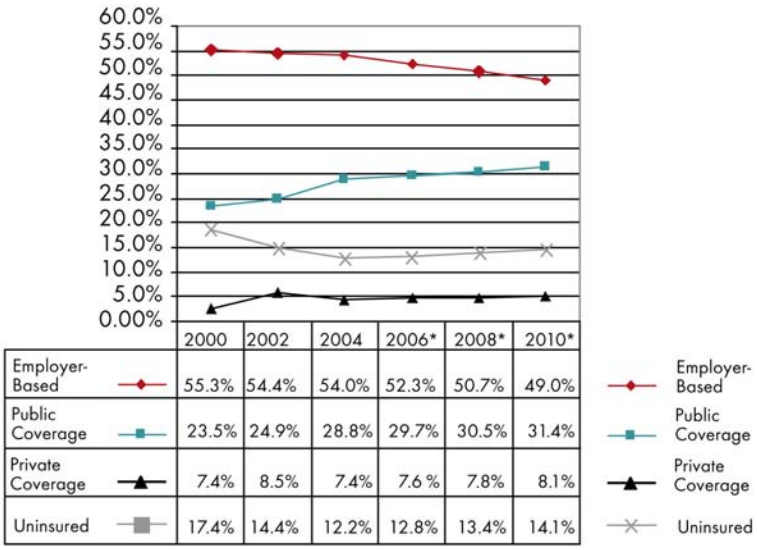
Employer-Based Coverage for Children is Projected to Decline, Accompanied by an Increase in Uninsurance and Public Coverage

Over this six-year period, employment-based coverage for children is projected to decline four percentage points, insuring fewer than half of the state's children (49%) by 2010 (Figure 7). The slide in public coverage will coincide with a sizeable jump in public insurance to cover 31% of all California children, combined with a smaller rise in uninsurance.

Low- and Middle-Income Children Will See the Sharpest Declines

By far the largest declines in employer-based coverage will be experienced by children whose incomes fall within 100%-300% of FPL (Table 5, Figure 9). Those in the low-income group of 100-200% of FPL will experience a decline of over nine percentage points, while those just below the median at 200-300% of FPL will see a large drop of well over ten percentage points. Children with incomes just above the median (300% to 400% of FPL) will see a decline of over four percentage points, while those above 400% of FPL will experience a more modest drop of not quite three percentage points. California children living below 100% FPL, nearly 70% of whom had public coverage and only 11% of whom received

Figure 7
Past and Predicted Trends for All Children in California



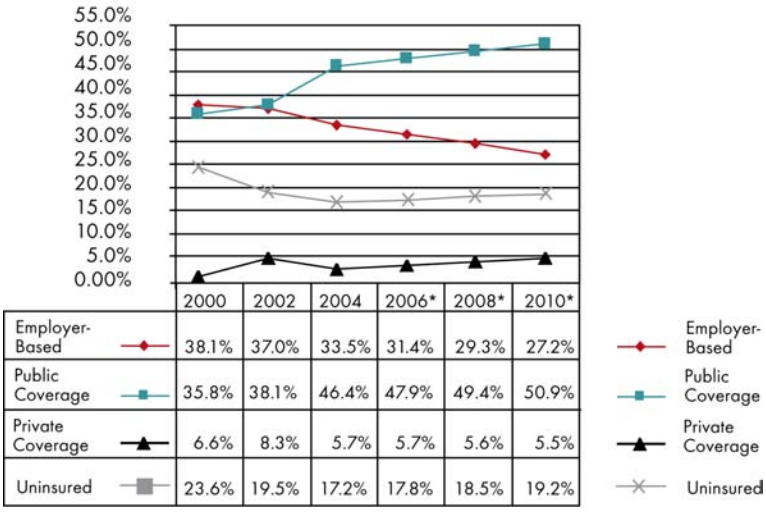
	2000	2002	2004	2006*	2008*	2010*
Employer-Based	55.3%	54.4%	54.0%	52.3%	50.7%	49.0%
Public Coverage	23.5%	24.9%	28.8%	29.7%	30.5%	31.4%
Private Coverage	7.4%	8.5%	7.4%	7.6%	7.8%	8.1%
Uninsured	17.4%	14.4%	12.2%	12.8%	13.4%	14.1%

employer-based insurance in 2004, will experience no decline in employer-based coverage.

