

# Public health insurance offers insured infants better, less costly care than private plans

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In the fierce national debate over a new federal law that requires all Americans to have health insurance, it's widely assumed that private health insurance can do a better job than the public insurance funded by the U.S. government.

But a first-of-its-kind analysis of newly available [government data](#) found just the opposite when it comes to [infants](#) covered by [insurance](#).

Among the insured, infants in low-income families are better off under the nation's government-funded [public health insurance](#) than infants covered by private insurance, says [economist](#) and study author Manan Roy, Southern Methodist University, Dallas. The finding emerged from an analysis that was weighted for the fact that less healthy infants are drawn into public [health insurance](#) from birth by its low cost.

The finding is surprising, says Roy, because the popular belief is that [private health insurance](#) always provides better coverage. Roy's analysis, however, found public health insurance is a better option — and not only for low-income infants.

"Public health insurance gets a lot of bad press," says Roy. "But for infants who are covered by health insurance, the government-funded insurance appears to be more efficient than private health insurance — and can actually provide better care at a lower cost."

Why?

"Private health insurance plans vary widely," Roy says. "Many don't include basic services. So infants on more affordable plans may not be covered for immunizations, prescription drugs, for vision or dental care, or even basic preventive care."

The U.S. doesn't have a system of universal health insurance. But the Patient Protection and Affordable Care Act signed into law by President Obama on March 23, 2010, requires all Americans to have health insurance. The act also expands government-paid free or low-cost Medicaid insurance to 133 percent of the federal poverty level.

"Given the study's surprising outcome, it's likely that the impact of national reforms to bring more children under public health insurance will substantially improve the health of infants who are in the worst health to begin with," Roy says. "It's likely to also help infants who aren't low-income."

Roy presented her study, "How Well Does the U.S. Government Provide Health Insurance?" at the 2011 Western Economic Association International Conference, San Diego. Roy is a Ph.D. student and an adjunct professor in SMU's Department of Economics.

## **Study weighted to account for less healthy infants covered under public health insurance**

A large body of previous research has established that insured infants are healthier than uninsured infants. Roy's study appears to be the first of its kind to look only at insured infants to determine which kind of insurance has the most impact on infant health — private or public.

Roy found:

- Infants covered by public insurance are mostly from disadvantaged backgrounds. Those under Medicaid and its sister program — CHIP — come mostly from lower-income families. Their parents — usually black and Hispanic — are more likely to be unmarried, younger and less educated. Economists refer to this statistical phenomenon — when a group consists primarily of people with specific characteristics — as strong positive or negative selection. In the case of public health insurance, strong negative selection is at work because it draws people who are poor and disadvantaged.
- Infants on public health insurance are slightly less healthy than infants on private insurance. On average they had a lower five-minute Apgar score and shorter gestation age compared to privately insured infants. They were less likely to have a normal birth weight and normal Apgar score range, and were less likely to be born near term.
- Infants covered by private health insurance are mostly from white or Asian families and are generally more advantaged. They are from higher-income families, with older parents who are usually married and more educated. Their mothers weigh less than those of infants on public insurance. This demonstrates strong positive selection of wealthier families into private health insurance.
- Roy then compared the effect of [public insurance](#) on infant health in relation to private health insurance. To do that, she used an established statistical methodology that allows economists to factor negative or positive selection into the type of insurance. In comparing public vs. private insurance — allowing for strong negative selection into public health care — a different picture emerged.

"The results showed that it's possible to attribute the entire detrimental effect of public health insurance to the negative selection that draws less healthy infants into public health insurance," Roy says.

In fact, in a most striking revelation, allowing for a modest to significant amount of negative selection of infants into public health insurance, Roy's findings suggest that among the insured population of infants, private health insurance is detrimental to child health.

"The real surprise with these findings is that despite a less healthy population —due to the negative factors created by poverty — public health insurance is actually improving the health of these infants," Roy says.

## **Public health insurance provides more comprehensive benefits**

The findings are less surprising upon deeper analysis.

- A previous study by the nonpartisan Center on Budget and Policy Priorities sheds light on Roy's research. That group found that public health insurance provides more comprehensive benefits than private insurance. For example, all children on Medicaid and CHIP receive preventive and primary medical care, inpatient and outpatient care, pediatric vaccines, laboratory and X-ray services, prescription drugs, immunizations, and dental, vision and mental health care coverage.
- The Medical Expenditure Panel Survey collected by the U.S. Department of Health and Human Services found that on a per person basis, government-provided health insurance for children under 4 years old is cheaper on average compared to private health insurance plans.

"Enrollees in private health insurance can choose from a wide variety of plans," Roy says. "Those who cut their costs by purchasing less coverage are reducing their access to quality care, including basic services like preventive care, prescription drugs, and vision and dental care."

Roy says she can only speculate why infants from advantaged and disadvantaged families differ in their health outcomes. It's possible, however, that infants from families that are better off have access to better nutrition, a healthier lifestyle and possibly safer, cleaner neighborhoods than those from poorer backgrounds.

"Poor families and their infants may be subsisting on cheap food, for example, which tends to be fatty and less nutritious," Roy says, "and that translates to worse health."

## **Study relied on new U.S. government data on thousands of infants**

Roy's statistical analysis drew on data from more than 7,500 infants born in 2001. The data were the most recent available from the Early Childhood Longitudinal Study-Birth Cohort, released by the National Center for Education Statistics, U.S. Department of Education.

The Early Childhood Longitudinal Study follows children born in the United States from birth through the start of kindergarten. Children are from diverse socioeconomic and racial/ethnic backgrounds. Data were gathered from parents, teachers and providers of child care and early education.

Data collected cover children's health, care, education and cognitive, social, emotional and physical development over time. Included are standard infant health measures like length, infant weight, five-minute

Apgar score, and the number of weeks the child was in the womb, which is considered an indicator of birth weight.

Poor families living at or below 185 percent of the federal poverty level represented 49 percent of Roy's data set.

Demand for public health insurance has increased during the past decade, says Roy, while demand for private insurance has declined. Specifically, between 1999 and 2009 there was an increase in the overall proportion of children under 3 years of age who were insured. Of those, the proportion covered by [private insurance](#) declined. The proportion covered by [public health](#) insurance increased.

Other researchers have firmly established that infants who are covered by health insurance have timely access to quality care, Roy says. Expanding access could reduce, for example, the number of infants born with low birth weight, which is associated with chronic medical diseases like diabetes, hypertension and heart disease in adulthood. Low birth weight also has been linked to lower average scores on tests of intellectual and social development.

The United States has the highest infant mortality rate among developed nations due to low birth weight and is the only industrialized nation without universal health insurance. The U.S. Supreme Court has agreed to hear a legal challenge to the Obama administration's new law requiring everyone have health insurance.

Provided by Southern Methodist University

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