

# Parental Responses to Social Insurance for Children: Evidence from CHIP

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## Abstract

This paper estimates the responses of in-utero investments to a large expansion of children's insurance following the roll-out of the Children's Health Insurance Program (CHIP) in 1997-2000. Pregnant mothers exposed to greater insurance expansions invested more in utero. The investments improved the birth and education outcomes of the child. The timing of investments is consistent with a 14.4% reduction in the present bias of mothers exposed to the roll-out of CHIP. Due to high willingness to pay for birth weight, mothers value the exposure as much as expansions of own insurance. Effects on college enrollment predict earnings and tax payments that recoup 7.7% of the program cost in childhood. The private and social benefits provide strong motivations for outreach efforts engaging parents in children's insurance programs.

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# Introduction

The importance of health care access for the development of future generations has come under increasing attention from scholars and policy makers. In the US, since the inception of Medicaid in 1965, social insurance programs have covered children and generated large benefits to children in terms of health and human capital ([Currie and Duque, 2019](#)), thereby shaping the life-cycle trajectory of the child. The life-cycle benefits are the key rationale for providing social insurance for children.

While targeting children, social insurance relies on the behavior of parents to enroll children and to invest in the child. In low-income families, if parents are unresponsive to insurance opportunities for the child, or respond by substituting away from private investments, then the net benefit of insurance tends to decrease due to parental responses. Despite serving the critical role of agency for children's insurance programs, parents have seldom been the focal point of studies on children's insurance programs. As a result, there has been limited evidence on how parents respond to children's insurance, the impacts of the responses on child outcomes, or the implications for the long-run efficiency of the insurance.

In this paper, I provide evidence on these open questions exploiting a large expansion of children's insurance due to the roll-out of the Children's Health Insurance Program (CHIP) in 1997-2000. Costing the federal government \$40 billion in ten years, CHIP expanded insurance eligibility to nearly 200% federal poverty level (FPL) for all children between age 0 and 18, increasing expected coverage years from 3 years to 6 years of childhood. Unlike the traditional Medicaid insurance, CHIP expanded insurance specifically for children without also expanding insurance for adult parents including pregnant mothers. I examine the investments of pregnant mothers in response to children's insurance eligibility during the roll-out of CHIP to understand parental responses to social insurance for children.

I arrive at three conclusions from the empirical analysis. First, pregnant mothers exposed to greater expansions of CHIP improved the timely onset of pre-natal visits and smoked less during pregnancy. The investments increased birth weight before the onset of CHIP. Second, CHIP exposure increased investments by lowering the present bias of mothers. Mothers value the exposure as much as expansions of own insurance due to the benefits of investments on birth weight. Finally, the exposure increased the college enrollment of children. The projected life-cycle earning benefits imply higher tax payments that allow the government to recoup 7.71% of the program costs from in-utero exposure to CHIP alone.

To motivate the investment responses, I model CHIP as lowering the health expendi-

tures of parents when investing in a low-health child. The insurance allows for greater investments in the low-health child, narrowing the gap in child outcomes by child health. As a result, CHIP may lower the incentive of in-utero investments due to smaller utility loss from a low-health child. Empirically, I find overwhelming evidence of an investment “crowd-in,” suggesting the existence of countervailing response channels in addition to moral hazard. I motivate and find support for a behavioral effect on the present bias of mothers as the leading mechanism.

My empirical analysis exploits two sources of variations generated by the CHIP roll-out. First, pregnant mothers exposed to CHIP in later stages of the pregnancy have a smaller window of exposure to CHIP. Second, mothers in states expanding insurance to higher income levels are exposed to greater expansions of CHIP. To capture both variations, I calculate in-utero exposure to CHIP using the average income limit during pregnancy. By construction, in-utero exposure is larger in states expanding insurance to higher income levels, and for pregnant mothers exposed to CHIP earlier in the pregnancy. I therefore examine the dose response of investments to different levels of in-utero exposure to CHIP.

I find that CHIP exposure leads to less smoking during pregnancy, earlier onset of pre-natal visits, and higher birth weight. These effects are concentrated among single mothers exposed to CHIP since the first trimester or earlier. Specifically, expanding insurance by 100% FPL reduces smoking by 7%, lowers late onset of pre-natal visits by 7%, but does not significantly increase the number of pre-natal visits. Overall, the expansion increases birth weight by 11 grams. By contrast, CHIP exposure has no significant effects on children of married mothers with low predicted eligibility for CHIP.

To understand mechanisms, I examine and rule out mother’s insurance, income, and belief about investment returns as drivers of the crowd-in. Instead, the responses are consistent with more future-oriented thinking and higher altruism for the child. I quantify the behavioral effects using a dynamic model of in-utero investments, where optimal investments depend on mother’s altruism and her inter-temporal preferences over investments and birth weight. The timing of pre-natal visits suggests that exposure to the roll-out of CHIP lowered the present bias of mothers by 14.4%. Consistent with a weak response in the number of visits, CHIP exposure had little effect on mother’s altruism.

The structural model uncovers highly heterogeneous responses across mothers. Investments increased the most among the 9.58% of mothers with the strongest taste for smoking. Two mechanisms drive this result. First, the marginal benefit of pre-natal visits increases with smoking, implying that smokers optimally take more visits to mitigate the cost of smoking on birth weight. Second, mothers with the strongest taste for smoking also have the largest return to investments, reinforcing the benefit of visits and the cost of

smoking on birth weight. As a result, the increase in birth weight is concentrated among children of high-smoking mothers.

Turning to welfare, I quantify mother's willingness to pay (WTP) for CHIP exposure comparing her utility with and without exposure to CHIP. I find that a substantial part of the WTP reflects mother's WTP for birth weight, and the utility gain from birth weight alone is sufficient to offset the cost of the exposure measured by program outreach. Net of investments, WTP is 69% of the spending on outreach, placing the marginal value of public fund (MVPF) for CHIP exposure in the same range as Medicaid expansions to low-income adults ([Hendren and Sprung-Keyser, 2020](#)). This result implies that exposure to children's insurance can improve parental utility as effectively as insurance expansions for parents themselves, consistent with high WTP for child outcomes.

To the extent that WTP may understate the social benefit of exposure on the cost of insurance, I estimate the long-run effect of exposure on college enrollment, and predict future tax payments of the child to calculate the fiscal externality on the government budget. I estimate the effect on education outcomes following the initial CHIP cohorts over time in the American Community Survey (ACS). In-utero exposure to the roll-out of CHIP increased college enrollment by 1.13 percentage points among children of single mothers, predicting a life-cycle earning gain of \$1,013.16 per child. Due to the earning benefits, the government collects \$191.49 more in tax payments per child, recouping 7.71% of the program investments from in-utero exposure to CHIP.

These findings illustrate how parental responses to social insurance determine the ultimate effects of insurance on children. Positive investment responses not only improve child outcomes before enrollment, but have long-run implications for program efficiency through improved outcomes in adulthood. Investigations into the mechanism of the responses reveal that parents have high WTP for child outcomes, but may suffer from behavioral biases resulting in under-investments in the short run. For children's insurance programs, the private and social benefits of exposure provide strong motivations for outreach efforts that foster positive investment responses from parents.

This paper contributes to the literature on the effect of social insurance on children by highlighting parental responses as a key pathway for the effects. While numerous studies have shown beneficial effects of Medicaid expansions on children ([Currie and Gruber 1996a](#); [Currie and Gruber 1996b](#); [Goodman-Bacon 2018](#)), less is known about how private investments respond to public insurance for children, or whether these investments improve child outcomes over and above the direct effect of insurance. This paper shows that information of future insurance benefits improves investments and long-run outcomes of the child, so that optimal insurance for children should foster

private investments from parents. Similar roles of parental responses are emphasized in early-childhood interventions ([Heckman and Mosso, 2014](#)), where programs improving parenting skills through information and preference change are shown to have larger impacts on child outcomes than simple transfer policies.

This paper also contributes to a growing literature that evaluates the welfare of social insurance programs using beneficiaries' WTP for the insurance ([Finkelstein and Hendren 2020](#); [Finkelstein \*et al.\* 2019a](#); [Finkelstein \*et al.\* 2019b](#)). The focus on WTP allows for an empirical characterization of mother preferences without imposing strong normative assumptions. Here, I quantify the WTP using the behavioral effects of CHIP estimated from investment responses. In doing so, I also contribute to the literature on structural behavioral models, and in particular models of dynamic inconsistencies and self control ([Laibson 1997](#); [O'Donoghue and Rabin 1999](#); [DellaVigna and Malmendier 2006](#); [Duflo \*et al.\* 2011](#); [Sadoff \*et al.\* 2020](#)), with new evidence from parental investments.

Lastly, this paper relates to the literature harnessing behavioral insights to improve the effectiveness of social policies. The existence of short-term bias despite high WTP for child outcomes suggests that policies such as taxes or subsidies ([Herrnstein \*et al.\* 1993](#); [Gruber and Köszegi 2001](#); [O'Donoghue and Rabin 2006](#)) could be employed to encourage investments. In the absence of these policies, however, responses to the exposure of CHIP illustrate the potential of behavioral nudges ([Thaler and Sunstein, 2008](#)) in combating the bias by shifting parental utility towards future benefits to the child. I therefore contribute to a growing evidence base on the effects of nudging applications in social policies (see [Benartzi \*et al.\* 2017](#) for a survey), finding large welfare gains for in-utero exposure to CHIP.

The rest of the paper proceeds as follows. I introduce the Children's Health Insurance Program in Section 1, motivate the investment responses to CHIP exposure in Section 2, and describe the data in Section 3. Section 4 presents reduced-form evidence on the investment responses and explores mechanisms. Section 5 estimates the long-run effects on education outcomes. Section 6 quantifies the behavioral effects and evaluates welfare using a structural model of in-utero investments. Section 7 concludes.

## 1 Children's Health Insurance Program

The Children's Health Insurance Program, or CHIP, was created by the Balanced Budget Act (BBA) of 1997 under a new Title XXI of the Social Security Act. Title XXI, which became effective on Oct. 1st, 1997, offered states the option to enroll uninsured children ineligible for Medicaid either through an expansion of the existing Medicaid program or by establishing a separate insurance program for children. States opting for either type

of expansion were eligible for federal funding totaling \$40 billion in the first ten years of Title XXI (FY1998-FY2007). States can only use the funding to expand insurance for children (age 0 to 18), but not adult parents.

Nearly all states expanded insurance for children between 1997 and 2000.<sup>1</sup> Table 1 lists the timing of CHIP onset by states, along with changes in the income limit of the program by different age groups of the child.<sup>2</sup> Of the 50 states that expanded insurance for children, 11 states also expanded insurance for adult parents using state funding, and 39 states expanded insurance only for children.<sup>3</sup> I focus on the latter set of states to understand the parental responses to social insurance for children.

The expansion significantly increased the *expected* insurance eligibility for birth cohorts in 1997-2000. I calculate expected eligibility as the probability of getting Medicaid/CHIP insurance during childhood (age 0-18), based on eligibility rules (Table 1) known at the time of pregnancy.<sup>4</sup> Figure 1 illustrates the increase in insurance eligibility during the roll-out of CHIP. Cohorts born in Jan. 1997 had an average eligibility of 0.15, or an expected 2.88 years of Medicaid/CHIP insurance during childhood. Eligibility then increased significantly for later cohorts in 1998-1999 as more states started the CHIP program. By Dec. 2000, all states (except Tennessee) had started enrolling children under CHIP. As a result, expected insurance eligibility increased to 5.68 years for the Dec-2000 birth cohort.

## 2 Conceptual Framework

To motivate the investment responses to CHIP, consider a two-period model where investments occur in the fetal stage ( $t = 0$ ) and in childhood ( $t = 1$ ). In each period, parents receive an exogenous income  $Y_t$ , and divide the income between own consumption  $c_t$  – which generates period utility  $u(c_t)$  – and costly investment  $v_t$  in the child. In-utero

<sup>1</sup>The only exception is Tennessee, where the Medicaid program dis-enrolled a large number of enrollees in 2002. Prior to 2002, individuals with income up to 400% FPL are eligible for the state's Medicaid program.

<sup>2</sup>I collect the income limit and the program onset date of Medicaid/CHIP from program fact sheets available at <https://www.medicaid.gov/CHIP>. For instance, the fact sheet for the state of New York is available at <https://www.medicaid.gov/sites/default/files/CHIP/Downloads/NY/NYCurrentFactsheet.pdf>. I track later expansions of Medicaid/CHIP from 2001 to 2013 based on the documents above and the Trends of CHIP/Medicaid Eligibility charts published by the Kaiser Family Foundation at <https://www.kff.org/medicaid/state-indicator/medicaidchip-upper-income-eligibility-limits-for-children/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

<sup>3</sup>States expanding insurance for children as well as adult members of the family are marked with an asterisk in the “infant” column.

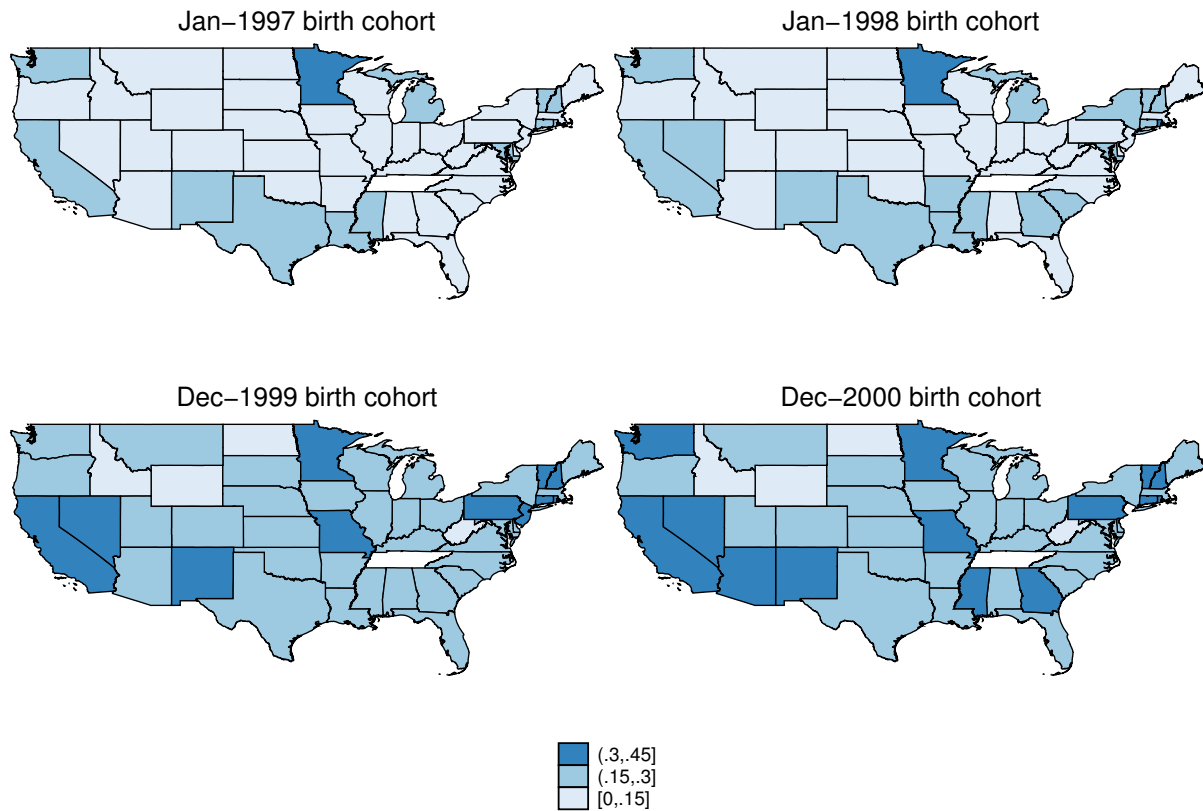
<sup>4</sup>I follow the standard “simulated eligibility” approach pioneered by Currie and Gruber (1996a) and Currie and Gruber (1996b) to calculate the expected eligibility. I show details of the calculation in Appendix A.

