Labor and Population

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Do Immigrant Children Use Medicaid Differently?

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The foreign-born percentage of the U.S. population has increased dramatically over time, rising from nearly 5 percent in 1970 to almost 8 percent in 1990. As the number of immigrants continues to increase, there are growing concerns about the cost of providing social services for them.

Nowhere is this concern more acute than for Medicaid. Designed as a system of public health insurance for poor women and children, Medicaid is one of the most costly social programs available to families of immigrants, with the government spending about $5.5 billion on payments to them in 1990. Moreover, Congress expanded eligibility beginning in 1984, ultimately requiring states to extend Medicaid coverage to other groups of children. By 1992, states were required to cover children below age 6 in families with incomes up to 133 percent of the federal poverty line and children between ages 6 and 19 with family incomes up to 100 percent of the poverty line. States also could cover infants up to 185 percent of the poverty line. The end result is that the percentage of children eligible for Medicaid coverage has doubled, rising from around 16 percent in 1984 to about 32 percent in 1992.

These population and cost figures suggest that it is critical to understand if there are differences in how immigrants use Medicaid. In this study, Janet Currie documents differences in the effects of Medicaid eligibility on children of immigrants and on children of the native born, using data from the 1989 and 1992 waves of the National Health Interview Survey (NHIS) to examine the effects on both formal health insurance coverage and on the utilization of care.

ARE MORE IMMIGRANT CHILDREN ELIBIGLE?

Based on the analysis of NHIS data, Currie shows that children of immigrants are more likely than other children to be eligible for Medicaid. More specifically, she finds that 35 percent of immigrant children are Medicaid-eligible compared to 21 percent of native-born children. The 35 percent figure rises to 42 percent for the states that have high inflows of immigrants and to 47 percent among children of new immigrants—children with at least one parent who immigrated less than 10 years ago. This result is consistent with previous research into cash assistance programs, such as Aid to Families with Dependent Children, which suggests that because immigrants tend to be poorer than the native born, their children are more likely to be eligible.

DOES ELIGIBILITY INCREASE COVERAGE?

Despite these higher eligibility levels, the analysis shows that eligibility expansions during the 1980s and 1990s appear to increase coverage only among native-born children. In part, eligible immigrants are less likely to become covered because they face higher "transaction costs." Such costs range from the difficulty of completing the needed Medicaid applications, to the fear of harassment by authorities, to the difficulty of actually getting to an enrollment center. Given these transaction costs, immigrant parents with an eligible child may choose to forgo the cost and remain uncovered, knowing that acute care will be provided under the Medicaid program as necessary even if they are not formally covered when the services are rendered.

The analysis reveals some evidence that the transaction costs of applying for Medicaid do indeed matter, since children in larger families are more likely to be covered than other children. (Transaction costs imply that there are economies of scale involved in applying for Medicaid.) Also, children in central cities where it may be easier to apply are more likely to be covered. Finally, there seems to be a strong seasonal effect: Medicaid coverage falls in winter and spring relative to summer and fall. This pattern suggests that many parents sign up for Medicaid

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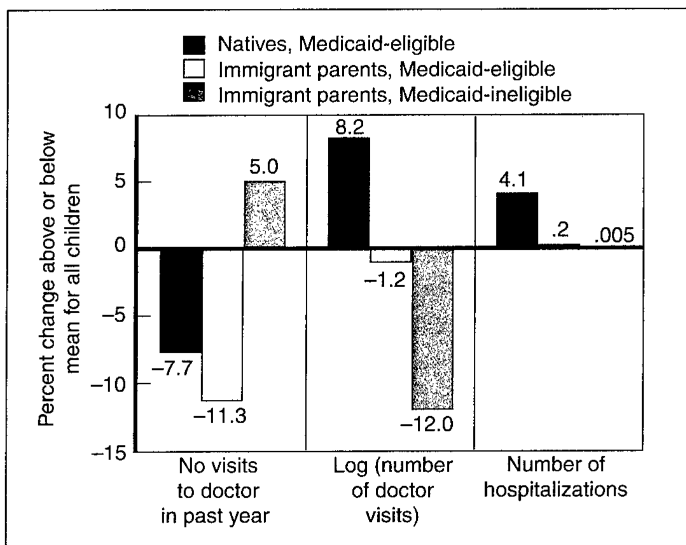
in summer and fall to get routine care, such as immunizations that schools mandate. Then, six months later when children must be recertified (in most states), the parents do not renew the child's coverage.

