

# **Testimony Submission for the Record**

**Senate Finance Committee**

**Hearing on:**

**“Improving Health of America’s Children”**

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**215 Dirksen Senate Office Building**

**Submitted by:**

**Paul Fronstin**

**Employee Benefit Research Institute (EBRI)**

T-147

**“Employment-Based Health Insurance of Children:  
Why Coverage Decreased Between 2000 and 2005”**



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# Employment-Based Health Insurance of Children: Why Coverage Decreased Between 2000 and 2005

By Paul Fronstin, EBRI<sup>1</sup>

The percentage of children covered by an employment-based health plan decreased every year between 2000 and 2005, from 62.3 percent to 57.7 percent (Figure 1). The decline in employment-based coverage among children followed a strong expansion of coverage that started in 1994. Between 1994 and 2000, the percentage of children covered by an employment-based health plan increased from 58.8 percent to 62.3 percent.

Prior research by the Employee Benefit Research Institute (EBRI) has shown why the likelihood of having employment-based health benefits increased for children during the earlier period (Fronstin, 1999). The EBRI study found that the percentage of children with a working parent increased, the percentage of children in families with incomes below the poverty level decreased, and more children had a working parent employed in a large firm. The increase in employment-based coverage among children during this period was attributed in part to an increase in the number of adult women working. During this period, the percentage of women ages 18–45 in families receiving public assistance or welfare income declined, while employment increased (Figure 2).

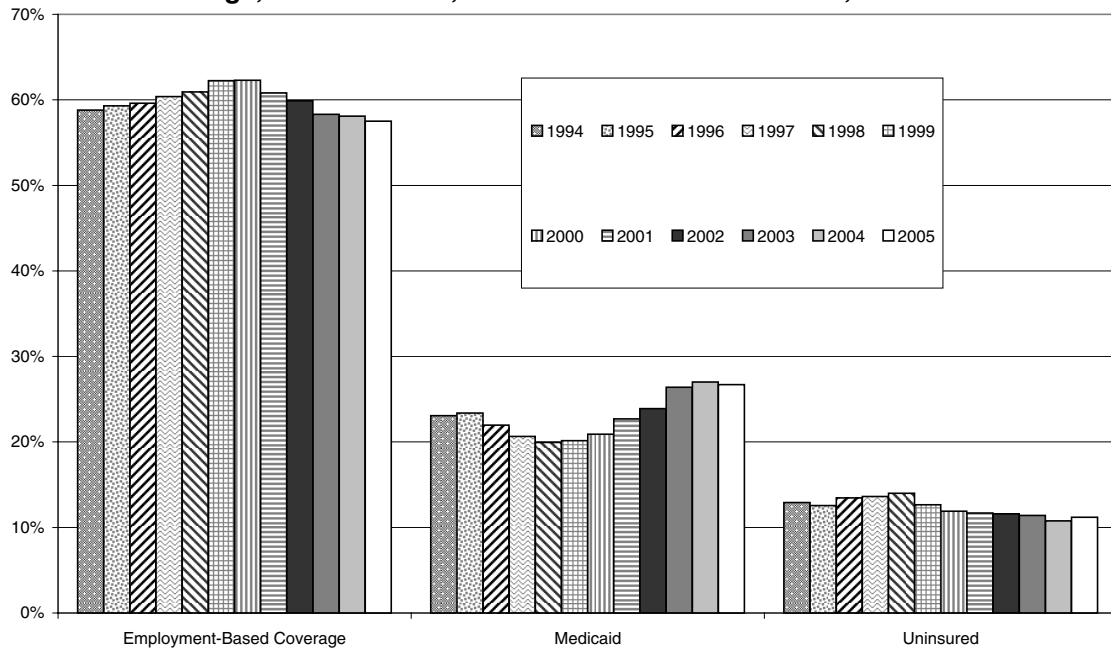
While the expansion in employment-based coverage among children during the 1990s was experienced mainly among children, the erosion in coverage since 2000 has affected both children and adults. The percentage of children with employment-based health benefits fell from 62.3 percent to 57.5 percent from 1999 to 2005, and for the first time since 1998, the percentage of uninsured children increased, rising from 10.8 percent to 11.2 percent (Figure 1). As a result of the decrease in the percentage of children with employment-based coverage and shifts in various factors affecting the likelihood of having employment-based coverage, 2.5 million fewer children were covered by an employment-based health plan in 2005, compared with 2000. Fewer children had coverage in 2005 than in 2000 for the following reasons:

- The distribution of children by family income shifted away from higher income levels to the poor.
- The distribution of children by parents' work status shifted toward fewer children in families in which the family head was employed.
- Fewer children were in families in which the family head was working full-year and full-time.
- Working family heads were less likely in 2005 than in 2000 to be employed by large firms and in manufacturing jobs, which are the private-sector firms most likely to offer health insurance.

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<sup>1</sup> Paul Fronstin is director of the Health Research and Education Program at the Employee Benefit Research Institute (EBRI), a nonprofit, nonpartisan research institute that focuses on health, retirement, and economic security issues. EBRI does not take policy positions and does not lobby. Fronstin can be reached at (202) 775-6352, [fronstin@ebri.org](mailto:fronstin@ebri.org)

**Figure 1**  
**Percentage of Children, Under Age 18, With Employment-Based Coverage, With Medicaid, and Without Health Insurance, 1994–2005**



Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995–2006 Supplements.

**Figure 2**  
**Percentage of Women Ages 18–45 Who Were in Families With Welfare Income or Who Were Employed, 1994–2005**



Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995-2006 Supplements.

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