Table 1: CHIP onset and the income limit for children’s insurance

State	Program Onset	Income Limits (% FPL)		
		infant	age 1-5	age 6-18
Alabama	Oct-98	133-200	133-200	100-200
Alaska	Mar-99	133-200*	133-200	100-200
Arizona	Nov-98	140-150	133-150	100-150
Arkansas	Sep-97	133-200	133-200	100-200
California	Jul-98	200-250	133-200	100-200
Colorado	May-98	133-185	133-185	100-185
Connecticut	Jun-98	185-300	185-300	185-300
Delaware	Feb-99	185-200	133-200	100-200
District of Columbia	Oct-98	185-200*	133-200	100-200
Florida	Apr-98	185-200	133-200	100-200
Georgia	Jan-99	185-200*	133-200	100-200
Hawaii	Jul-00	185-200	133-200	100-200
Idaho	Oct-97	133-160	133-160	100-160
Illinois	Jan-98	133-200*	133-133	100-133
Indiana	Oct-97	150-150	133-150	100-150
Iowa	Jul-98	185-185	133-133	100-133
Kansas	Jan-99	150-200	133-200	100-200
Kentucky	Jul-98	185-185	133-150	100-150
Louisiana	Nov-98	133-133	133-133	100-133
Maine	Aug-98	185-185	133-185	125-185
Maryland	Jul-98	185-200*	185-200	185-200
Massachusetts	Oct-97	185-200*	133-150	100-150
Michigan	Sep-98	185-200	150-200	150-200
Minnesota	Oct-98	275-280	275-275	275-275
Mississippi	Jan-99	185-185	133-133	100-133
Missouri	Jul-98	185-300	133-300	100-300
Montana	Jan-99	133-150	133-150	100-150
Nebraska	Sep-98	150-185*	133-185	100-185
Nevada	Oct-98	133-200	133-200	100-200
New Hampshire	Jan-99	300-300	185-300	185-300
New Jersey	Mar-98	185-200	133-200	100-200
New Mexico	Mar-99	185-235	185-235	185-235
New York	Jan-99	185-192	133-192	100-192
North Carolina	Oct-98	185-200	133-200	100-200
North Dakota	Oct-99	133-140	133-140	100-140
Ohio	Jan-98	133-150*	133-150	100-150
Oklahoma	Dec-97	150-185*	133-185	100-185
Oregon	Jul-98	133-170*	133-170	100-170
Pennsylvania	Jun-98	185-235	133-235	100-235
Rhode Island	May-97	250-250	250-250	100-250
South Carolina	Oct-97	185-185	133-150	100-150
South Dakota	Jul-98	133-133	133-133	100-133
Tennessee	—	—	—	—
Texas	May-00	185-200	133-200	100-200
Utah	Aug-98	133-200	133-200	100-200
Vermont	Oct-98	225-300	225-300	225-300
Virginia	Nov-98	133-185	133-185	100-185
Washington	Jan-00	200-250	200-250	200-250
West Virginia	Nov-00	150-200	133-200	100-200
Wisconsin	Jul-99	185-185*	185-185	100-185
Wyoming	Nov-99	133-133	133-133	100-133

Notes. States marked with \* in the “infant” column expanded insurance for children as well as adult members of the family. See footnote 2 in the main text for the sources of the information.

Figure 1: Expected insurance eligibility for birth cohorts, 1997-2000



Notes. The map shows the expected insurance eligibility for cohorts born between Jan. 1997 and Dec. 2000. Expected insurance eligibility is the fraction of childhood years (age 0-18) in which the child is eligible for Medicaid/CHIP based on program rules known at the time of pregnancy. Appendix A details the calculation.



investments have impacts on the child's health status in  $t = 1$ . For children with special health service needs, such as those with disability, investments are more costly in  $t = 1$  due to higher medical expenditures. The onset of CHIP provides partial insurance against the additional medical costs incurred by the low-health child. I analyze the effect of this insurance on investments in childhood and in the fetal stage below.

## 2.1 Childhood Investments

In the childhood stage, let superscript  $h = 0, 1$  denote the health status of the child, with  $h = 1$  indicating a high health child. A low health child incurs out-of-pocket medical expenses  $OOPC$  compared to the high health child. The medical expenses limit non-health investments  $v_1^h$  which are inputs to the child's education outcome  $s(v_1^h)$ . Given health status  $h$ , parental investments in  $t = 1$  maximize the following utility

$$U_1^h(v_1^h) = u(c_1^h) + \Gamma(s(v_1^h)) + \delta V^h(s(v_1^h)), \quad (1)$$

where  $c_1^h = Y_1 - v_1^h - OOPC \cdot 1\{h = 0\}$  is consumption after health and non-health investments, and  $\Gamma(\cdot)$  gives the utility from the child's education outcome  $s(v_1^h)$ .  $V^h(s(v_1^h))$  captures the utility from the child's adult outcomes, which in turn depend on the discounted value of future earnings determined by health  $h$  and education  $s(v_1^h)$ .  $\delta$  is the discount factor.

It is easy to see that the medical cost  $OOPC$  increases the total investments in the low-health child, but decreases non-health investments  $v_1^h$  and the education outcome of the low-health child.<sup>5</sup> CHIP lowers  $OOPC$ , increases  $v_1^0$ , and narrows the education gap  $\Delta s = s(v_1^1) - s(v_1^0)$  by child health. The reduction in the education gap further narrows the gap in adult outcomes  $\Delta V = V^1(s(v_1^1)) - V^0(s(v_1^0))$  and consumption  $\Delta u = u(c_1^1) - u(c_1^0)$  by child health.

## 2.2 In-Utero Investments

In the fetal stage, forward-looking parents choose in-utero investments to maximize a weighted sum of utility in utero and in childhood. Specifically, parents maximize the following utility

$$U_0(v_0) = u(c_0) + w(v_0) + \delta \rho(v_0) \tilde{U}_1^1 + \delta (1 - \rho(v_0)) \tilde{U}_1^0, \quad (2)$$

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<sup>5</sup>I show detailed proofs in Appendix B.

where  $c_0 = Y_0 - v_0$  is consumption after investments, and  $w(v_0)$  is the utility from the child's birth outcome.  $\rho(v_0)$  is the probability of having a high health child in  $t = 1$ , which increases with  $v_0$  at decreasing rates:  $\rho' > 0$  and  $\rho'' < 0$ . Given a realization of child health  $h$ ,  $\tilde{U}_1^h = \arg\max_{v_1^h} U_1^h(v_1^h)$  is the maximized utility in  $t = 1$ .  $\tilde{U}_1^h$  is discounted to the fetal stage by the factor  $\delta$ .

Optimal in-utero investments satisfy the following first-order condition

$$\delta \rho'(v_0) \Delta \tilde{U}_1 + w'(v_0) = u'(c_0). \quad (3)$$

The first term  $\delta \rho'(v_0) \Delta \tilde{U}_1 = \delta \rho'(v_0) (\Delta u + \Delta \Gamma + \delta \Delta V)$  is the marginal benefit of investments on the future utility of parents.  $w'(v_0)$  is the marginal benefit on birth outcomes. Optimal investments balance the marginal benefits with the marginal cost  $u'(c_0)$ .

CHIP affects the trade-off in equation 3 by lowering the benefit of in-utero investments on future utility. As CHIP narrows the gap in child outcomes later in life, it also narrows the gap in parental utility  $\Delta \tilde{U}_1 = \Delta u + \Delta \Gamma + \delta \Delta V$  by child health. Due to the risk protection of CHIP, in-utero investments have smaller benefits on the future utility of parents. Since CHIP did not affect the marginal cost of investments but lowered the marginal benefits, equation 3 predicts smaller in-utero investments after CHIP.

## 2.3 Investment Crowd-In

Equation 3 is consistent with the standard notion that public insurance can “crowd-out” private insurance. However, empirical evidence overwhelmingly shows increased in-utero investments after CHIP. The crowd-in suggests the existence of additional mechanisms that increased the marginal benefit of investments rather than decreasing it.<sup>6</sup> I focus on two behavioral mechanisms in this paper. First, CHIP shifted the utility weights from parents to children, increasing the altruism of parents. Second, CHIP shifted the inter-temporal weights towards future benefits for the child, decreasing the present bias of parents.

**Altruism.** I model altruism as the weight on child outcomes in the parent's utility. Altruism may increase if CHIP exposure increased parent's awareness of the child's well-being. In this case, increasing the child's weight to  $\alpha > 1$  revises the first-order condition for in-utero investments according to

$$\delta \rho'(v_0) \Delta \tilde{U}_1(\alpha) + \alpha w'(v_0) = u'(c_0), \quad (4)$$

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<sup>6</sup>I focus on marginal effects assuming that incomes or in general the resources of pregnant mothers did not increase after CHIP. I provide empirical support for the assumption in Section 4.5.

where the utility gap  $\tilde{U}_1(\alpha) = \Delta u + \alpha (\Delta \Gamma + \delta \Delta V)$  now depends on the consumption gap  $\Delta u$  and the gap in child outcomes  $\Delta \Gamma + \delta \Delta V$  multiplied by the altruism parameter  $\alpha$ . Higher altruism increases parent's perceived benefit of investments for a given gap in child outcomes. With large increases in altruism, the perceived benefits of investments could increase despite smaller gaps by child health.

**Present Bias.** Investment responses to CHIP also depend on parent's inter-temporal preferences over investments and child outcomes. Since investments have immediate costs but delayed benefits, parents who are over-sensitive to short-term costs may fail to take on actions that are beneficial in the long run. For health investments, present bias has been linked to smoking (Gruber and Köszegi, 2001), cancer screening (Fang and Wang, 2015), and food choice (Sadoff *et al.*, 2020). Following the literature, I adopt the  $\beta - \delta$  representation (Laibson, 1997) to illustrate the effect of present bias on in-utero investments.

The  $\beta - \delta$  representation captures present bias with the short-run discount factor  $\beta < 1$ . The short-run discount factor applies between current and future payoffs.  $\delta$  is the long-run discount factor. Present bias modifies the first-order condition for in-utero investments according to

$$\beta \delta \rho'(v_0) \Delta \tilde{U}_1(\alpha, \beta) + \alpha w'(v_0) = u'(c_0). \quad (5)$$

Present-biased mothers ( $\beta < 1$ ) value the marginal benefit of investments less than her long-run self would, and invest less in utero compared to the long-run optimum given by equation 4. CHIP exposure could shift mother's inter-temporal weights towards future benefits relative to the immediate costs in utero, increasing short-term patience (higher  $\beta$ ) and in-utero investments.

Although both altruism and present bias potentially explain the increase in in-utero investments, they have different implications for the timing of investments. In equation 5, increasing either  $\alpha$  or  $\beta$  increases investment  $v_0$ . However, because  $\beta$  generates present bias in each stage of the pregnancy, increasing  $\beta$  also reduces the delay in the onset of investments and shifts investments towards earlier stages of the pregnancy. The response in the timing of investments could occur due to present bias even in the absence of level responses to CHIP. I exploit this distinction to interpret the investment responses in Section 4.5, and exploit the responses to structurally estimate the effect on present bias in Section 6.

### 3 Data

I use data on the universe of birth certificates in the US to study the effect of CHIP exposure on in-utero investments and birth outcomes. The birth certificate contains information on the child's birth weight, demographic information of the mother, prenatal care utilization, and health behavior such as smoking. In the main analysis I focus on the 39 states that expanded insurance only for children (or the CHIP states) during the roll-out of CHIP, and restrict the age of mother to 21-40 at the time of delivery. I therefore exclude teen pregnancies and pregnancies above age 40 from the analysis.<sup>7</sup>

Table 2 summarizes the CHIP eligibility, birth weight, and pre-natal investments for children born in 1997-2001. CHIP eligibility is almost twice as large for children of single mothers (44% compared to 23% on average), where birth weight is lower by 100 grams below average. Single mothers utilize less healthcare and smoke more during pregnancy. Specifically, they are less likely to start pre-natal visits in the first trimester, more likely to delay care till the third trimester, and on average take one fewer visit in pregnancy. Heavy smokers are also concentrated among single mothers, where over 5.5% smoke over 15 cigarettes (or three-quarters of a pack) daily during pregnancy.

Table 2: Summary statistics, birth sample

	Full Sample		Single Mothers	
	Observations	Mean	Observations	Mean
CHIP Eligibility (age 0-18)				
income limit (100% FPL)	12,094,302	1.75	2,978,094	1.74
simulated eligibility	12,094,302	0.23	2,978,094	0.44
birth weight (grams)	12,407,979	3339.43	3,067,358	3234.10
low birth weight (% <2,500 grams)	12,407,979	7.10	3,067,358	9.64
month prenatal care started (%)	12,117,214	2.45	2,966,116	2.98
care started in 1st trimester (%)	12,117,214	84.99	2,966,116	72.67
care started in 3rd trimester (%)	12,117,214	5.44	2,966,116	11.29
# doctor visits	12,000,696	11.72	2,929,395	10.79
≥ 5 cigarettes daily (%)	9,727,610	8.13	2,365,340	15.49
≥ 15 cigarettes daily (%)	9,727,610	2.96	2,365,340	5.55
smoking intensity (half packs daily)	9,727,610	0.11	2,365,340	0.21

Notes. Table summarizes the birth cohorts between Jan. 1997 and Dec. 2001 in the 39 CHIP states that expanded insurance only for children during the roll-out in 1997-2000. I restrict the sample to births given by mothers between age 21 and 40 at the time of delivery. Simulated eligibility is the expected coverage probability in childhood applying income eligibility rules known at the time of pregnancy. I also summarize eligibility rules using the income limit of the program in childhood. Appendix A details the construction of the eligibility measures.

<sup>7</sup>Teen pregnancies account for 17% of all births in 1997-2001. Since some states extended maternity coverage for CHIP enrollees up to age 20, I do not include teen pregnancies in the main analysis. 82% of the births are given by women between age 21-40, and the remaining 1% are by women above age 40.

## 4 In-utero Investments

### 4.1 Empirical Strategies

I investigate the investment responses to CHIP exploiting two variations generated by the roll-out. First, pregnant mothers exposed to CHIP in later stages of the pregnancy have a smaller window of exposure to CHIP. Second, mothers in states expanding insurance to higher income levels are exposed to greater expansions of CHIP. I exploit both variations and characterize mother's exposure to CHIP using the average income limit during pregnancy. Formally, I construct in-utero exposure to CHIP,  $eliginc$ , as follows

$$eliginc_{st} = \begin{cases} inc_s^{pre} & \text{if } j \leq -10, \\ \frac{|j|}{9} \cdot inc_s^{pre} + \left(1 - \frac{|j|}{9}\right) \cdot inc_s^{post} & \text{if } -9 \leq j \leq -1, \\ inc_s^{post} & \text{if } j \geq 0, \end{cases} \quad (6)$$

where  $j = t - T_s$  is the gap between the pregnancy onset at time  $t$  and the CHIP onset at time  $T_s$  in state  $s$ .  $inc_s^{pre}$  and  $inc_s^{post}$  denote the income limit of children's insurance program before and after CHIP, respectively.<sup>8</sup>

In equation 6, index  $j$  captures the variation in the timing of exposure to CHIP. For mothers starting pregnancy within 9 months prior to CHIP ( $-9 \leq j \leq -1$ ), in-utero exposure  $eliginc$  is larger in states expanding insurance to higher income limits, and for mothers exposed to CHIP earlier in the pregnancy. Mothers starting pregnancy more than 9 months prior to CHIP ( $j \leq -10$ ) are not exposed to CHIP during pregnancy, and those starting pregnancy after CHIP ( $j \geq 0$ ) have the highest in-utero exposure at the income limit  $inc_s^{post}$ . To focus on the roll-out of CHIP, I include mothers whose pregnancy onset was between 16 months before and 4 months after CHIP ( $-16 \leq j \leq 4$ ).