For California children, in contrast to adults, the fall in employer-based coverage will result in a sizeable increase in public insurance that will mitigate the growth in uninsurance, since many of the same children between 100% and 300% of FPL who will experience the largest drop in coverage are also eligible for public coverage. By 2010, approximately 31% of all children in the state and over half (51%) of those below the approximate median of 300% of FPL (Figure 8) will be covered by a public program. We also project increases in private insurance for children, but only for those with incomes above 300% of FPL (Table 5).

At first glance, the projection of rising uninsurance among children may seem at odds with recent trends. However, it is important to bear in mind that much of the fall in uninsurance occurred through the implementation of

Figure 8
Past and Predicted Trends for Children Below 300% of FPL in California



	2000	2002	2004	2006*	2008*	2010*
Employer-Based	38.1%	37.0%	33.5%	31.4%	29.3%	27.2%
Public Coverage	35.8%	38.1%	46.4%	47.9%	49.4%	50.9%
Private Coverage	6.6%	8.3%	5.7%	5.7%	5.6%	5.5%
Uninsured	23.6%	19.5%	17.2%	17.8%	18.5%	19.2%

Figure 9
Change in Employer-Based Coverage Rate for California's Children by Income

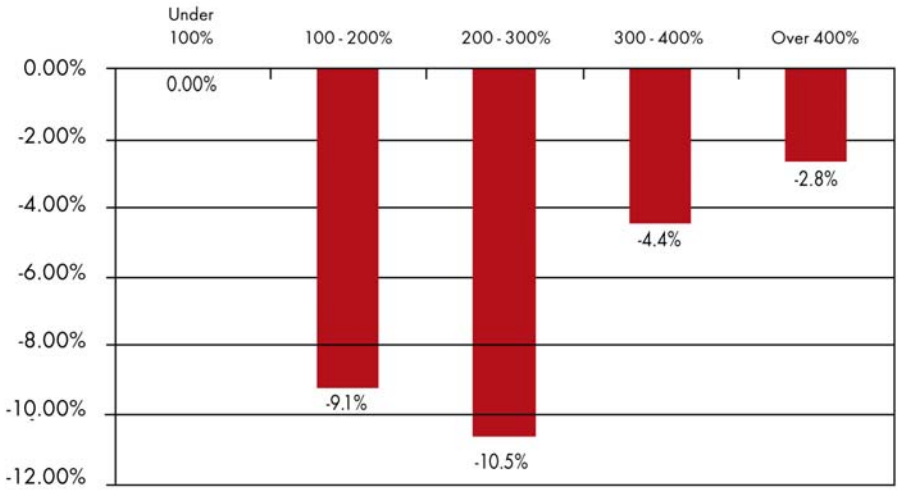


Figure 10
Health Coverage for All Children in California, 2004

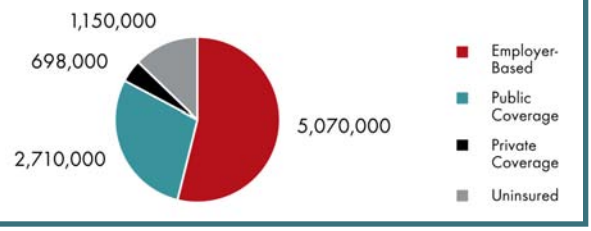
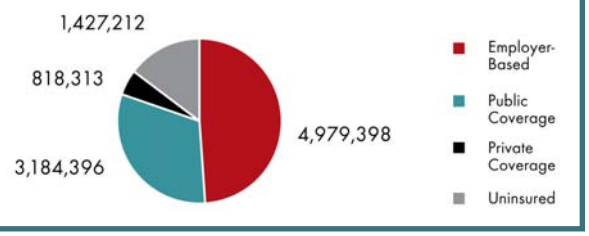


