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Title: Private Insurance and Outcomes for Children with Asthma

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Little attention has focused on barriers to coverage among the privately insured children, although, a large portion of the American children are covered under private insurance. Employment based and private health insurance covers approximately 63% of children under age 19 in the U.S. However, there has been a recent trend to deteriorating private coverage with increased premiums, deductibles and out-of-pocket responsibilities, and these changes may have a dramatic impact on children's health. Our study uses a unique longitudinal dataset that contains information on a large group of privately insured children with asthma, and their families. We first determine how changes in prescription drug cost sharing affect adherence to prescription drug therapy for asthma among the privately insured asthmatic children. Next we identify the effect of prescription drug cost sharing on inpatient and outpatient spending among these chronically ill children. In both sets of analyses, we control for other health plan characteristics, child's own characteristics, co-morbid conditions, general family characteristics, and the out-of-pocket burden of other family members.

This study is the first to analyze directly the impact of private insurance coverage generosity, separate from the impact of insurance enrollment on chronically ill children's prescription adherence, and the subsequent use of other health services. Second, our findings shed light on the recent developments in the economics literature relating to multi-good insurance, and its implications for children's health by estimating the degree to which prescription drugs, inpatient and outpatient services are substitutes or complements for chronically ill children.

Overall, although the study is limited to the privately insured children most likely of middle and upper income families, it has significant policy implications for the optimal design of private and public insurance. There may be important market failures that affect prescription drug adherence and subsequent health outcomes of children regardless of income status. For example, non-portability of health insurance restrains possibilities to select more or less generous coverage through job changes. Purchasing more generous coverage either through the individual market or coverage under a new employer in most cases is subject to pre-existing condition exclusions as well as waiting periods. These constraints are especially pronounced for those with chronic conditions. In addition, our findings have the potential to inform policy by providing evidence as to the need for and effectiveness of various policy proposals such as benefit design mandates for children, government provision of insurance and eligibility criteria for children.