I use  $eliginc$  to study investment responses to CHIP in the following specification

$$y_{itc} = \beta_1 \cdot eliginc_{ts(c)} \cdot single + \beta_2 \cdot eliginc_{ts(c)} + \beta_c \cdot single + \alpha_c + \tau_t + \alpha_{s(c)} \cdot \tau_{y(t)} + \epsilon_{itc}, \quad (7)$$

where  $y_{itc}$  is the investment of mother  $i$  starting pregnancy in time  $t$ .  $eliginc_{ts(c)}$  is her in-utero exposure to CHIP in the state of residence  $s$ . I exploit the county identifiers and include county fixed effects  $\alpha_c$  while controlling for state-year factors  $\alpha_{s(c)} \cdot \tau_{y(t)}$  in the specification. Moreover, exploiting the fact that children from single-mother households are twice as likely to be eligible due to lower incomes (Table 2), I contrast the investment

<sup>8</sup>I express both limits in 100% of federal poverty level (FPL) following the convention of income eligibility rules. For instance, an income limit at 200% FPL for CHIP is parametrized as  $inc_s^{post} = 2$ .

responses by the marital status of mothers using an indicator for single mothers *single*.  $\beta_1$  estimates the effect of CHIP exposure on single mothers compared to the effects on married mothers captured by  $\beta_2$ . A priori, we should expect weaker effects on married mothers due to lower eligibility for CHIP. The difference by eligibility allows me to further control for unobserved factors across space and time that potentially correlate with  $eliginc_{ts(c)}$  in the following specification

$$y_{itc} = \beta \cdot eliginc_{ts(c)} \cdot single + \beta_c \cdot single + \alpha_c + \tau_t + \alpha_{s(c)} \cdot \tau_t + \epsilon_{itc}, \quad (8)$$

where  $\alpha_{s(c)} \cdot \tau_t$  controls for exposure  $eliginc_{ts(c)}$  as well as unobserved determinants of investments.  $\beta$  estimates the effect of CHIP exposure on single mothers.

The empirical strategy estimates the causal effects of CHIP exposure on investments if both the timing and the level of exposure are exogenous to pregnant mothers. This requires that mothers do not selectively enter pregnancy or single motherhood in response to CHIP, and that changes in the income limit of insurance are not endogenous to local demographic factors such as single motherhood or incomes. I examine and rule out fertility responses in Appendix Table I1. I address concerns of endogenous eligibility rules by controlling for eligibility and investment differences across mothers and counties with  $\beta_c \cdot single$ , and exploit the timing of exposure within mother groups to estimate the effect of exposure on single mothers. I also control for state-specific trends non-parametrically in equation 7 and 8 to account for confounding economic factors. In particular, changes in the income limit are not related to economic conditions during the roll-out (Appendix Table I2). Finally, I rule out significant investment responses of married mothers in equation 7, and use equation 8 as the preferred specification to examine the investment responses of single mothers. I explore additional heterogeneity across mother groups with the simulated eligibility strategy in Section 4.4, finding similar effects for single mothers.

## 4.2 Birth Outcomes

I first examine the effect of CHIP exposure on birth outcomes. Because CHIP increased the insurance eligibility for children and not for pregnant mothers, the onset of CHIP is unlikely to have direct impacts on child outcomes at the time of birth. However, if mothers increased private investments in the child, birth outcomes can improve for children with greater in-utero exposure to CHIP. Table 3 estimates the effect on birth outcomes using equation 7 and 8.

Birth weight increases significantly for children with greater in-utero exposure to CHIP. Gaining a 100% FPL exposure to CHIP increases birth weight by 10.6 grams, or 0.32%

above the mean, and the effect is concentrated among children of single mothers. In column 3-4, the exposure lowers the probability of low birth weight (<2,500 grams) by 0.32 percentage points, or 4.5% below the mean. These estimates imply that the roll-out of CHIP, which increased income limits from 122% FPL to 202% FPL for children born in 1997-2000, increased birth weight by 8.5 grams and lowered low birth weight by 3.6%.

Table 3: Effects of CHIP exposure on birth outcomes

	(1)	(2)	(3)	(4)
	birth weight (grams)		low birth weight (%)	
<i>eliginc · single</i>	10.66*** (2.51)	10.61*** (2.51)	-0.32*** (0.10)	-0.32*** (0.10)
<i>eliginc</i>	-1.76 (4.09)		0.005 (0.14)	
y mean	3342.57		7.08%	
$R^2$	0.02	0.02	0.01	0.01
$N$	4,315,394		4,315,394	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table shows the effect of in-utero exposure to CHIP on birth weight (grams) and low birth weight (<2,500 grams). I estimate separate effects for single and married mothers using equation 7 in column 1 and 3, and estimate effects on single mothers using equation 8 in column 2 and 4. Robust standard errors clustered at the level of states in the parenthesis.

I then examine the effects by the timing of exposure to CHIP using an event study specification

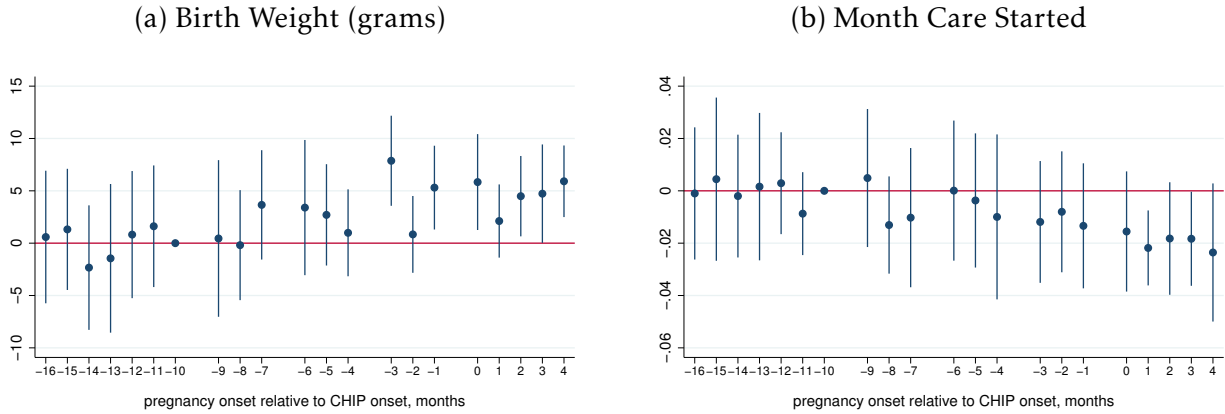
$$\begin{aligned}
y_{itc} = & \sum_{\substack{j=-16 \\ j \neq -10}}^4 \beta_j \cdot \text{eliginc}_{ts(c)} \cdot \text{single} \cdot 1\{t - T_{s(c)} = j\} + \gamma \cdot \text{eliginc}_{ts(c)} \\
& + \beta_c \cdot \text{single} + \alpha_c + \tau_t + \alpha_{s(c)} \cdot \tau_{y(t)} + \epsilon_{itc},
\end{aligned} \tag{9}$$

where I expand the term  $\beta_1 \cdot \text{eliginc}_{ts(c)} \cdot \text{single}$  in equation 7 by the timing of exposure  $j$ , and estimate separate effects by  $j$  with  $\beta_j$ . I normalize the effects on children conceived 10 months prior to CHIP to zero. These children as well as earlier cohorts ( $j \leq -10$ ) are born before the CHIP onset, receiving zero in-utero exposure to CHIP. In-utero exposure then increases with  $j$  for later cohorts.

Figure 2 plots estimates of  $\beta_j$  for birth weight in panel (a). Consistent with the timing of exposure, CHIP has little effect on the birth weight of children never exposed to CHIP in utero ( $j \leq -10$ ). By contrast, children exposed to CHIP in the first trimester ( $-3 \leq j \leq -1$ ) and those with full exposure in utero ( $j \geq 0$ ) have significantly higher birth weight. Among

these children, birth weight increased by 4.1 grams for every 100% FPL exposure, and the probability of low birth weight decreased by 1.6% (Appendix Table I3).<sup>9</sup>

Figure 2: Effects of CHIP exposure on birth weight and pre-natal care onset, event study



Notes. Figure plots the effects of in-utero exposure to CHIP on birth weight (panel a) and the month pre-natal visits started (panel b), by the timing of exposure  $j$ . Mothers starting pregnancy more than 10 months prior to CHIP ( $j \leq -10$ ) have zero in-utero exposure to CHIP. In-utero exposure increases with  $j$  for later cohorts. I plot estimates of  $\beta_j$  from equation 9 and 95% confidence intervals calculated from robust standard errors clustered by states. Effects on cohort  $j = -10$  are normalized to zero.

### 4.3 In-Utero Investments

The effect on birth weight suggests that mothers may have increased private investments in the child. To detect the investment responses, I examine mothers' pre-natal care visits and smoking during pregnancy, and estimate effects of CHIP exposure on the *timing* and the *level* of investments using equation 7 and 8. I find that single mothers more exposed to CHIP have earlier onset of pre-natal visits, are less likely to delay care till the third trimester, and smoke less during pregnancy.

**Investment Timing.** I examine the effect of CHIP exposure on the timely onset of pre-natal care in Table 4. Pre-natal care begins when the pregnant woman has the first pregnancy-related doctor visit. The Guidelines for Perinatal Care (Freeman and Poland, 1992) recommends that pregnant women have one doctor visit each month in the first two trimesters, and increase the frequency to 4 visits each month when closer to delivery.

<sup>9</sup>To succinctly summarize the results by the timing of exposure, I group children by the trimester of exposure and estimate effects across six exposure groups in Appendix Table I3.



However, around 15% of the mothers begin care in the second or third trimester, and 5% begin care in the third trimester. Gaining a 100% FPL exposure to CHIP lowers late onset by 1.1 percentage points, or 7% below the mean, and reduces third trimester onset by 14%. These responses result in an overall reduction in the time to first pre-natal visit by 0.05 months.

I show event study estimates for the month of care onset in panel (b) of Figure 2. CHIP has no effect on the care onset of mothers with zero in-utero exposure to CHIP. Effects on mothers with partial exposure to CHIP are generally small and insignificant. By contrast, mothers with full in-utero exposure to CHIP have significantly earlier onset of pre-natal visits. These mothers lowered late onset of care by 2.5% for every 100% FPL exposure to CHIP, reducing the time to first pre-natal visit by 0.02 months (Appendix Table I4).

Table 4: Effects of CHIP exposure on the timing of pre-natal visits

	(1)	(2)	(3)	(4)	(5)	(6)
	month care started		late onset (%) (2nd/3rd trimester)		very late onset (%) (3rd trimester)	
<i>eliginc · single</i>	-0.046*** (0.014)	-0.046*** (0.014)	-1.09*** (0.26)	-1.10*** (0.27)	-0.75*** (0.25)	-0.75*** (0.25)
<i>eliginc</i>	0.018 (0.015)		0.33 (0.32)		0.29 (0.17)	
y mean	2.45		15.08%		5.48%	
$R^2$	0.08	0.08	0.06	0.06	0.04	0.04
$N$	4,200,326		4,200,326		4,200,326	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table shows the effect of in-utero exposure to CHIP on the timing of pre-natal visits, focusing on the month pre-natal care started in column 1, late onset of care in the second or third trimester in column 2, and very late onset in the third trimester in column 3. I estimate separate effects for single and married mothers using equation 7 in odd-numbered columns, and estimate effects on single mothers using equation 8 in even-numbered columns. Robust standard errors clustered at the level of states in the parenthesis.

**Investment Levels.** By contrast, in-utero exposure to CHIP has no significant effects on the number of pre-natal visits by the completion of pregnancy. Table 5 estimates an increase of 0.09 visit for every 100% FPL exposure to CHIP, but the effect is marginally significant in the preferred specification in column 2. Effects by the timing of exposure in Appendix Table I5 show a similar null effect on the number of visits, including for mothers with full exposure to CHIP ( $j \geq 0$ ). For these mothers, despite a significant reduction in late onset of care, the number of visits did not increase significantly with CHIP.

The birth certificate also provides information on the number of cigarettes consumed daily by pregnant women. The consumption is recalled by the mother as the average smoking intensity over the course of pregnancy. The duration of the recall adds noises to

Table 5: Effects of CHIP exposure on the number of visits and smoking

	(1)	(2)	(3)	(4)	(5)	(6)
	# pre-natal visits		smoking (%) (≥5 cigarettes daily)		heavy smoking (%) (≥15 cigarettes daily)	
<i>eliginc</i> · <i>single</i>	0.091** (0.045)	0.089* (0.045)	-0.45** (0.18)	-0.46** (0.18)	-0.38*** (0.13)	-0.39*** (0.13)
<i>eliginc</i>	-0.050 (0.041)		-0.073 (0.16)		0.058 (0.13)	
y mean	11.74		8.41%		3.12%	
$R^2$	0.07	0.07	0.06	0.06	0.03	0.03
N	4,157,327		3,331,203		3,331,203	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table shows the effect of in-utero exposure to CHIP on the number of pre-natal visits and smoking. I define smoking status using the intensive margin of daily cigarette consumption. Specifically, columns 3-4 focus on the probability of consuming 5 or more cigarettes daily, and columns 5-6 focus on the probability of consuming 15 or more cigarettes daily. I estimate separate effects for single and married mothers using equation 7 in odd-numbered columns, and estimate effects on single mothers using equation 8 in even-numbered columns. Robust standard errors clustered at the level of states in the parenthesis.

the data and potentially attenuates the smoking response to CHIP. To limit the attenuation bias, I focus on the intensive margin and examine changes in smoking over 5 and 15 cigarettes daily in column 3-6 of Table 5. Gaining 100% FPL exposure to CHIP reduces smoking over 5 cigarettes daily by 5%, and reduces heavy smoking (≥15 cigarettes daily) by 13%. These effects are concentrated among mothers exposed to CHIP in the first trimester or earlier (Appendix Table I5).

#### 4.4 Heterogeneity

**Effects by States.** In addition to examining differential responses by the timing of exposure, I further explore heterogeneous effects across states using the following specification

$$y_{itc} = \sum_k \beta_k \cdot \text{eliginc}_{ts(c)} \cdot \text{single} \cdot 1\{s = k\} + \gamma \cdot \text{eliginc}_{ts(c)} + \beta_c \cdot \text{single} + \alpha_c + \tau_t + \alpha_{s(c)} \cdot \tau_{y(t)} + \epsilon_{itc}, \quad (10)$$

where  $\beta_k$  estimates the effect of CHIP exposure in state  $k$ .<sup>10</sup> I compare  $\beta_k$  with the size of expansion across states in Appendix Figure J1. Across the range of CHIP expansion, the effect on birth weight is largest among small expansion states increasing income limits

<sup>10</sup>The state-specific effects can also be estimated from the state-level regression

$$y_{it}^k = \beta_1^k \cdot \text{eliginc}_t^k \cdot \text{single}_t^k + \beta_2^k \cdot \text{single}_t^k + \tau_t^k + \epsilon_{it}^k, \quad (11)$$

by less than 70% FPL. These states account for 25% of all birth. The expanded income limit in these states (162% FPL) is 40% FPL below the national average, and the effect on birth weight per 100% FPL expansion (16 grams) is 50% above the national average. The reduction in smoking is also larger in the small expansion states.<sup>11</sup> By contrast, the majority of states (65% of births) expanded income limits by 75%-90% FPL, and the effects on birth weight and investments are comparable to the national average in these states. Finally, a handful of states (10% of births) expanded income limits by more than 90% FPL, and the reduction in smoking is smaller in the largest expansion states.