Figure 11
Predicted Health Coverage for All Children in California, 2010



SCHIP, which formally began in 1998. This "implementation effect" of increased take-up does not continue indefinitely, and is likely to phase out after the first few years barring expansions in outreach efforts. Consistent with this argument, uninsurance rates among California children in families between 100% and 200% of FPL actually rose between 2002 and 2004 after falling for several years. Therefore, our simulation model assumes that this increased SCHIP take-up among the uninsured—which offset the fall in employer-based coverage in the recent past—will not continue into the future, resulting in some rise in uninsurance as premium costs grow. To address this issue, policymakers could devote greater resources to outreach and enrollment of eligible children, which would mitigate the rise in uninsurance projected here. In comparison, employer-based coverage for children in families above 300% of FPL is predicted to fall at a slower rate. Given a 10% annual increase in health care premiums over each of the next six years, employer-based coverage for children in higher-income families will drop three percentage points from 82% to 79%. Unlike children below 300% of FPL, higher-income children who lose insurance from a parent's employer are ineligible for public coverage and are more likely to become uninsured or be enrolled in a private plan. Between 2004 and 2010, uninsurance for children in families above 300% of FPL will grow from 6% to 7% and enrollment in private coverage will increase from 10% to 12% (Table 6).

By 2010, 470,000 More Children Will be Enrolled in a Public Program and 280,000 More will be Uninsured

Using the simulation model, we can also project the actual number of California children who will be covered by different health insurance programs over the next six years. The total number of children in California is projected to grow from 9.39 million in 2004 to 10.16

Table 6
Past and Predicted Children's Employer-Based Coverage in California, 2004-2010

FPL	2004	2010*
Children's Employer-Based Coverage		
Under 100% of FPL	11.4%	11.4%
100%-200% of FPL	31.8%	22.7%
200%-300% of FPL	65.8%	55.3%
300%-400% of FPL	79.2%	74.8%
Over 400% of FPL	83.5%	80.7%
Total	*54.0%*	*49.0%*
Children's Public Coverage		
Under 100% of FPL	68.8%	68.8%
100%-200% of FPL	45.1%	51.2%
200%-300% of FPL	18.1%	26.3%
300%-400% of FPL	8.5%	8.1%
Over 400% of FPL	3.2%	3.0%
Total	*28.9%*	*31.4%*
Children Uninsured		
Under 100% of FPL	17.3%	17.3%
100%-200% of FPL	21.3%	24.8%
200%-300% of FPL	11.0%	13.4%
300%-400% of FPL	7.4%	9.7%
Over 400% of FPL	4.5%	6.0%
Total	*12.2%*	*14.1%*
Children's Private Coverage		
Under 100% of FPL	4.3%	4.3%
100%-200% of FPL	5.3%	4.9%
200%-300% of FPL	8.3%	8.3%
300%-400% of FPL	7.5%	10.0%
Over 400% of FPL	10.6%	12.1%
Total	*8.5%*	*8.1%*

million in 2010. Taking into account this projected population growth and given a 10% annual increase in premiums, 90,000 fewer children will be insured through a parent's employer, 470,000 more will be enrolled in a public program, 280,000 more will be uninsured and 120,000 more will be enrolled in a private plan by the year 2010 (Figure 10 and 11).

Policy Implications

Employer-based health coverage has eroded significantly over the past four years, and without immediate action this trend is likely to continue well into the future. By 2010, fewer than half of California's children will be insured through their parents' employers and 46% will either be uninsured or enrolled in a public program. Most of these children will be from low- and-middle-income families. The continuing drop in employer-based health insurance and the shift onto public programs raises major policy considerations for children, working families, legislators and health advocates.

