Georgetown University
Health Policy Institute
CENTER FOR CHILDREN AND FAMILIES

Making Kids Wait for Coverage Makes No Sense in a Reformed Health System

by Tricia Brooks

A central goal of the Affordable Care Act (ACA) is near universal access to affordable health insurance through Medicaid, the Children's Health Insurance Program (CHIP), and subsidies to help purchase private coverage in the new Health Insurance Marketplaces. As states fully implement the ACA, they are modernizing the way Medicaid and CHIP do business, including re-examining whether requiring children to be uninsured for a period of time prior to enrolling is conducive to promoting administrative efficiency and advancing coverage. As a result, 22 states have eliminated their waiting periods and five (5) states have decreased their waiting periods to 90 days or less to comply with updated federal regulations.

Why do states have waiting periods?

When CHIP was created in 1997, states were required to make sure that the expanded coverage did not substitute for group health insurance. Although HHS encouraged states to adopt other mechanisms,[1] separate CHIP programs used waiting periods as their primary method of guarding against the potential for substitution, also known as "crowd-out." States that chose instead to expand Medicaid were also allowed to impose waiting periods through a Section 1115 waiver. As of January 1, 2013, 38 states had waiting periods between one and twelve months, although some states exempted certain low-income groups and waived the waiting period if children met specific good cause exceptions, such as loss of job-related insurance.[2]

How did the ACA change waiting periods?

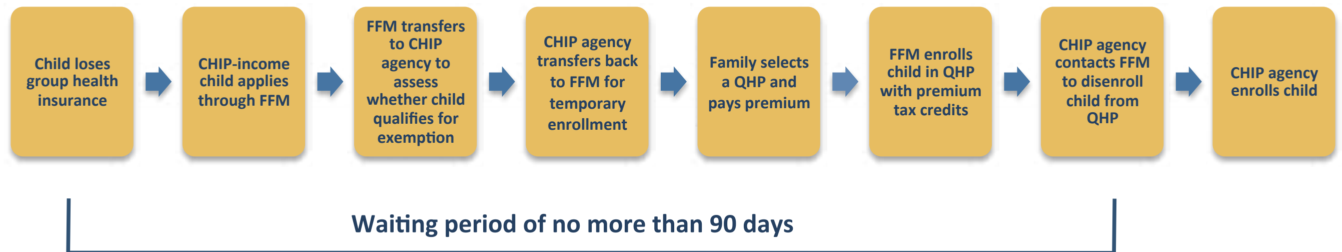
Notably, HHS has confirmed that states may eliminate existing waiting periods, although they must maintain reasonable procedures to ensure that CHIP coverage does not substitute for group health insurance. Starting in 2014, waiting periods can be no longer than 90 days. Moreover, states must waive the waiting period for specific good cause exceptions (see box) and have con-

Required Good Cause Exceptions

- The child is transitioning from Medicaid or subsidized marketplace coverage.
- The cost of covering the child in a group plan exceeds 5% of household income.
- The cost of family coverage including the child exceeds 9.5% of household income.
- The employer stopped covering dependents or dropped employee coverage.
- A change in employment (including voluntary) results in the child's loss of employer-sponsored insurance.
- The child has special health care needs
- The child lost coverage due to the death or divorce of a parent.

HHS has expressly confirmed that states may eliminate existing waiting periods.

Figure 1: Administrative Process for Child Subject to CHIP Waiting Period in FFM States



It will be challenging to coordinate continuous coverage for children subject to a waiting period in federally-facilitated marketplace (FFM) states, particularly given that enrollment in a qualified health plan (QHP) is always on a prospective basis. All 16 of the states maintaining waiting periods use the FFM.

Given the administrative complexity of transitioning children between coverage options, gaps in coverage and coordination issues are inevitable.

tinuing flexibility to adopt additional exceptions.[3]

HHS also established new requirements for states to track children subject to a waiting period and take steps to enroll the child in CHIP after the waiting period has been fulfilled. In the meantime, these children may be may be enrolled through the Marketplace in a subsidized qualified health plan,[4] although gaps in coverage and coordination issues are inevitable.

Why should states consider eliminating their waiting periods?

The impact of waiting periods calls into question their practicality and relevance going forward.

- **Waiting periods can be harmful to children's healthy development**. Any gap in coverage created by a waiting period or the administrative process to transfer children between different coverage options can be harmful to child health and development, particularly for the very young. Research is clear that uninsured children have less access to medical care, especially primary care, and as a result, they may receive inappropriate and more costly care in emergency rooms or forego needed care altogether.[5]
- **Administering waiting periods will be costly and inefficient**. Determining eligibility is complicated by waiting periods and requires an added level of coordination between the Marketplace and CHIP. Even with well-oiled eligibility and enrollment processes, bouncing kids between CHIP and the marketplace is not an efficient or effective use of state and federal resources (see Figure 1).
- **There is no clear evidence that waiting periods help reduce crowd-out**. Studies on crowd-out are inconclusive and contradictory; some show little evidence that waiting periods reduce crowd-out and others show an inverse relationship between waiting periods and crowd-out. [6] In fact, a recent Congressionally-mandated evaluation of CHIP estimated that direct substitution of group health insurance at the time of enrollment was 4 percent.[7]

Waiting periods make no sense when the goal is to create near universal access to continuous coverage and families are penalized for not having insurance. Given the administrative complexity of transitioning children between coverage options, it is virtually impossible to ensure that they will not face a gap in coverage. Although that gap may be short enough not to result in a penalty, no child should be at any risk of interrupted health care access in a reformed health system.