**Simulated Eligibility.** Complementary to the main analysis, I estimate heterogeneous responses to CHIP using the simulated eligibility strategy (Currie and Gruber 1996a; Currie and Gruber 1996b). The strategy exploits the fact that for a given expansion of income limits, children of low-income mothers are more likely to gain eligibility for CHIP and thus have higher coverage probability in childhood. I simulate coverage probability by mother's race, education, and marital status to characterize the heterogeneous effects of income limits across mothers.<sup>12</sup> I then construct in-utero exposure  $eligCHIP$  from simulated eligibility, and estimate the effect of in-utero exposure on investments in the following specification

$$y_{its} = \beta \cdot eligCHIP_{g(i)ts} + \alpha_s \cdot \gamma_g + \alpha_s \cdot \tau_t + \epsilon_{its}, \quad (12)$$

where  $eligCHIP_{g(i)ts}$  differs across state  $s$ , cohort  $t$ , and mother group  $g$ . By construction, in-utero exposure is larger for mother groups with higher predicted eligibility for CHIP, for cohorts exposed to CHIP earlier in the pregnancy, and in states expanding CHIP to higher income limits. I control for the investment differences across states and mothers with  $\alpha_s \cdot \gamma_g$ , and control for state-cohort effects with  $\alpha_s \cdot \tau_t$ . Therefore, consistent with the empirical strategy in equation 8, I exploit differences in the timing of exposure within mother groups to estimate the investment responses to CHIP.

I find similar effects on birth weight and investments with simulated eligibility in Appendix Table I6. Increasing CHIP exposure by 10 percentage point eligibility increases

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where  $eliginc_t^k$  differs within state  $k$  by the timing of exposure across cohort  $t$ . In practice, equation 10 and equation 11 give very similar estimates by states. I plot estimates of  $\beta_k$  from equation 10.

<sup>11</sup>I define a measure of smoking intensity by half packs (10 cigarettes) using cut-points at 5 and 15 cigarettes daily. Smoking intensity takes value 0, 1, and 2, respectively for non-smokers (<5 cigarettes daily), light smokers ( $\geq 5$  and <15 cigarettes daily), and heavy smokers ( $\geq 15$  cigarettes daily).

<sup>12</sup>I show details of the simulation in Appendix A. There is substantial difference in eligibility across the marital status of mothers. By the end of the roll-out, CHIP eligibility is 0.50 for children of single mothers compared to 0.16 for children of married mothers. The main analysis contrasts investments by marital status exploiting the eligibility difference.

birth weight by 3.2 grams, and the effect is concentrated among children of single mothers. For these children, the roll-out increased insurance eligibility from 0.33 to 0.50, increasing birth weight by 8.1 grams. This effect is comparable to the 8.5 gram increase implied by a 80% FPL expansion and estimates from equation 8 in Table 3.<sup>13</sup> Similarly, investment responses by eligibility differences are comparable to the effects of expanded income limits on single mothers,<sup>14</sup> supporting the empirical results from equation 8.

## 4.5 Mechanism

The empirical evidence shows compelling patterns of investment crowd-in following the roll-out of CHIP. To understand mechanisms, I first examine whether CHIP increased the resources of pregnant mothers by inducing higher take-up of safety net benefits. I also explore investment complementarity in childhood and in utero as a potential driver of the crowd-in. I find little support for these mechanisms. Instead, behavioral effects on the altruism and the present bias of mothers could explain the investment responses, with different implications for the level and the timing of investments.

**Budget Constraint.** One mechanism of the crowd-in is that CHIP may have increased the resources of pregnant mothers by inducing higher take-up of safety net benefits. I investigate this possibility using the Survey of Income and Program Participation (SIPP) in Appendix Table 17. I find no evidence that pregnant mothers received more cash benefits from safety net or spent more on health services after CHIP. I also find no evidence of increased borrowing after CHIP. Moreover, CHIP has no significant effects on mother's insurance or the source of insurance during pregnancy, particularly for single mothers (Appendix Table 18). These results are inconsistent with a resource-based mechanism where CHIP increased investments by relaxing the budget constraint of pregnant mothers.

**Investment Complementarity.** The crowd-in could also occur due to the complementarity between childhood and in-utero investments. With complementarity, increasing childhood investments with SIPP implies greater returns of in-utero investments on child outcomes, motivating the crowd-in response to CHIP. One implication of the mechanism is that mothers investing more after CHIP should also expect better outcomes for the child later

<sup>13</sup>Specifically, simulated eligibility implies a birth weight gain of  $(0.50 - 0.33) \times 47.5 = 8.1$  grams. The roll-out expanded income limits by 80% FPL, and the expansion implies a birth weight gain of  $10.6 \times 80\% = 8.5$  grams applying estimates of equation 8 in Table 3.

<sup>14</sup>Specifically, effects of simulated eligibility imply a 0.9 percentage point reduction in late onset and a 0.2 percentage point reduction in heavy smoking during the roll-out. These effects are comparable to the 0.9 percentage point reduction in late onset and the 0.3 percentage point reduction in heavy smoking from equation 8.

in life. I test this implication examining enrollment and mother’s belief about the child’s education outcome in SIPP. In Appendix Table 19, I find that mothers more exposed to CHIP are significantly more likely to enroll the child in the first year of life, but expected education does not differ by CHIP exposure. These results suggest that effects on later-life outcomes are unlikely to be the primary driver of in-utero investments.

**Altruism.** I next examine the two behavioral mechanisms which I take to the data in the structural analysis. CHIP exposure may increase mother’s altruism for the child by promoting greater awareness of the child’s well-being. The mechanism predicts higher investment levels – consistent with reduced smoking and more pre-natal visits after CHIP – but has less obvious implications for the timing of investments. In the event that mothers improved care onset primarily to use more care, altruism could also predict earlier onset of investments. Empirically, however, responses in the number of visits are weaker than the responses in timing. In this case, the effects on timing are potentially driven by additional mechanisms separately from the effects on levels.

**Present Bias.** CHIP exposure may also affect investments through the present bias of mothers. The exposure may increase mother’s valuation of future benefits relative to the short-term costs of investments. Less present bias predicts earlier onset of pre-natal visits, less smoking, and a potential increase in the number of visits. In contrast to altruism, however, present bias affects investment timing without requiring a first-order effect on levels, whereas both altruism and present bias determine the ultimate effects on investment levels. Building on the predictions, I structurally estimate the behavioral effects of CHIP in Section 6, where I exploit the timing of investments to estimate the effects on present bias.

## 5 Education Outcomes

I next show that in-utero exposure to CHIP has longer-term benefits on children’s education outcomes. Children more exposed to CHIP in utero are more likely to progress through high school and enroll in college. These effects are concentrated among children of single mothers.

## 5.1 Empirical Strategy

I estimate the effects of CHIP exposure on education outcomes using the following specification

$$y_{ibqt} = \beta_0 \cdot \text{eliginc}_{ibq}^{\text{utero}} \cdot \text{single} + \beta_1 \cdot \text{eliginc}_{ibqt}^{\text{child}} \cdot \text{single} + \beta \cdot X_{ibqt} \\ + \gamma_b + \psi_q + \tau_t + \gamma_b \cdot \psi_{y(q)} + \gamma_b \cdot \tau_t + \beta_b \cdot \text{single} + \epsilon_{ibqt}, \quad (13)$$

where  $y_{ibqt}$  is the outcome of child  $i$  born in year-quarter  $q$  and state  $b$  surveyed in year  $t$ .  $\text{eliginc}_{ibq}^{\text{utero}}$  is the in-utero exposure to CHIP for child  $i$ , calculated from a 3-quarter average of income limits in pregnancy.  $\text{eliginc}_{ibqt}^{\text{child}}$  is the childhood exposure to CHIP, calculated using the average income limit from birth till the child's age in year  $t$ .<sup>15</sup> I use  $\text{single}$  to indicate children of single mothers and estimate the effects of exposure on these children from  $\beta_0$  and  $\beta_1$ .  $X_{ibqt}$  controls for the main effects of exposure and child age.

By construction, equation 13 exploits the roll-out of CHIP to estimate the effect of in-utero exposure on education, and exploits subsequent expansions to estimate the effect of childhood exposure to CHIP. Children exposed to larger expansions earlier in utero and in childhood have greater exposure to CHIP. To isolate the policy variations, I control for state-specific trends by birth year  $y(q)$  and survey year  $t$  using fixed effects. These controls help ensure that children accumulate different exposure to CHIP due to differences in the timing and the size of expansions across states, rather than unobserved differences across states over time.

I estimate equation 13 from children conceived 7 quarters before till 2 quarters after CHIP in the American Community Survey (ACS).<sup>16</sup> Based on mother's marital status, I define two measures of single motherhood. The first measure requires that the mother has never married before. Under this measure, the child was born to a single mother who remained single throughout the parenthood. The second measure only requires that the mother is unmarried in year  $t$ . Ex ante, one might expect larger effects of CHIP exposure on children continuously living in single-parent households.

Equation 13 may yield biased estimates on the effect of CHIP exposure, if mothers increase or decrease the probability of single parenting in response to CHIP. Empirically, I examine and rule out an effect of CHIP exposure on the marital status of mothers

<sup>15</sup>In the case that the age at time  $t$  exceeds age 18, I average income limits up to age 18 to calculate the childhood exposure.

<sup>16</sup>These children are born between the second quarter of 1996 and the first quarter of 2002. The average child – born in the fourth quarter of 1998 – expects to enter Grade 1 in 2004-2005 and expects to graduate high school (Grade 12) in 2016-2017. I track their education outcomes into college using ACS 2010-2018. I detail the sample construction in Appendix C.

(Appendix Table I10), and rule out an effect on the fertility of single mothers in the roll-out of CHIP (Appendix Table I1). I therefore control for education differences across states and mothers with  $\beta_b \cdot single$ , and exploit variation in the timing of exposure across cohorts within states to estimate the effect of CHIP exposure on children of single mothers. I show the robustness of estimates to alternative sets of controls in the results below.

## 5.2 Effects on Education

I study the education outcomes of children expected to attend Grade 9 or above in 2009-2018. I follow the academic progress of these children into college, and estimate the effect of CHIP exposure on their grade-for-age status, high school graduation, and college enrollment applying equation 13. Table 6 shows the estimates.

Table 6: Effects of CHIP exposure on education from high school to college

	(1)	(2)	(3)	(4)	(3)	(4)
	grade-for-age (%)		graduate HS (%)		enroll in college (%)	
<i>eliginc<sup>utero</sup>. single</i>	2.36*** (0.61)	1.56*** (0.51)	1.71** (0.68)	0.75** (0.37)	2.91*** (0.58)	1.41*** (0.70)
<i>eliginc<sup>utero</sup></i>	0.028 (1.01)	-0.16 (0.99)	-0.75 (0.66)	-0.80 (0.69)	-0.76 (0.90)	-0.94 (0.93)
<i>eliginc<sup>child</sup>. single</i>	-1.55 (2.07)	0.58 (0.78)	1.06 (1.30)	1.97** (0.92)	2.70 (2.03)	1.59 (1.57)
<i>eliginc<sup>child</sup></i>	2.30*** (0.53)	1.99*** (0.59)	0.92** (0.41)	0.49 (0.49)	1.76 (1.23)	1.53 (1.42)
<i>single</i>						
never married	Y		Y		Y	
y mean	88.21%		28.79%		15.78%	
R <sup>2</sup>	0.095	0.095	0.64	0.64	0.35	0.35
N	385,063		385,063		385,063	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effect of CHIP exposure on education outcomes from high school to college. I determine the grade level appropriate for the child's age based on state laws on the school entry age. For children expected to attend Grade 9 and above, I estimate the effect on grade-for-age – whether the child attends the grade level expected of her age and graduates high school on time – in column 1-2. I estimate the effect on graduating high school with a regular diploma in column 3-4, and on college enrollment in column 5-6. *single* indicates children of single mothers. In odd-numbered columns, single mothers have never married, whereas in even-numbered columns they are unmarried in the survey year  $t$ . To exploit the roll-out of CHIP, I focus on children conceived 7 quarters before till 2 quarters after CHIP in the American Community Survey (ACS), and identify children of single mothers using the family interrelationships variables by Ruggles *et al.* (2020). Appendix C details the sample construction. Regressions are weighted by the ACS sampling weights. Robust standard errors clustered at the level of states in the parenthesis.

Grade-for-age – attending the grade level expected of the child's age and graduating high school on time – improves significantly with in-utero exposure, and the effect is concentrated among children of single mothers. In particular, children of never married mothers benefit the most from the exposure (column 1). For these children, gaining a



100% FPL exposure in utero lowers late grade entry by 2.36 percentage points, or by 20% below the mean.

In-utero exposure further improves education outcomes beyond high school for children of single mothers. Gaining a 100% FPL exposure increases college enrollment by 1.41 percentage points, and increases high school graduation by 0.75 percentage points. Among children of never married mothers, college enrollment increases by 2.91 percentage points (column 5), or 18.44% above the mean. These effects are concentrated among children gaining full exposure to CHIP in utero (Appendix Table I11).

I show robustness of the effects on education attainment in Appendix Table I12 and I13. Specifically, I examine the robustness to state-specific trends in education in column 1-2, and to long-run trends by single motherhood in column 5-6. Across specifications, gaining a 100% FPL exposure in utero increases high school graduation by 1.7-2.0 percentage points, and increases college enrollment by 2.6-2.9 percentage points for children of never married mothers, similar to the main results from equation 13. Including yearly effects by single motherhood, however, increases the effect of childhood exposure on children of single mothers, particularly for college enrollment.<sup>17</sup>

I then compare the effects of in-utero exposure with the effects of Medicaid expansions to pregnant mothers and infants. Miller and Wherry (2019) finds that a ten percentage point increase in Medicaid eligibility increases college enrollment by 0.35 percentage points. An expansion similar to CHIP would increase college enrollment by 0.60 percentage points.<sup>18</sup> In practice, the exposure to CHIP increased college enrollment by 1.13 percentage points for children of single mothers, or by 0.29 percentage points on average.<sup>19</sup> This effect is comparable to around half of the direct effect of insurance to pregnant mothers and infants.

### 5.3 Discussion

Empirical results from Section 4 and 5 show that in-utero exposure to CHIP has significant impacts on birth weight and the education outcome of the child. Specifically, in-utero exposure increased birth weight by 8.5 grams, lowered low birth weight by 3.6%, and increased college enrollment by 0.29 percentage points. To understand magnitude, I contrast the effect of exposure with the direct effects of transfer programs targeting

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<sup>17</sup>Levine and Schanzenbach (2009) finds that CHIP eligibility in the first year of life improves Reading scores in Grade 4, providing one pathway for the effect of childhood eligibility on attainment.

<sup>18</sup>Specifically, CHIP increased the simulated eligibility for children by 17 percentage points, implying an increase in college enrollment by  $17 * 0.035 = 0.60$  percentage points.

<sup>19</sup>Specifically, CHIP expanded income limits by 80% FPL, increasing college enrollment by  $0.8 * 1.41 = 1.13$  percentage points for children of single mothers, or by  $25.46\% * 1.13 = 0.29$  percentage points on average.



low-income mothers and children. For birth outcomes, Medicaid and the Supplemental Nutrition Program for Women, Infants, and Children (WIC) reduce low birth weight by 4.5% to 10% among low-income mothers (Currie and Gruber 1996b; Hoynes *et al.* 2011). Among single mothers, receiving a \$1,000 payment in Earned Income Tax Credit (EITC) reduces low birth weight by over 6.7% (Hoynes *et al.*, 2015). By comparison, in-utero exposure resulted in nearly half the reduction in low birth weight. Together with the effects on education, the results suggest that in-utero exposure improves child outcomes by about half of the direct effect of the program.

## 6 Behavioral Mechanisms

To quantify the behavioral mechanisms of the investment responses, I estimate the effect of CHIP on the preference and investments of pregnant mothers in a dynamic discrete choice model. In the model, pregnant mothers invest in each trimester of the pregnancy, and gives birth to the child at the end of the third trimester. The dynamic setting allows me to exploit both the level and the timing of investments to understand the behavioral effects of CHIP. I also use the model to explore heterogeneous responses by mother types, and to conduct welfare analysis using counterfactuals.