Children's Health Insurance Programs Work to Reduce Uninsurance

Uninsurance among children fell over the last five years following implementation of SCHIP, even as employer-based coverage declined. Both Medicaid and SCHIP also had a significant impact in reducing children's health coverage disparities for Latinos and African Americans.

However, continued premium cost increases and reductions in employer-based coverage can be expected to translate into both greater use of public programs and a new increase in uninsurance among children. *A new increase in uninsurance for children could be prevented by expanding public health programs for children through a combination of higher eligibility thresholds, simpler enrollment processes and new outreach efforts.*

Continued Decline in Employer-Based Coverage Will Place a Major Financial Strain on Working Families and Public Health Programs

While enrollment in Medicaid and SCHIP has so far buffered any increase in uninsurance among children, increased take-up has led to a rise in public health costs in the absence of new revenue sources. This represents a sizeable cost shift in health care expenditures from the private sector to state and local governments. Declining employer-based coverage also puts added pressure on those employers who continue to provide insurance for their workers, further unraveling the employment-based system. *Unless immediate measures are taken to stem the fall in employer-based health insurance, significant new state funding will be needed to absorb the growing*

5 *State Fiscal Conditions and Medicaid,* Kaiser Commission on Medicaid and the Uninsured April 2004.

numbers of children who are not covered through a parent's employer.

Proposed Federal and State Cutbacks to Medicaid and SCHIP Would Jeopardize Children's Coverage

To cut rising program costs, state and federal governments are proposing new policies to curb take-up of public insurance. In the last four years, 49 states have instituted enrollment caps, new eligibility restrictions or cuts in services to reduce costs.[5] In addition, the Bush Administration has proposed to transform Medicaid into a block grant program that would limit the federal government's risk in absorbing increased costs. Under a block grant states, would receive a fixed amount of federal funding regardless of increases in health costs, jumps in enrollment or changes in economic conditions. This policy would move all future cost increases onto the states. Each of these mechanisms is an attempt to minimize expenditure growth by shifting the burden onto another party. Children, who represent roughly half of Medicaid's population, would experience the most severe impact of these proposed policies, and any limits on access to public coverage would reverse the recent gains in children's coverage. *If greater restrictions on public programs are created while employer-based coverage continues to decline, we can expect to see a dramatic rise in the number of uninsured children.*

Private Insurance Options are Mismatched to Those Losing Coverage

Since the decline in employer-based coverage is overwhelmingly in low- and middle-income families, policy makers must work to improve affordable access to coverage. Past trends and model based projections suggest that purchasing an individual insurance plan for children at market rate is not an affordable option for these families. Assuming health premiums continue to rise, only 27% of children below 300% of FPL will receive coverage through a parent's employer by 2010, yet enrollment in private insurance plans will insure only two percent of California's children. The inability of low-to-middle-income families to purchase private health insurance plans indicates that the solutions to address the dramatic drop in employer-based coverage must improve access to health insurance without requiring significant out-of-pocket expenses that make health care unaffordable to the bottom half of the population. *Proposals such as individual mandates or health savings accounts that provide minimal financial subsidy to low- and middle-income families are mismatched to the realities of those losing health insurance today.*

Conclusion

Medicaid and SCHIP have made major strides towards closing the gap in children's health care coverage and buffering children from the decrease in employer-based coverage. Unfortunately, at the same time, the employer-based system of providing dependent care has begun to unravel as employers have limited their exposure to rising premiums by reducing access to affordable coverage. This unraveling of employer-based coverage comes at a substantial added cost to the public and threatens to reverse the recent gains in children's health coverage. Successful policy solutions will focus on a more sustainable sharing of responsibility among the public sector, employers and working families. In order to avoid a significant rise in uninsurance for children, measures are urgently needed both to stem the decline in employer-based coverage and to expand public health programs to meet the greater demand for service.

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