Length of Time a Child is Required to be Uninsured Prior to Enrollment[1]
January 2013 and January 2017

State	⊘ States Eliminating ↓ States Reducing	January 2013 Waiting Period	January 2017 Waiting Period	Income-Related Groups Exempt from Waiting Period (Percent of the FPL)
	⊘ 22 ↓ 5	38	16	
Alabama	⊘	3 months	None	
Alaska		None	None	
Arizona		3 months	None	
Arkansas[2]	↓	6 months	90 days	
California	⊘	3 months	None	
Colorado	⊘	3 months	None	
Connecticut	⊘	2 months	None	
Delaware	⊘	6 months	None	
District of Columbia		None	None	
Florida		2 months	2 months	
Georgia	⊘	6 months	None	
Hawaii		None	None	
Idaho	⊘	3 months	None	
Illinois[3]	See Note	None	90 days	Below 209%
Indiana		3 months	90 days	
Iowa		1 month	1 month	Below 200%
Kansas	↓	8 months	90 days	Below 200%
Kentucky		6 months	None	
Louisiana	↓	12 months	90 days	
Maine		3 months	90 days	
Maryland	⊘	6 months	None	
Massachusetts	⊘	6 months	None	
Michigan	↓	6 months	90 days	
Minnesota[2]	⊘	4 months	None	
Mississippi		None	None	
Missouri	⊘	6 months	None	
Montana	⊘	3 months	None	
Nebraska		None	None	
Nevada	⊘	6 months	None	
New Hampshire		None	None	
New Jersey		3 months	90 days	Below 200%
New Mexico	⊘	6 months	None	
New York	⊘	6 months	None	Below 250%
North Carolina		None	None	
North Dakota	↓	6 months	90 days	
Ohio		None	None	
Oklahoma [4]		None	None	
Oregon	⊘	2 months	None	
Pennsylvania	⊘	6 months	None	
Rhode Island		None	None	
South Carolina		None	None	
South Dakota		3 months	90 days	
Tennessee	⊘	3 months	None	
Texas		3 months	90 days	
Utah		3 months	90 days	
Vermont		None	None	
Virginia	⊘	4 months	None	
Washington	⊘	4 months	None	
West Virginia	⊘	3 months	None	
Wisconsin		3 months	90 days	Below 151%
Wyoming		1 month	1 month	

SOURCE: Based on a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured with the Georgetown University Center for Children and Families, 2017.
Table presents rules in effect as of January 1, 2017.

Table Notes

1. "Waiting period" refers to the length of time a child is required to be uninsured prior to enrolling in health coverage. They generally apply to separate CHIP programs only, as waiting periods are not permitted in Medicaid without a waiver. Exceptions to the waiting period vary by state. In addition to the income exemptions shown, specific categories of children (for example, newborns or children with special health care needs) and those with job loss or "unaffordable" coverage may also be exempt from the waiting periods.
2. In Arkansas and Minnesota, the waiting period only applies to those covered under their 1115 waivers.
3. Under CHIP, Illinois imposed a 3-month waiting period for children between 133% and 200% FPL but used state funds to provide coverage during this period. Children under 209% continue to have no waiting period. In 2013, Illinois also expanded CHIP coverage to children between 209% and 300% FPL. Those children, who were covered previously by state funds in this income group, were subject to a 12-month waiting period, which has now been lowered to 90 days.
4. Oklahoma has a 6-month waiting period in its Insure Oklahoma premium assistance program.

This brief is an update to a previous version written by Tricia Brooks and Martha Heberlein in December 2013.

Endnotes

1. 66 Fed. Reg. 2490-2688 (January 11, 2001).
2. M. Heberlein, *et al.*, "Getting into Gear for 2014: Findings from a 50-State Survey of Eligibility, Enrollment, Renewal, and Cost-Sharing Policies in Medicaid and CHIP, 2012-2013," Kaiser Commission on Medicaid and the Uninsured (January 2013).
3. 78 Fed. Reg. 42160-42322 (July 15, 2013).
4. Ibid.
5. For example, see A. Cassedy, G. Fairbrother, & P. Newacheck, "The Impact of Insurance Instability on Children's Access, Utilization, and Satisfaction with Health Care," Ambulatory Pediatrics, 8(5): 321-328 (September-October 2008); and J. DeVoe, *et al*., "'Mind the Gap' in Children's Health Insurance Coverage: Does the Length of a Child's Coverage Gap Matter?," Ambulatory Pediatrics, 8(2): 129-134 (March 2008).
6. S. Hoag, *et al*., "Children's Health Insurance Program: An Evaluation (1997-2010): Interim Report to Congress," Mathematica (December 2011).
7. M. Harrington, *et al.*, "CHIPRA Mandated Evaluation of the Children's Health Insurance Program: Final Findings," Mathematica Policy Research and the Urban Institute (August 2014).