### 6.1 Setting

**Pre-Natal Visits.** In each trimester  $t$ , pregnant mother  $i$  chooses the number of pre-natal visits per month  $v_{it}$  and the amount of smoking per day  $s_{it}$ . Consistent with the medical guideline, I allow the potential number of visits per month to increase from 1 visit in the first trimester to 2 visits in the second trimester, and finally to 4 visits in the third trimester. The high frequency of visits in the third trimester matches the guideline recommendation of weekly visits for near-term mothers. The average number of pre-natal visits is 11 in the birth sample. In the model, a maximum of 21 visits is allowed per pregnancy.

Each pre-natal visit incurs an out-of-pocket cost  $c_{it}$  determined by the mother's age  $a_i$  and a health shock  $\xi_{it}$  assumed to be *i.i.d.*  $N(0,1)$ . Depending on the health shock, pregnant mothers either pay zero out-of-pocket costs per visit or pay a positive amount according to a quadratic function of her age. I match the probability of positive costs and the level of costs with moments observed for a sample of pregnant mothers in the Medical Expenditure Panel Survey (MEPS).<sup>20</sup>

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<sup>20</sup>In MEPS, around 15% of the pre-natal visits incurred positive out-of-pocket costs. I show details of the cost calibration in Appendix D.

Utility from a pre-natal visit has a permanent component  $\eta_i$  and a transitory taste shock  $v_{it}$ . I assume there are three types of pregnant mothers in the population, and each type may have a different permanent taste for pre-natal visits.  $\eta_i$  is drawn from the type distribution of mother  $i$  based on mother characteristics  $X_i$ . The transitory taste shock  $v_{it}$  is assumed to be *i.i.d.*  $N(0, \sigma_v^2)$ . Netting out costs, the utility of taking  $v_{it}$  visits per month in trimester  $t$  is given by

$$\vartheta(v_{it}; v_{it}, \xi_{it}, a_i) = 3v_{it}(\eta_i + v_{it}) - 3v_{it}c_{it}(a_i, \xi_{it}) \quad (14)$$

**Smoking.** In trimester  $t4$ , the smoking intensity of pregnant mother  $i$  is given by  $s_{it}$ . I let  $s_{it}$  take on three potential levels using cut-points at 5 and 15 cigarettes daily. Non-smokers ( $s_{it} = 0$ ) consume fewer than 5 cigarettes daily. Light smokers ( $s_{it} = 1$ ) consume 5 to 15, or around a half pack of cigarettes daily. Heavy smokers ( $s_{it} = 2$ ) consume over 15 cigarettes daily, or a full pack on average. I assume that the utility from an additional level of smoking – roughly a half pack of cigarettes daily – depends on a permanent taste  $\zeta_i$  and a transitory taste shock  $\omega_{it}$ .  $\zeta_i$  is drawn from the type distribution of mother  $i$ . Higher  $\zeta_i$  increases the marginal utility of smoking.  $\omega_{it}$  is drawn from *i.i.d.*  $N(0, \sigma_s^2)$ . I net out the fixed price of cigarettes in taste  $\zeta_i$ , and write the utility of smoking  $s_{it}$  in trimester  $t$  as

$$\psi(s_{it}; \omega_{it}) = s_{it}(\zeta_i + \omega_{it}) \quad (15)$$

**Birth Weight.** Pregnant mothers give birth to the child at the end of the third trimester. Birth weight  $b_i$  is a function of investments in pre-natal visits and smoking during pregnancy. I specify a flexible birth weight production function as follows

$$\log(b_i) = \phi_i + \phi_1 \cdot V_i + \phi_2 \cdot V_i^2 + \phi_3 \cdot \text{smoke}_i + \phi_4 \cdot \text{heavy}_i + \Phi(V_i, V_i^2, \text{smoke}_i, \text{heavy}_i) + \epsilon_i, \quad (16)$$

where  $V_i = 3 \sum_{t=1}^3 v_{it}$  is the number of pre-natal visits of mother  $i$ . I use the quadratic form to allow for decreasing marginal benefits of visits given by  $\phi_1 + 2\phi_2 \cdot V_i$ .

$\text{smoke}_i$  and  $\text{heavy}_i$  are binary variables summarizing the average smoking intensity  $\bar{s}_i = \frac{1}{3} \sum_{t=1}^3 s_{it}$  in pregnancy. Specifically,  $\text{smoke}_i = 1$  for mothers smoking more than 5 cigarettes daily ( $\bar{s}_i \geq 5$ ), and  $\text{heavy}_i = 1$  for heavy smokers with more than 15 cigarettes daily ( $\bar{s}_i \geq 15$ ). The effect of smoking on birth weight is captured by  $\phi_3$ , and the effect of heavy smoking on birth weight is captured by  $\phi_3 + \phi_4$ .

I further include flexible interactions between pre-natal visits and the smoking in-

dicators in  $\Phi(V_i, V_i^2, \text{smoke}_i, \text{heavy}_i)$ . I therefore allow the marginal benefit of pre-natal visits to vary by the smoking intensity of mothers. Moreover, birth weight depends on an endowment effect  $\phi_i$  drawn from the type distribution of mother  $i$ . Larger  $\phi_i$  increases the investment return on birth weight. The error term  $\epsilon_i$  is assumed to be *i.i.d.*  $N(0, \sigma_b^2)$ .

**Altruism.** Pregnant mothers value the birth weight of the child according to  $L(b_i) = \alpha b_i^\theta$ .  $\theta$  parametrizes the return of birth weight on mother's utility.  $\alpha$  is the utility weight on the child's outcomes. I use  $\alpha$  to measure mother's altruism for the child. Larger  $\alpha$  increases mother's valuation of birth weight relative to her own utility  $\vartheta(v_{it}; v_{it}, \xi_{it}, a_i)$  and  $\psi(s_{it}; \omega_{it})$  from in-utero investments.

**Present Bias.** In  $t = 3$ , a present-biased mother maximizes the following utility

$$U_3(v_{i3}, s_{i3}; \varepsilon_{i3}, \mathcal{I}_{i3}) = \vartheta(v_{i3}; v_{i3}, \xi_{i3}, a_i) + \psi(s_{i3}; \omega_{i3}) + \beta \delta \mathbb{E}[L(b_i) | \mathcal{I}_{i3}, v_{i3}, s_{i3}], \quad (17)$$

where  $\varepsilon_{i3} = (v_{i3}, \xi_{i3}, \omega_{i3})$  is the vector of transitory shocks in  $t = 3$ .  $\mathcal{I}_{i3} = (3 \sum_{t=1}^2 v_{it}, \sum_{t=1}^2 s_{it}, X_i)$  is the state vector containing previous investments and mother characteristics  $X_i$ .  $\delta$  is the long-run discount factor.  $\beta < 1$  generates present bias. Maximizing equation 17 yields optimal investments  $\rho(\varepsilon_{i3}, \mathcal{I}_{i3}) = (v_{i3}^*, s_{i3}^*)$  and long-run utility

$$\mathcal{U}_3(v_{i3}^*, s_{i3}^*; \varepsilon_{i3}, \mathcal{I}_{i3}) = \vartheta(v_{i3}^*; v_{i3}, \xi_{i3}, a_i) + \psi(s_{i3}^*; \omega_{i3}) + \delta \mathbb{E}[L(b_i) | \mathcal{I}_{i3}, v_{i3}^*, s_{i3}^*], \quad (18)$$

where the effect of investments on birth weight,  $\mathbb{E}[L(b_i) | \mathcal{I}_{i3}, v_{i3}^*, s_{i3}^*]$ , is valued using the long-run discount factor  $\delta$ .

In  $t = 2$ , pregnant mothers anticipate  $t = 3$  investment responses  $\rho(\varepsilon_{i3}, \mathcal{I}_{i3})$  but discount the value of these investments by the present bias  $\beta$ . Specifically, investments in  $t = 2$  maximize the following utility

$$U_2(v_{i2}, s_{i2}; \varepsilon_{i2}, \mathcal{I}_{i2}) = \vartheta(v_{i2}; v_{i2}, \xi_{i2}, a_i) + \psi(s_{i2}; \omega_{i2}) + \beta \delta \mathbb{E}[\mathcal{U}_3 | \mathcal{I}_{i2}, v_{i2}, s_{i2}], \quad (19)$$

where  $\mathcal{U}_3$  is the long-run utility of  $t = 3$  investments (equation 18). Maximizing equation 19 yields optimal investments  $(v_{i2}^*, s_{i2}^*)$  in  $t = 2$ . Recursively, the long-run utility of these investments is discounted by the present bias  $\beta$  to determine  $t = 1$  investments.<sup>21</sup> I therefore solve the investment profile  $(v_{it}^*, s_{it}^*)_{t=1,2,3}$  of mother  $i$  backwards using equation

<sup>21</sup>Specifically, investments in  $t = 1$  maximize the utility

$$U_1(v_{i1}, s_{i1}; \varepsilon_{i1}, \mathcal{I}_{i1}) = \vartheta(v_{i1}; v_{i1}, \xi_{i1}, a_i) + \psi(s_{i1}; \omega_{i1}) + \beta \delta \mathbb{E}[\mathcal{U}_2 | \mathcal{I}_{i1}, v_{i1}, s_{i1}], \quad (20)$$

where  $\mathcal{U}_2$  is the long-run utility of  $t = 2$  investments.

17 to 20, discounting long-run utility by the present bias in each trimester. To ease identification, I assume  $\delta = 1$  for quarterly discounting, and use the timing of investments to estimate  $\beta$  in the structural model.

## 6.2 Estimation

I estimate the birth weight production function (equation 16), preference parameters ( $\alpha$ ,  $\theta$ ,  $\beta$ ) and the taste types and shocks ( $\eta_i$ ,  $\zeta_i$ ,  $\phi_i$ ,  $\varepsilon_{it}$ ) using the method of simulated moments (MSM). To model the behavioral effects of CHIP, I allow altruism  $\alpha$  and present bias  $\beta$  to respond endogenously to CHIP exposure  $\Delta\ell_i$ . I describe the construction of  $\Delta\ell_i$  and the moment conditions identifying the behavioral effects below.

**CHIP Exposure.** I estimate the investment responses of mothers whose pregnancy onset was within one year prior to CHIP. I index these mothers by  $j = t - T^*$ , where  $j = -12, -11, \dots, -1$  is the months between pregnancy onset  $t$  and CHIP onset  $T^*$ . Mothers with  $j \leq -10$  started pregnancy between 12 months and 10 months before CHIP, and received zero in-utero exposure to CHIP. Each subsequent cohort gained one more month of exposure to CHIP.

Similar to the empirical strategy in Section 4, I define CHIP exposure  $\Delta\ell_{js}$  interacting the timing of exposure  $j$  with the size of expansion in state  $s$ . I measure the size of expansion with the increase in the income limit, and calculate exposure  $\Delta\ell_{js}$  using  $(1 + \frac{j}{9}) \cdot (inc_s^{post} - inc_s^{pre})$  for  $j \geq -9$ , and set exposure to zero for  $j \leq -10$ .<sup>22</sup>

I calculate  $\Delta\ell_{js}$  for 324,400 single mothers without college education in the structural analysis. These mothers lived in states that increased income limits by 20% to 90% FPL, and faced similar income limits prior to CHIP ranging from 110% to 130% FPL.<sup>23</sup> I discretize  $\Delta\ell_{js}$  in these states into 5 nodes, corresponding to 0%, 10%, 30%, 50% and 70% FPL exposure to CHIP. I assign mothers with  $j \leq -10$  to the zero exposure node, and assign mothers with  $j \geq -9$  to the nearest positive exposure node to construct the discrete exposure  $\Delta\ell_i$  of mother  $i$ .

**Behavioral Effects.** I use  $\Delta\ell_i$  to study the effect of CHIP on altruism  $\alpha$  and present bias  $\beta$ .

<sup>22</sup>This definition is equivalent to netting out the pre-CHIP limit  $inc_s^{pre}$  from  $eliginc$  in equation 6. I therefore focus on the change in income limits rather than the levels in  $\Delta\ell_{js}$ .

<sup>23</sup>91% of single mothers lived in states with pre-CHIP limits between 110% to 130% FPL. I focus on these states to provide a homogeneous baseline estimate of preferences for comparison with the responses at higher income levels after CHIP. I show details of the sample construction in Appendix E.

I assume that altruism responds to CHIP exposure in a linear equation as follows

$$\alpha_i = \alpha_0 + \alpha_1 \Delta\ell_i, \quad (21)$$

where the slope  $\alpha_1$  is the effect on altruism of a unit exposure to CHIP, and  $\alpha_0$  is the baseline altruism prior to CHIP ( $j \leq -10$ ). I normalize  $\alpha_0 = 1$ .<sup>24</sup> Similarly, I specify a linear response function for present bias

$$\beta_i = \beta_0 + \beta_1 \Delta\ell_i, \quad (22)$$

where  $\beta_0$  is the present bias in  $j \leq -10$ , and  $\beta_1$  is the effect on present bias of a unit exposure to CHIP. These response functions specify the altruism and the present bias of mother  $i$  based on her exposure  $\Delta\ell_i$  and the baseline preferences. Using these equations, I estimate parameters  $(\alpha_1, \beta_0, \beta_1)$  to quantify the behavioral effects of CHIP.

**Moment Conditions.** To estimate the behavioral effects on altruism and present bias (equation 21 and 22), I exploit responses in the timing and the level of investments to CHIP. As motivated in Section 2.3, the timing of investments reveals information about the present bias of mothers, whereas both present bias and altruism influence the level of investments. Empirical evidence in Section 4 shows support for the behavioral mechanisms. Building on the evidence, I contrast investment timing and levels by exposure  $\Delta\ell_i$  in the following moment conditions

1. percent starting pre-natal care in the first, second, and third trimester at each exposure level in  $\Delta\ell_i$ ,
2. number of pre-natal visits at each exposure level in  $\Delta\ell_i$ ,
3. percent of smokers and heavy smokers at each exposure level in  $\Delta\ell_i$ .

To estimate the birth weight production function (equation 16), I employ moment conditions exploiting the exposure levels in  $\Delta\ell_i$  as instruments.<sup>25</sup> Specifically, I match the reduced-form relationship between birth weight and  $\Delta\ell_i$  in addition to the first-stage relationship between investments and  $\Delta\ell_i$ . The relative shifts in birth weight and

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<sup>24</sup>This is because mother's utility weight on her own investments are already estimated in taste types  $\eta_i$  and  $\zeta_i$ . Different scaling of the child's weight  $\alpha_0$  does not affect the relative utility weights between the mother and the child.

<sup>25</sup>The production function in equation 16 requires three instruments for three endogenous investments: pre-natal visits  $V_i$  and smoking indicators  $smoke_i$  and  $heavy_i$ . I use indicators for the five exposure levels in  $\Delta\ell_i$  as instruments in the moment conditions.

investments in response to  $\Delta\ell_i$  inform the birth weight production function. I also match the empirical patterns between birth weight and investments in a separate set of moment conditions.

I further include a large number of auxiliary moment conditions to capture additional investment responses and heterogeneity by mother characteristics. These moments receive lower weights in the estimation. In total, I employ 272 moment conditions to estimate the model parameters. I detail the full list of moment conditions and the estimation procedure in Appendix F.

**Mother Types.** Finally, I model unobserved heterogeneity in mother's taste for pre-natal visits  $\eta_i$ , smoking  $\zeta_i$ , and the birth weight endowment using a multinomial Probit. The model generates the probability distribution of mother types based on observed characteristics  $X_i$ . I allow for three potential types in the population, and specify the probability of being type  $k = 0, 1, 2$  for mother  $i$  as follows

$$P_i^k = P^k(X_i; \pi^k) = \frac{F(\pi^k \cdot X_i)}{\sum_{n=0,1,2} F(\pi^n \cdot X_i)}, \quad (23)$$

where  $F$  is the cumulative distribution function of a standard normal.  $X_i$  includes the mother's age, whether the mother had fetal death in previous pregnancies, an indicator for any maternal risk factor on the birth certificate, and the smoking rate in the mother's county of residence. I summarize mother characteristics and the construction of the variables in Appendix E. I illustrate the identification of taste types and the birth weight endowment from mother characteristics with estimation results. As is standard in multinomial Probit, I normalize the coefficients for one of the types (type 1) to zero:  $\pi^1 = 0$ .

