Medicaid Is a Lifeline for Many Working Families

Population Health Sciences

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Editor's Note: This post is part of a series exploring the role Medicaid plays in the health of children, families and communities. Our experts will examine the data, share timely research, and outline policy details related to the importance of the program for different populations. ***Click here*** *to explore more posts in the series.*

Medicaid coverage is a lifeline for tens of millions of working families in the United States. Though 49% percent of children get their health insurance coverage as dependents on their parents' employer-sponsored insurance (ESI), this number has been trending downward for 20 years. One of the drivers of this trend is the rising cost of ESI.

Our research has shown that Medicaid and the Children's Health Insurance Program (CHIP) increasingly allow millions of children in working families to maintain affordable coverage and access high-quality health care services. Cuts to the Medicaid program would make working families less economically secure while also making it harder for their children to access the services they need.

Medicaid is critical for families when employer coverage is out of reach

While it was once the case that parents who worked full time could count on being offered family health insurance by their employer, that has changed over time. Nearly half of U.S. adults in the private sector work for a small business where an offer of health insurance isn't a given. Even among those who work for large companies, access to ESI differs by sector; employees in retail, service sector, agriculture, and construction positions are less likely to be eligible for ESI, even when they work full time. For these families, Medicaid is essential for covering kids and, depending on where they live, parents.

It's impossible to discuss why Medicaid is so important to working families without highlighting the rapidly growing costs of ESI. Between 2014 and 2024, annual premiums for employer-based family coverage increased from around $16,800 to more than $25,500, with about 25% of that cost falling to families. Furthermore, high deductibles (the amount families pay toward health care costs before insurance begins covering expenses) have become a norm. As of 2024, 87% of families with ESI were responsible for a deductible, and the average deductible for family coverage was $2,770. For families in a high-deductible plan, the average amount was a staggering $4,990.

The rising cost of ESI has turned it into a growing financial burden for many working families. Imagine a family of four: two parents and two children. If both parents worked 35-hours per week earning $15 per hour, which is more than twice the federal minimum wage, that would earn the household about $52,000 per year. If that family opted for typical ESI coverage, they could conservatively expect to spend more than $9,000 between premiums and deductibles. Alternatively, these children could instead qualify for public health insurance in most states with minimal (if any) premiums and very low cost sharing.

Our research has examined how working families think about Medicaid for children's coverage, in light of the rising cost of ESI. Looking at data from 2008 to 2016, we found that an increasing share of working families enrolled their children in Medicaid over time. This included not only low-income families, but a growing share of middle-income families as well. Critically, we found that while the shift to public insurance was highest among families working at small businesses, even families working at large companies were increasingly enrolling their children in public insurance.

Medicaid's robust pediatric benefits package protects against underinsurance

1 in 3 children in the United States is underinsured (that is, covered by health insurance that has unreasonable costs or doesn't meet their needs). Underinsurance places children at risk of receiving lower quality care, forgoing care and having unmet health needs. Children with private insurance are twice as likely to be underinsured as their peers with public coverage. Building on this, our own research showed that families just above the cutoff for public insurance were more likely to report underinsurance, suggesting that even those who don't qualify for Medicaid based on income felt the pressure of costs from private coverage. Federal cuts to Medicaid funding have potential to undermine the economic stability of working families by making them more vulnerable to underinsurance. If children in working families lose Medicaid eligibility, it would leave them with few options for affordable and comprehensive children's coverage.

Compared to private insurance coverage, Medicaid's benefits package was designed with children in mind to allow children with public insurance to receive preventive and treatment services that they need to grow into healthy, productive adults. PolicyLab research examined caregiver-reported experiences with Medicaid and ESI for children in working families and found that Medicaid and CHIP provide greater accessibility to care than private ESI coverage.

Medicaid supports improved health of the whole family

The impact of Medicaid on working families goes beyond children's coverage. Medicaid expansions under the Affordable Care Act (ACA) made adults eligible for Medicaid up to 138% of the federal poverty level (FPL), allowing millions of parents to obtain Medicaid coverage for the first time. For many of these individuals, this shift allowed them to access health care services they had previously avoided.

The effects of parental Medicaid coverage, however, extend to the whole family; when parents have health insurance, children fare better as well. Parents who gained Medicaid eligibility under expansions had better mental health and indicated improved family functioning. The children of parents that gained Medicaid eligibility under the ACA expansions are more likely to have preventive care visits and experienced lower rates of child neglect. There is also evidence that ACA expansions allowed parents to change jobs instead of tying them to a job that provided health insurance.

Some current and past efforts to reduce Medicaid spending have suggested imposing work requirements on Medicaid recipients. Studies have found that Medicaid work requirements do not increase employment and may result in administrative burdens that lead working families to lose coverage, due in part to confusing administrative processes and lack of awareness of the requirements. Furthermore, evidence suggests that when parents lose Medicaid coverage, their children may lose their Medicaid coverage as well even when they remain eligible. Even without work requirements, evidence shows that 92% of adults currently covered by Medicaid are already employed (or can't work due to caregiving responsibilities, disabilities, or participation in educational or training programs).

Medicaid is a vital part of how the United States has maintained low rates of pediatric uninsurance even as the national landscape of pediatric coverage has shifted. We can continue to support working families by ensuring that children and parents don't lose access to Medicaid coverage that shields them from burdensome health care costs while letting them access the care they need to thrive.

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