DOES ELIGIBILITY INCREASE UTILIZATION?

The eligibility expansions mentioned above have very different effects on the utilization of care, suggesting that a narrow focus on coverage can lead to misleading assessments of the costs and benefits of extending eligibility. These effects are illustrated in the figure below. It shows the percentage change—above or below the mean for all children—in three different utilization measures for three groups: all native-born Medicaid eligibles, immigrant parents who are Medicaid eligible, and immigrant parents who are not Medicaid eligible. When we look at the probability that a child went without a doctor's visit in the past 12 months (the first three bars), we see that becoming eligible is associated with an increase in the utilization of care. Whereas children of immigrants who are not Medicaid eligible are more likely than other children to do without a doctor's visit, Medicaid eligibility reduces the probability of doing without care among children of both natives and immigrants.

Moving across the figure, we see that children of immigrants have fewer doctor's visits than children of the native born. However, becoming Medicaid-eligible



increases the number of doctor's visits among both groups, given that they had at least one visit.

Finally, on the far right of the figure, we see that while children of immigrants are slightly less likely to be hospitalized than other children, becoming eligible for Medicaid increases hospitalizations only among children of the native born. This result is hard to interpret because hospitalizations are likely to reflect supply and demand factors. For example, immigrants may tend to live near hospitals that supply indigent care, whereas children of the native born may tend to live near hospitals that primarily treat the insured. In this case, increases in Medicaid eligibility among previously uninsured children would increase access to hospital care among the native born but not among immigrants. It is also possible that some changes in hospitalization patterns associated with changes in insurance coverage reflect increases in unnecessary hospitalizations.

IMPLICATIONS FOR POLICYMAKERS

These findings have some significant implications for policymakers. Among immigrants, the main effect of becoming eligible for Medicaid was to reduce the number of children going without any doctor's visits. In 1997, there were 12 million children in the United States with at least one immigrant parent. Assuming, based on the analysis, that 35 percent of these children are eligible for Medicaid, then if Medicaid eligibility causes 11 percent of these children to receive an additional doctor visit at a cost of $50 per visit, the total bill would be approximately $2.3 million per year.

Thus, the marginal cost of extending Medicaid eligibility to children of immigrants appears to have been small. These results do not imply that the total cost of providing Medicaid to immigrant children is insignificant; as discussed above, the United States has been spending on the order of $5.5 billion per year on Medicaid payments for children of immigrants. The key point is that reducing Medicaid eligibility for these children will not necessarily save money as long as children remain eligible for costly emergency care. In fact, costs could increase if lack of preventive care eventually increases the number of emergency cases.

RAND research briefs summarize research that has been more fully documented elsewhere. This brief describes work carried out in the Population Research Center within RAND's Labor and Population Program under a grant from the National Institute of Child Health and Human Development. That work is documented in "Do Children of Immigrants Make Differential Use of Public Health Insurance?" by Janet Currie, in Issues in the Economics of Immigration, *G. Borjas (ed.), University of Chicago Press, 1999; it is also published as DRU-1461-RC, available from RAND Distribution Services (Telephone: toll free 877-584-8642; FAX: 310-451-6915; or Internet: order@rand.org). Abstracts of all RAND documents may be viewed on the World Wide Web (http://www.rand.org). RAND® is a registered trademark. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.*

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