### 6.3 Results

**Behavioral Effects.** The top panel of Table 7 shows the behavioral effects of CHIP on altruism and present bias. CHIP exposure has significant impacts on the present bias of mothers. Gaining a 100% FPL exposure increases the short-term discount factor by  $\beta_1 = 0.13$ . Prior to CHIP, mothers exhibit a short-term discount factor  $\beta_0 = 0.75$ . These estimates suggest that the roll-out of CHIP increased the short-term patience of mothers by 0.10 ( $= 0.13 * 80\%$ ), reducing present bias by 14% ( $= 0.10/0.75$ ) below the baseline. In Figure 3, I plot the simulated care onset time implied by the behavioral effects. First (second) trimester onset increased (decreased) for mothers with greater exposure to CHIP, closely matching the empirical patterns in the data.

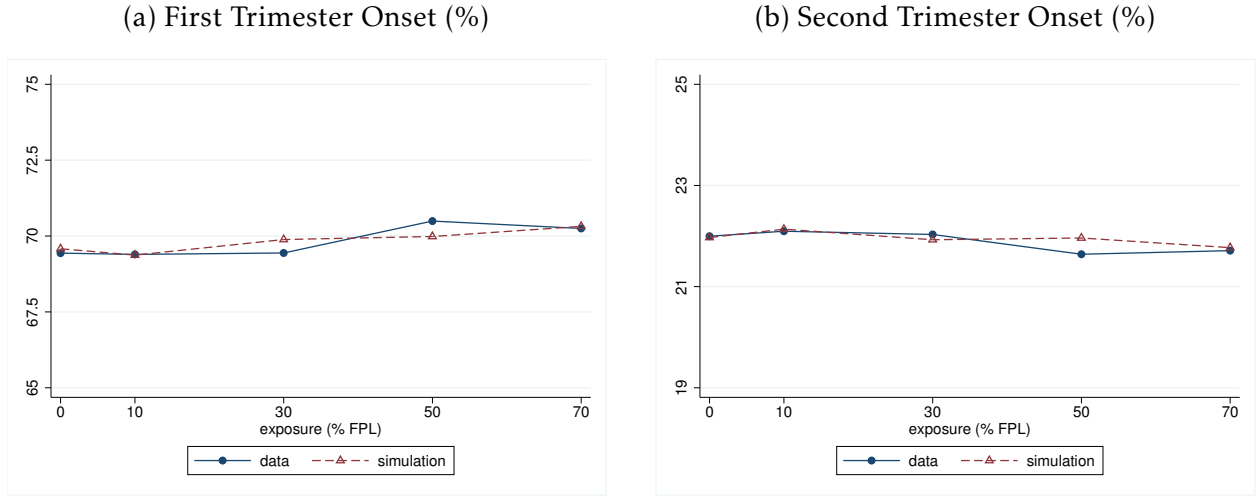
Table 7: Estimated model parameters

Behavioral Effects			
$\alpha_0$ :	1	$\alpha_1$ :	0.001
	–		(0.014)
$\beta_0$ :	0.75	$\beta_1$ :	0.13
	(0.007)		(0.013)
Mother Types	Type 0	Type 1	Type 2
Taste for visits $\eta_i$	-0.017	-0.38	3.75
	(0.076)	(0.059)	(0.052)
Taste for cigar. $\zeta_i$	38.43	-677.61	-17.68
	(0.52)	(<0.001)	(0.29)
Endowment $\phi_i$	3.33	2.16	2.02
	(0.027)	(0.022)	(0.026)
Share (%)	9.58	37.68	52.74
Birth Weight Production			
$V_i$	1.54	$V_i \cdot \text{smoke}$	0.61
	(<0.001)		(0.001)
$V_i^2$	-0.093	$V_i \cdot \text{heavy}$	4.72
	(<0.001)		(0.33)
$\text{smoke} (\bar{s}_i \geq 5)$	-10.52	$V_i^2 \cdot \text{smoke}$	0.025
	(0.018)		(<0.001)
$\text{heavy} (\bar{s}_i \geq 15)$	-4.54	$V_i^2 \cdot \text{heavy}$	-0.77
	(0.97)		(0.025)
Birth Weight Valuation			
$\theta$ :	0.53		
	(0.001)		

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

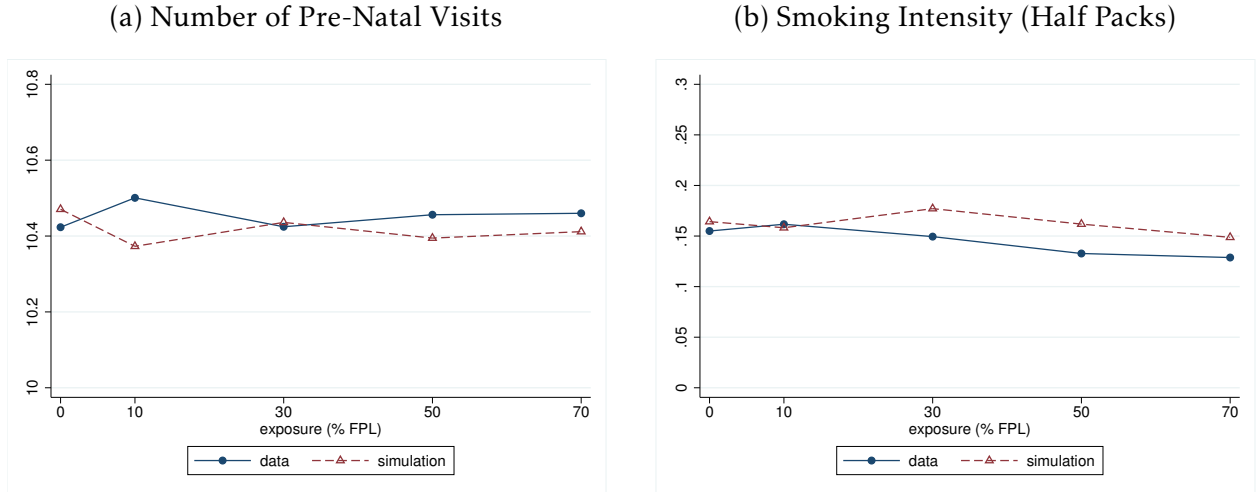
Notes. Table shows estimated parameters of the structural model. The top panel shows the behavioral effects on altruism and present bias. The middle panel shows estimates of taste types and the birth weight endowment as well as the share of each type in the population. The last panel shows estimates of the birth weight production function (equation 16) and the parameter determining the birth weight valuation  $\theta$ . To estimate the model, I simulate and match the investment choices of one million low-educated single mothers with empirical counterparts in the data. Standard errors of estimated parameters in the parenthesis.

Figure 3: Effect of CHIP exposure on the timing of care onset



Notes. Figure plots the effect of CHIP exposure on the timing of care onset, focusing on the probability of first trimester onset in panel (a) and on second trimester onset in panel (b). The dotted lines plot the simulated probability of onset time by CHIP exposure  $\Delta\ell_i$ , and the solid lines plot the empirical counterparts in the data. I simulate the timing of care onset from one million low-educated single mothers drawn from the estimation sample.

Figure 4: Effect of CHIP exposure on investment levels



Notes. Figure plots the effect of CHIP exposure on the number of pre-natal visits in panel (a) and on smoking intensity in panel (b). Smoking intensity is measured in half packs of cigarettes using cut-points of 5 and 15 cigarettes daily. Specifically, smoking intensity takes value 0 for mothers smoking fewer than 5 cigarettes daily, value 1 for light smokers with 5-15 cigarettes, averaging a half pack cigarettes daily, and value 2 for heavy smokers with over 15 cigarettes, averaging a full pack daily. The dotted lines plot the simulated investment levels by CHIP exposure  $\Delta\ell_i$ , and the solid lines plot the empirical counterparts in the data. I simulate investments from one million low-educated single mothers drawn from the estimation sample.



By contrast, CHIP exposure did not significantly increase the altruistic preferences of mothers. For every 100% FPL exposure to CHIP, utility weights for children increased by  $\alpha_1 = 0.001$  relative to the unit weight prior to CHIP. As a result, the behavioral effects imply a very small increase in the number of pre-natal visits in panel (a) of Figure 4, matching the empirical patterns in the data. Therefore, the responses in the timing of care onset and in smoking (panel b) are primarily driven by lower present bias after CHIP.

**Mother Types.** The middle section of Table 7 summarizes the taste types and the birth weight endowment of pregnant mothers. The majority of mothers (52.7%) derive large utility from pre-natal visits and low utility from pregnancy smoking (type 2 mothers). The second largest type (37.7%) has the largest disutility from smoking, almost never smokes during pregnancy, and has the lowest utility from pre-natal visits (type 1 mothers). A small fraction of mothers (9.6%) strongly prefer smoking, almost always smoke intensively, and is largely indifferent about pre-natal visits (type 0 mothers). The birth weight endowment is also largest among type 0 mothers.

To illustrate the identification of mother types, I show in Appendix Figure J2 that simulated investments recover differences by mother characteristics exploited in the multinomial Probit. Specifically, simulated number of visits matches the difference by mother risk factors in panel (a), and simulated smoking intensity matches the empirical variation by county smoking rates in panel (b). Simulated birth weight increases with exposure  $\Delta\ell_i$ , and is larger for mothers without fetal death in previous pregnancies (Appendix Figure J3).

**Birth Weight Production.** The lower panel of Table 7 estimates the birth weight production function in equation 16. Pre-natal visits increase birth weight with diminishing marginal benefits, whereas smoking has large negative effects on birth weight. The magnitude of these two effects implies that the cost of smoking is offset by roughly 7 additional visits for an average mother. Exploiting the quadratic form, the optimal number of visits is around 9 for non-smokers, and around 15 for smokers. The difference reveals similar cost of smoking relative to the benefit of pre-natal visits on birth weight.

Birth weight further depends on endowment  $\phi_i$ . High-endowment mothers have higher returns to investments and may invest more in response to CHIP. To illustrate, Appendix Figure J4 simulates investments and birth weight by exposure  $\Delta\ell_i$  for mother types. Although CHIP exposure has no effects on the number of visits for type 1 and type 2 mothers, it increases visits by a small amount for type 0 mothers. The reduction in smoking and the birth weight gain are highly concentrated in type 0 mothers. Since type 0

mothers have the strongest taste for smoking, the birth weight endowment reinforces the benefits of pre-natal visits and the cost of smoking for children of high-smoking mothers.

## 6.4 Welfare

I next exploit the investment responses to reveal mother's valuation of in-utero exposure to CHIP. To do so, I simulate counterfactual investments in the absence of CHIP. Comparing counterfactual investments with the status quo, I quantify the effect of CHIP exposure on investments and mother's utility. I use the utility difference to reveal mother's willingness to pay (WTP) for the exposure, and contrast it with the cost of exposure to understand the welfare implications using the Marginal Value of Public Funds ([Finkelstein and Hendren, 2020](#)).

**Utility.** I construct and contrast three utility measures corresponding to investment choices under different present bias. Mothers without present bias derive long-run utility  $\mathcal{U}^*$  from investments.<sup>26</sup> By contrast, present-biased mothers derive utility  $\mathcal{U}^1$  from investments in the status quo, and derive utility  $\mathcal{U}^0$  from counterfactual investments in the absence of CHIP.<sup>27</sup> The difference  $\mathcal{U}^1 - \mathcal{U}^0$  gives the effect of CHIP exposure on the utility of mothers implied by investment choices. I use the long-run utility  $\mathcal{U}^*$  as a benchmark and quantify utility effects in units of the long-run benchmark in the analysis.

I summarize the utility effects in Table 8. CHIP exposure increased the utility of pregnant mothers by 0.06% of the long-run benchmark, and by 0.16% of the benchmark for type 0 mothers. The overall utility effect is highly concentrated among type 0 mothers. To further explore how pregnant mothers trade-off birth weight with costly investments, I calculate mother's utility from birth weight  $C^i$  and from investments  $M^i = \mathcal{U}^i - C^i$  in the status quo ( $i = 1$ ) and in the absence of CHIP ( $i = 0$ ).<sup>28</sup> I therefore summarize the utility effect  $\frac{\mathcal{U}^1 - \mathcal{U}^0}{\mathcal{U}^*}$  separately by the effect on birth weight  $\frac{C^1 - C^0}{\mathcal{U}^*}$  and on investments  $\frac{M^1 - M^0}{\mathcal{U}^*}$ .

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<sup>26</sup>Formally, the long-run utility is given by

$$\mathcal{U}^* = \mathbb{E} \left[ \sum_{t=1}^3 \vartheta(\rho^*; \varepsilon_t, \mathcal{I}_t) + \sum_{t=1}^3 \psi(\rho^*; \varepsilon_t, \mathcal{I}_t) + L(b^i; \varepsilon_3, \mathcal{I}_3) \right], \quad (24)$$

which sums over utility from in-utero investments and birth weight.  $\rho^*$  is the optimal investments under the long-run preference.

<sup>27</sup>Both  $\mathcal{U}^1$  and  $\mathcal{U}^0$  reflect mother's utility according to her long-run preferences, but investments differ due to different degrees of present bias. In the counterfactual,  $\Delta \ell_i = 0$  for all mothers, and present bias  $\beta$  stays constant at the baseline  $\beta_0$ .

<sup>28</sup>Specifically, utility from birth weight  $C^i = \mathbb{E} [L(b^i; \varepsilon_3, \mathcal{I}_3)]$ , and the utility from investments  $M^i = \mathbb{E} [\sum_{t=1}^3 \vartheta(\rho^i; \varepsilon_t, \mathcal{I}_t) + \sum_{t=1}^3 \psi(\rho^i; \varepsilon_t, \mathcal{I}_t)]$ . By definition,  $\mathcal{U}^i = C^i + M^i$ ,  $i = 0, 1$ .

I find that CHIP exposure increased utility primarily by improving birth weight. In Table 8, pregnant mothers increased utility by 0.11% of the long-run benchmark from higher birth weight, and incurred costly investments valued at 0.05% of the long-run benchmark. For type 0 mothers, the increase in birth weight generates large utility gains at substantially lower costs, explaining the large utility effects on type 0 mothers.

Table 8: Effects of CHIP exposure on birth weight and investments

	All	Type 0	Type 1	Type 2
$\frac{U^1 - U^0}{U^*}$ (%)	0.061 (<0.001)	0.16 (0.002)	0.063 (<0.001)	0.041 (<0.001)
$\frac{C^1 - C^0}{U^*}$ (%)	0.11 (<0.001)	0.19 (0.004)	0.21 (<0.001)	0.020 (<0.001)
$\frac{M^1 - M^0}{U^*}$ (%)	-0.047 (<0.001)	-0.029 (0.003)	-0.15 (<0.001)	0.021 (<0.001)
Share (%)	100	9.58	37.68	52.74

Notes. Table summarizes the effect of CHIP exposure on the utility of pregnant mothers, measured in percentages of the long-run benchmark  $U^*$ . I calculate separate utility effects on birth weight and on investments using  $\frac{C^1 - C^0}{U^*}$  and  $\frac{M^1 - M^0}{U^*}$ , respectively, as well as the combined effect on utility  $\frac{U^1 - U^0}{U^*}$ . Standard errors of the welfare effects from one million simulated individuals in the parenthesis.

**MVPE.** The utility difference  $U_i^1 - U_i^0$  is also mother's willingness to pay (WTP) for in-utero exposure to CHIP. Specifically, mother  $i$  is willing to pay up to the utility difference for the exposure compared to receiving zero exposure to CHIP. Formally, I calculate the WTP of mother  $i$  as

$$WTP_i = \frac{U_i^1 - U_i^0}{\Delta \ell_i} = \frac{C_i^1 - C_i^0}{\Delta \ell_i} + \frac{M_i^1 - M_i^0}{\Delta \ell_i}, \quad (25)$$

where I normalize the utility difference  $U_i^1 - U_i^0$  by the size of exposure  $\Delta \ell_i$ . The resulting  $WTP_i$  gives mother  $i$ 's WTP for a 100% FPL exposure revealed by her investment responses. I similarly construct WTP measures for birth weight  $\frac{C_i^1 - C_i^0}{\Delta \ell_i}$  and for investments  $\frac{M_i^1 - M_i^0}{\Delta \ell_i}$ .

I use the WTP measures to construct the Marginal Value of Public Funds (MVPF) for CHIP exposure, comparing mothers' WTP with the cost of exposure to the program (Hendren and Sprung-Keyser, 2020). Since the exposure occurs prior to the program onset, I quantify the cost of the exposure using the program's outreach cost during the roll-out. Assuming an even distribution of outreach efforts aimed at introducing the program to the

public (Williams and Rosenbach, 2007), I quantify the cost of exposure to be  $\Delta G = \$0.42$  per woman from state reports of outreach expenditures.<sup>29</sup>

I calculate the MVPF for CHIP exposure as follows

$$MVPF = \varphi \frac{WTP}{\Delta G} = \varphi \frac{WTP^C}{\Delta G} + \varphi \frac{WTP^M}{\Delta G}, \quad (26)$$

where  $WTP = \frac{1}{N} \sum_i WTP_i \Delta inc_{s(i)}$  is the average WTP of mothers. Because the exposure is larger in states expanding insurance to higher income limits, I scale  $WTP_i$  by  $\Delta inc_{s(i)} = inc_{s(i)}^{post} - inc_{s(i)}^{pre}$  to calculate the WTP. To the extent that society may value the transfer to pregnant mothers at more than the dollar costs, I allow for higher welfare weight  $\varphi > 1$  for pregnant mothers.

Table 9 summarizes the MVPF. Pregnant mothers are willing to pay \$0.29 for in-utero exposure to CHIP, and \$0.43 for birth weight. The WTP for birth weight alone is sufficient to offset the outreach cost of \$0.42 per woman. Netting out investments, pregnant mothers value the exposure at 69% of the cost. To understand magnitude, I compare CHIP exposure with recent Medicaid expansions for low-income adults. Specifically, expansions in Oregon and Massachusetts suggest an MVPF of Medicaid between 0.55 and 1.16 (Finkelstein *et al.* 2019a; Finkelstein *et al.* 2019b), placing the MVPF of CHIP exposure at the lower end of the estimates.<sup>30</sup> This implies that exposure to children’s insurance could improve the utility of parents as effectively as expanded insurance to parents themselves. With small distributional preferences ( $\varphi = 2$ ), the social WTP offsets the cost.

The high effectiveness of CHIP exposure reflects mother’s high WTP for birth weight. However, WTP may understate the social benefits of in-utero exposure, if children more exposed to CHIP have higher earnings as adults and hence create fiscal externality on the government budget through increased tax payments. The externality on the social cost of insurance is not captured by mother’s WTP. I quantify the fiscal externality as a fraction of initial program investments next.

## 6.5 Fiscal Externality

To quantify the fiscal externality, I calculate the earning benefits of CHIP exposure linking the effects on college enrollment to earnings. Based on estimates in Table 6, the roll-out of CHIP increases college enrollment by  $80\% \cdot 1.41 = 1.13$  percentage points for children of single mothers. Assuming that students induced by the exposure remain in college for two

<sup>29</sup>I detail the calculation of outreach costs and conduct robustness analysis in Appendix G.

<sup>30</sup>Appendix Table D.I of Hendren and Sprung-Keyser (2020) provides a summary of these estimates.

Table 9: MVPF of in-utero exposure to CHIP

	$WTP$	$WTP^C$	$WTP^M$	$MVPF$
$\varphi = 1$	0.29 (0.003)	0.43 (0.005)	-0.13 (0.004)	0.69 (0.006)
$\varphi = 2$	0.59 (0.005)	0.85 (0.010)	-0.27 (0.007)	1.40 (0.013)
$\varphi = 3$	0.88 (0.008)	1.28 (0.015)	-0.40 (0.011)	2.10 (0.019)

Notes. Table summarizes the marginal value of public funds (MVPF) for the in-utero exposure to CHIP. MVPF compares mothers' WTP for the exposure  $WTP$  with the cost of the exposure to the program. I calculate the cost to be \$0.42 per woman in Appendix G. I calculate separate WTP for birth weight  $WTP^C$  and investments  $WTP^M$ , and summarize the MVPF by mothers' welfare weight  $\varphi$  in the table. Standard errors from one million simulated individuals in the parenthesis.

years, and applying an 11.3% return on earnings for each year of college (Zimmerman, 2014), I calculate that in-utero exposure increases earnings by  $2 \cdot 11.3\% \cdot 0.0113 = 0.26\%$  for children of single mothers. Netting out the initial foregone earnings after high school, the life-cycle earning benefits amount to \$1,013.16 per child of single mother.

Following Hendren and Sprung-Keyser (2020), I apply a 18.9% marginal tax rate on the earning benefits and calculate an increase in tax payments by  $18.9\% \cdot \$1,013.16 = \$191.49$ . I compare the effect on tax payments with the cost of program investments in childhood, calculated from spendings in the first 19 years of the program. Over this period, CHIP invested \$2,483.10 per child of single mother. Therefore, the fiscal externality on tax payments allows the government to recoup  $\frac{\$191.49}{\$2,483.10} = 7.71\%$  of the initial investments from in-utero exposure alone. I show details of the calculation in Appendix H and conduct robustness analyses. Under alternative assumptions, the fiscal externality of CHIP exposure tends to exceed 10% of the initial investments.

## 7 Discussion and Conclusion

Social policies for children increasingly harness parental investments to augment the policy impacts on children. In K-12 and pre-school, for instance, parent-school partnerships and family-based interventions lower the informational and behavioral frictions facing parents, improving their investments and the education outcome of the child.<sup>31</sup> To effectively

<sup>31</sup>See Bergman (2019) for a survey of parental engagements in K-12, and see Brooks-Gunn *et al.* (2000) for a survey in pre-school.

engage parents, policymakers need information on how parents invest in the child and how responses to policies might impact investments and child outcomes. In the context of social insurance for children, I provide evidence on these questions exploiting the roll-out of the Children's Health Insurance Program (CHIP) in 1997-2000.

I find that expanding insurance for children increases parental investments in utero. Pregnant mothers exposed to higher CHIP eligibility reduced smoking and improved the timely onset of pre-natal visits. Using a structural model of in-utero investments, I find that CHIP exposure increased investments by lowering the present bias of mothers, and increased mother utility primarily through the effects on birth weight. This result suggests that parents highly value child outcomes, but nonetheless under-invest due to behavioral biases over-weighting the short-term costs of investments.

The behavioral mechanism has several implications for policy. First, parents may exhibit short-term bias due to unawareness of future investment opportunities for the child. Informing parents of program eligibility through outreach and reminders can foster forward thinking and increase investments, with potentially larger benefits for more present-biased parents ([Mayer \*et al.\*, 2019](#)). Second, effective engagement strategies can feature low-cost, light-touch approaches without financial incentives to parents. In particular, I find that “nudging” parents with in-utero exposure to CHIP increases utility as effectively as expansions of mother's own insurance coverage.

Finally, combating the behavioral biases also generates substantial benefits to the society in terms of the fiscal cost of insurance. This is because fetal and early-life environments have persistent impacts on later-life outcomes ([Almond and Currie 2011](#); [Almond \*et al.\* 2018](#)), implying high social externality of parental investments. In-utero exposure to CHIP, for instance, lowers the cost of program investments by 7.71% through the benefits on adult earnings and tax payments. These benefits provide strong motivations for outreach efforts engaging parents in children's insurance programs.

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# Appendix

## A Simulated Eligibility

I calculate simulated eligibility using the full sample of women between age 21 and 40 in the 2000 decennial census. I assume that woman  $i$  has a child of age  $a_i$  belonging to age band  $b(a_i)$ . The child is eligible for Medicaid/CHIP if the woman's family income  $inc_i$  is less than the income limit  $inc_{st}^b$ . To parametrize the income eligibility rules, I apply income limits from different states  $s$  and time  $t$ , and calculate the implied share of children eligible for Medicaid/CHIP by age band  $b$  as follows

$$eligCHIP_{st}^b = \frac{1}{N} \sum_i 1\{inc_i \leq inc_{st}^b\}, \quad (A1)$$

where  $N = 1,948,731$  is the sample size of all women in age 21-40 in the 2000 census. The simulated eligibility  $eligCHIP_{st}^b$  calculates the share of children of age band  $b$  who would be eligible for Medicaid/CHIP for a fixed composition of mothers and their incomes. Given age band  $b$ , differences in  $eligCHIP_{st}^b$  reflect exogenous variation in program rules that shifted income limits across states and over time.

I calculate  $eligCHIP_{st}^b$  for three age bands: infants (age 0), small children (age 1-5) and older children (6+). The income limits in each state before and after CHIP by age bands are listed in Table 1. In expectation, childhood eligibility  $eligCHIP_{st}$  is a weighted average over childhood years:

$$eligCHIP_{st} = \frac{1}{19} eligCHIP_{st}^0 + \frac{5}{19} eligCHIP_{st}^{1-5} + \frac{13}{19} eligCHIP_{st}^{6+}, \quad (A2)$$

where instead of using  $b$  in the superscript, I make explicit the ages in age band  $b$ .

The income eligibility rules imply that children from low-income families are more likely to qualify for Medicaid/CHIP. To explicitly account for the differences by income groups, I calculate separate eligibility by mother demographics  $g$  defined by marital status, race, and education. Specifically, eligibility for children of age  $b$  in group  $g$  is given by

$$eligCHIP_{gst}^b = \frac{1}{N_g} \sum_{i \in g} 1\{inc_i \leq inc_{st}^b\}, \quad (A3)$$

where  $\mathcal{G}$  is the collection of children in demographic group  $g$ . The simulated eligibility  $eligCHIP_{gst}^b$  calculates the share of children of age  $b$  in group  $g$  who would be eligible for Medicaid/CHIP for a fixed composition of mothers and incomes. Within group differences in eligibility  $eligCHIP_{gst}^b$  reflect exogenous variation in income limits across states and over time.

Childhood eligibility for group  $g$  is given by

$$eligCHIP_{gst} = \frac{1}{19} eligCHIP_{gst}^0 + \frac{5}{19} eligCHIP_{gst}^{1-5} + \frac{13}{19} eligCHIP_{gst}^{6+}. \quad (A4)$$

For pregnant mother  $i$  in the birth sample, I calculate childhood eligibility

$$eligCHIP_{g(i)st} = \frac{1}{9} \sum_{\tau=0}^8 eligCHIP_{gs\tau} \quad (A5)$$

as the average eligibility over a 9-month gestation, where  $eligCHIP_{gs\tau}$  is the childhood eligibility according to policy rules in effect in month  $\tau$  of the pregnancy, whereas subscript  $t$  refers to the month of fertility as in the main text. I plot  $eligCHIP_{g(i)st}$  across states and cohorts during the CHIP roll-out in Figure 1. Eligibility increased substantially from 0.15 to 0.30 between the 1997 and the 2000 cohort (or from 2.85 eligible years to 5.70), and increased even more for children of single mothers from 0.33 to 0.50 over the same period.

In most of the empirical analyses, I simply calculate the average income limit during childhood as a measure of insurance eligibility:

$$eliginc_{st} = \frac{1}{9} \sum_{\tau=0}^8 inc_{s\tau}, \quad (A6)$$

where  $inc_{s\tau} = \frac{1}{19} inc_{s\tau}^0 + \frac{5}{19} inc_{s\tau}^{1-5} + \frac{13}{19} inc_{s\tau}^{6+}$  is the average income limit according to eligibility rules in effect in state  $s$  and month  $\tau$  of the pregnancy. Averaged over a 9-month gestation,  $eliginc_{st}$  gives the childhood income limit for newbornes conceived in year-month  $t$  in state  $s$ .

## B Detailed Proofs

I solve the parents' investment problem backwards, starting from the childhood stage  $t = 1$ . Given child health  $h = 0, 1$ , parents choose the schooling investment  $v_1^h$  to maximize the utility

$$U_1^h(v_1^h) = u(Y_1 - v_1^h - OOPC \cdot 1\{h = 0\}) + \Gamma(s(v_1^h)) + \delta V^h(s(v_1^h)), \quad (B1)$$

where  $u(Y_1 - v_1^h - OOPC \cdot 1\{h = 0\})$  is the utility from consumption after investing  $v_1^h$  and medical expenses  $OOPC$  in case of a low health child ( $h = 0$ ). Larger investments improve utility from schooling outcomes  $s(v_1^h)$  and adult outcomes  $V^h(s(v_1^h))$ . Optimal investments  $v_1^{h*}$  satisfy the first order condition

$$u'(c_1^{h*}) = \Gamma' s'(v_1^{h*}) + \delta V' s'(v_1^{h*}), \quad (B2)$$

where  $c_1^{h*} = Y_1 - v_1^{h*} - OOPC \cdot 1\{h = 0\}$  is the optimal consumption given child health  $h$ .

The condition states that optimal investment  $v_1^{h*}$  matches the marginal cost of investment on consumption  $u'(c_1^{h*})$  with the marginal gains on education and adult outcomes  $\Gamma' s'(v_1^{h*}) + \delta V' s'(v_1^{h*})$ . As CHIP lowers  $OOPC$ , decreasing  $v_1^{h*}$  lowers the marginal cost on consumption but increases the marginal gains on education outcomes for concave  $\Gamma$ ,  $s$ , and  $V$ . Therefore  $v_1^{h*}$  must increase at lower  $OOPC$ . Moreover, because  $OOPC = 0$  for  $h = 1$ , parents invest more in the high health child ( $v_1^{1*} > v_1^{0*}$ ), and the marginal benefits of investment are higher for the low health child. From equation B2, it follows that the marginal cost of consumption is also larger for the low health child. This implies that total investments are larger in the low health child, but non-health investment  $v_1^{0*}$  is smaller due to the medical expense  $OOPC$ .

Let  $\tilde{U}_1^h = U_1^h(v_1^{h*})$  denote the maximized utility in childhood from optimal investments  $v_1^{h*}$ . In the fetal stage ( $t = 0$ ), parents choose in-utero investment  $v_0$  to maximize utility

$$U_0(v_0) = u(c_0) + w(v_0) + \delta \rho(v_0) \tilde{U}_1^1 + \delta (1 - \rho(v_0)) \tilde{U}_1^0, \quad (B3)$$

where consumption  $c_0 = Y_0 - v_0$ , and  $w(v_0)$  is the utility on birth outcomes as a function of in-utero investments  $v_0$ . Larger  $v_0$  also increases the probability of high child health in  $t = 1$ , and the probability  $\rho(v_0)$  is concave in  $v_0$ . Optimal in-utero investment  $v_0^*$  satisfies

$$\delta \rho'(v_0^*) \Delta \tilde{U}_1 + w'(v_0^*) = u'(c_0^*), \quad (B4)$$

where  $\Delta \tilde{U}_1 = u(c_1^*) - u(c_0^*) + \Gamma(s(v_1^{1*})) - \Gamma(s(v_1^{0*})) + V^1(s(v_1^{1*})) - V^0(s(v_1^{0*})) = \Delta u + \Delta \Gamma + \Delta V$  is the utility gap in future periods in terms of consumption ( $\Delta u$ ), education outcomes ( $\Delta \Gamma$ ), and the child's adult outcomes ( $\Delta V$ ). The gaps are determined by childhood investments  $v_1^{h*}$ . Since non-health investments increase for low health children at lower  $OOPC$  but remain constant for high health children, CHIP narrows the outcome gap  $\Delta \Gamma + \Delta V$  between low and high health children. The investments lower the marginal benefits on the right hand side of equation B2, implying higher consumption levels for parents of low health

children. Therefore, consumption gap  $\Delta u$  also decreases after CHIP. As a result,  $\Delta \tilde{U}_1$  is smaller after CHIP. This effect then lowers the marginal benefit of in-utero investment  $v_0$ , captured by the term  $\delta \rho'(v_0^*) \Delta \tilde{U}_1 + w'(v_0^*)$  in equation B4. In response,  $v_0$  decreases after CHIP.

**Altruism.** I model altruism as the weight on child outcomes in the parent's utility. Suppose that CHIP exposure increases the child's weight to  $\alpha > 1$ . Optimal investments in  $t = 1$  now solve

$$u'(c_1^{h*})/\alpha = \Gamma' s'(v_1^{h*}) + \delta V' s'(v_1^{h*}), \quad (B5)$$

and in-utero investment  $v_0$  solves

$$\delta \rho'(v_0^*) \Delta \tilde{U}_1(\alpha) + \alpha w'(v_0^*) = u'(c_0^*), \quad (B6)$$

where the utility gap  $\Delta \tilde{U}_1(\alpha) = \Delta u + \alpha(\Delta \Gamma + \Delta V)$  places weight  $\alpha$  on the gap in child outcomes.

When CHIP also increases altruism  $\alpha$  in addition to lowering *OOPC*, it is easy to see that non-health investments increase for both health due to equation B5. The additional investments lower consumption  $c_1^{1*}$  for parents of high health children. For parents of low health children, the additional investments are potentially offset by smaller medical expenses *OOPC*, rendering the consumption implications ambiguous. In the case that parental consumption is a normal good, lower medical expenses increases consumption  $c_1^{0*}$ . This would imply that the consumption gap  $\Delta u$  narrows after CHIP. However,  $\Delta \Gamma + \Delta V$  depends on the relative size of investment responses and the marginal effects of investments on outcomes ( $\Gamma' s' + V' s'$ ) by child health. These quantities are indeterminate from equation B5.<sup>32</sup> In general, altruism increases parent's perception of the utility gap  $\Delta \tilde{U}_1(\alpha) = \Delta u + \alpha(\Delta \Gamma + \Delta V)$ , increasing the perceived benefits of in-utero investments on the left hand side of equation B6.

**Present Bias.** Present-biased parents discount future benefits of investments by an additional factor  $\beta$  to the present period. The inconsistency in time preference generates oversensitivity to short-term costs relative to long-run benefits, implying under-investment in the short term. Specifically, investments of a present-biased parent satisfy the following conditions in childhood

$$u'(c_1^{h*})/\alpha = \Gamma' s'(v_1^{h*}) + \beta \delta V' s'(v_1^{h*}), \quad (B7)$$

and the following condition in-utero

$$\beta \delta \rho'(v_0^*) \Delta \tilde{U}_1(\alpha, \beta) + \alpha w'(v_0^*) = u'(c_0^*), \quad (B8)$$

where utility gap  $\Delta \tilde{U}_1(\alpha, \beta) = \Delta u + \alpha(\Delta \Gamma + \Delta V)$  depends on future investments  $v_1^{h*}$  under present bias  $\beta$  and altruism  $\alpha$ .

When CHIP increases both  $\alpha$  and  $\beta$  in addition to lowering *OOPC*, non-health in-

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<sup>32</sup>For illustration, consider the special case where  $u(c) = \log(c)$ , and  $\Gamma(s(v)) + V(s(v)) = \log(v)$ . It is easy to see that  $\Delta \Gamma + \Delta V = \log\left(\frac{Y_1}{Y_1 - OOPC}\right)$ , and valuation  $\alpha(\Delta \Gamma + \Delta V)$  increases after CHIP with  $\alpha > 1$ .

vestments increase even more for both high and low health children. However, the consumption implications for parents of low health children are ambiguous, and the gap in child outcomes depends on the relative increase in investments and the marginal effects of investments by child health. As a result, utility gap  $\Delta \tilde{U}_1 = \Delta u + \alpha (\Delta \Gamma + \Delta V)$  can either increase or decrease after CHIP. Regardless, larger  $\beta$  increases parent's perceived benefits of investments, given by  $\beta \delta \rho'(v_0^*) \Delta \tilde{U}_1$ , on future utility, mitigating the potential drop in utility gap  $\Delta \tilde{U}_1$ . Combined with higher altruism for the child, in-utero investments potentially increase after CHIP.

## C Education Outcomes

**Sample Construction.** I estimate the effect of CHIP exposure on children conceived 7 quarters before till 2 quarters after CHIP in the American Community Survey (ACS). To focus on education outcomes from high school to college, I restrict the sample to children who are age-ready for high school (Grade 9) or above when surveyed in the ACS. Because the oldest cohort – those conceived 7 quarters before CHIP – are born in the second quarter of 1996, the earliest time for the children to be age-ready for Grade 9 is 2010-2011. I therefore use 2010-2018 waves of ACS to follow the academic progress of children from high school to college. During this period, the average child in the sample – born in the fourth quarter of 1998 – expects to enter Grade 1 in 2004-2005, and expects to complete high school (Grade 12) in 2016-2017. Appendix Table C1 summarizes the estimation sample.

Table C1: Sample summary, education outcomes ( $N = 385,063$ )

	mean	s.e.		mean	s.e.
grade-for-age (%)	88.21	0.052	child age	16.89	0.003
graduate high school (%)	28.79	0.073	birth year	1998.36	0.002
enroll in college (%)	15.78	0.059	survey year ( $t$ )	2015.25	0.003
			Grade 1 entry year	2004.72	0.002
single motherhood					
never married (%)	8.64	0.045	$eliginc^{utero}$ (100% FPL)	1.58	0.001
unmarried in $t$ (%)	25.46	0.070	$eliginc^{child}$ (100% FPL)	2.33	0.001

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table summarizes the estimation sample for education outcomes. I construct the sample from children conceived 7 quarters before till 2 quarters after CHIP, and focus on the education outcomes of children expected to attend high school or above in 2010-2018 waves of the American Community Survey (ACS). I determine the expected grade given child age based on the school entry age in the state, and identify mothers using the family interrelationships variables developed by [Ruggles et al. \(2020\)](#). Based on mother's marital status, I define single motherhood requiring that the mother has never married, or is unmarried in survey year  $t$ .

**Variable Definition.** I determine the child's grade-for-age status – whether the child attends the grade level expected of her age and graduates high school on time – based on the school entry age in the state. Specifically, children turning five before a cut-off month in a year can enter kindergarten in the same year, and those turning five after the cut-off enter in the next year. Since ACS provides the quarter of birth rather than the month, I assume that children born in the same quarter as the cut-off are born after the cut-off month, and hence adopt the more generous criterion in determining grade-for-age.<sup>33</sup> For children expected to have finished Grade 12, grade-for-age indicates whether the child has obtained a regular high school diploma or is enrolled in college. I also separately examine high school graduation and college enrollment as distinct outcomes after Grade 12.

I identify mothers of school-age children in the ACS using the family interrelationships variables developed by [Ruggles et al. \(2020\)](#). Based on mother's marital status, I define

<sup>33</sup>Similar definition is adopted in [Kearney and Levine \(2019\)](#). Following [Deming and Dynarski \(2008\)](#), I code school entry cut-offs for CHIP cohorts based on Appendix Table 1 of [Bedard and Dhuey \(2007\)](#).

single motherhood requiring that the mother has never married, or is unmarried in survey year  $t$ . 8.64% of the children live in single-mother households where the mother has never married, and 25.46% live in households where the mother is unmarried in year  $t$ . Over the sample period, in-utero exposure to CHIP averages 158% FPL, and increased from 122% FPL before CHIP to 202% FPL after. Childhood exposure averages 233% FPL, and increased from 201% FPL when the average child is age 0 to 263% FPL when the child reaches age 18.



## D Medical Costs

I calibrate the cost of pre-natal visits from the Medical Expenditure Panel Survey (MEPS) “Event Files”. The Event Files track visits to physicians, hospitals and other health facilities by households in a given calendar year. For each visit, the Event Files record the conditions seeking medical care, the insurance coverage of the medical costs, and the payment of the costs by the household and by the provider. For hospital visits, the Event Files also ask the purpose of the visit. Women who answered “to give birth to a child” are identified as pregnant mothers.

For each pregnant mother, I collect doctor visits related to a pregnancy condition during a 9-month period prior to the birth event. I look up pregnancy-related conditions using the Clinical Classification Codes provided by MEPS. I include pre-natal visits in which the pregnant mother consulted a medical doctor in an office setting. Appendix Table D1 summarizes the out-of-pocket cost per visit for low-educated single mothers who had a birth event in 1997-2001.

Table D1: Out-of-pocket costs (OOPC) per pre-natal visit, MEPS

	(1) OOPC	(2) OOPC > 0	(3) OOPC(> 0)
<i>age</i>	0.80 (1.05)	0.10*** (0.024)	-15.32 (9.79)
<i>age</i> <sup>2</sup>	-0.011 (0.018)	-0.0016*** (0.0004)	0.25 (0.16)
<i>constant</i>	-9.69 (15.02)	-1.41*** (0.33)	249.04 (144.72)
y mean	3.42	0.14	24.26
N	1,750	1,750	251

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table predicts the out-of-pocket cost (OOPC) per pre-natal visit using a quadratic function of age. Column 1 predicts the average cost per visit. Column 2 predicts the probability of incurring a positive cost. Column 3 predicts the conditional mean for visits with a positive cost. Sample includes pre-natal visits by non-college educated single mothers who had a birth event in a hospital between 1997 and 2001. All dollars adjusted to the 2000 level by the CPI-Urban price index.

Over 85% of the pre-natal visits had zero out-of-pocket costs (y mean in column 2). The probability of zero costs varied significantly with age. To approximate the empirical distribution, I model the out-of-pocket costs as following a two-node distribution over

zero costs and a positive amount depending on the mother's age. The mass at zero is determined by the regression coefficients in column 2. The level of the non-zero cost is determined by the regression coefficients in column 3. Since the age variable is discretized into 4 groups in the estimation, the calibrated cost per visit is the follows

$$c_{it}(a_i, \xi_{it}) = \sum_{g=0}^3 1\{\xi_{it} \geq F^{-1}(1 - z_g)\} \cdot 1\{20 + 5g \leq a_i \leq 25 + 5g\} \cdot \left[ 249.04 - 15.32 \cdot (22.5 + 5g) + 0.25 \cdot (22.5 + 5g)^2 \right], \quad (D1)$$

where  $g = 0, 1, 2, 3$  indexes age groups 21-25, ..., 36-40.  $z_g$  is probability of positive out-of-pocket costs for group  $g$ . In the model, positive out-of-pocket costs occur when the health shock  $\xi_{it}$  is greater than  $F^{-1}(1 - z_g)$ , where  $F$  is the cumulative distribution function of a standard normal.<sup>34</sup> Larger health shocks increase out-of-pocket costs. I use the middle age in each group to determine the cost level.

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<sup>34</sup>Empirically,  $z_0 = 0.105$ ,  $z_1 = 0.128$ ,  $z_2 = 0.295$ ,  $z_3 = 0.369$ .

## E Structural Sample

### E.1 Sample Definition

The structural model estimates the in-utero investments of single, non-college educated mothers whose pregnancy onset was within one year prior to the CHIP onset. I therefore focus on a more homogeneous group of single mothers (those without college education) than the event study in Section 4, and a shorter event window around CHIP. In particular, mothers starting pregnancy more than one year before CHIP and those starting pregnancy after CHIP are not included in the structural estimation sample.

I further restrict the sample to states with homogeneous income limits for children’s insurance prior to CHIP, and exclude states with very small or very large expansion of income limits after CHIP. Specifically, states increasing income limits by less than 20% FPL (MN) and by over 90% FPL (CT, MO, NH, PA, RI) are excluded. These states account for 10% of the births by low-educated single mothers. Moreover, 5 states (MN, MI, NM, VT, WA) expanded insurance above 130% FPL prior to CHIP, and the remaining states (91% of the births by low-educated single mothers) set income limits between 110% -130% FPL prior to CHIP. I drop the early expansion states and construct exposure  $\Delta\ell_i$  relative to the homogeneous income limit (110%-130% FPL) prior to CHIP. In the behavioral equation 21 and 22, the intercept ( $\alpha_0, \beta_0$ ) corresponds to the altruism and present bias at this baseline income limit.

The final sample further excludes a small fraction of mothers giving birth before the 7th month of pregnancy, and those with missing birth weight or the onset time of pre-natal visits. I exclude these mothers because the structural model assumes that birth occurs in the third trimester, exploits the timing of investments to estimate time preferences, and estimates the effects of investments on birth weight. The resulting sample includes 324,400 low-educated single mothers. Table E1 summarizes the sample.

Table E1: Summary statistics, structural estimation sample

	Endogenous Variables			Mother Characteristics	
	mean	s.e.		mean	s.e.
log birth weight	8.07	0.20	$\Delta\ell_i$ (% FPL)	24.79	24.07
care onset in			age group	0.69	0.90
first trimester (%)	69.68	45.96	had fetal death (%)	28.01	44.90
second trimester (%)	21.94	41.39	risk factor (%)	28.76	45.26
third trimester (%)	8.37	27.70	county smoking (%)	30.51	16.11
# pre-natal visits	10.46	4.27	cohort	1.51	1.11
$\geq 5$ cigar. daily (%)	10.88	31.14	missing smoking (%)	30.26	45.94

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table summarizes the sample of non-college educated single mothers in the structural analysis. The left columns summarize the endogenous variables from the model such as birth weight and investments. The right columns summarize the exogenous mother characteristics including CHIP exposure  $\Delta\ell_i$ . The last two variables, the cohort index and the percent with missing smoking, do not enter the state vector but are exploited in the construction of moment conditions. Because not all states provide smoking information on the birth certificate (affecting 30% of the estimation sample), I treat “missing” as a distinct level of smoking, and calculate smoking rates for the moment conditions including all mothers in the estimation sample.

## E.2 Mother Characteristics

The right columns of Table E1 summarize mother characteristics exploited in the structural analysis. Specifically, mother’s age and exposure  $\Delta\ell_i$  enter as the state variables in the dynamic programming model. Mother’s age affects out-of-pocket costs and the utility from pre-natal visits  $\vartheta$ , and  $\Delta\ell_i$  affects altruism and present bias through equation 21 and 22. The next three characteristics – whether the mother had fetal death in previous pregnancies, any risk factor, and the smoking rate in the county of residence – affect tastes  $\eta_i$  and  $\zeta_i$  as well as the birth weight endowment  $\phi_i$  distributed according to the multinomial Probit in equation 23. I infer fetal death in previous pregnancies comparing the live birth order of the child with the total birth order. Risk factor is an indicator set to 1 if the mother has any risk factor on the birth certificate. I calculate monthly smoking rates by county from the sample of non-college educated women in the Behavioral Risk Factor Surveillance System (BRFSS). I use the average smoking rate in the fifth quarter prior to CHIP (or three months prior to the first cohort of mothers in the estimation sample) as the county smoking rate.

The last two characteristics, the cohort index and an indicator for missing smoking, are auxiliary variables that enter the moment conditions but not the decision problem. I use the cohort index to contrast the timing of care onset across cohorts in addition to exposure levels. Because not all states provide smoking information on the birth certificate (affecting 30% of the estimation sample), to retain sample size, I treat “missing” as a distinct level of smoking, and calculate smoking rates for the moment conditions including all mothers in the estimation sample.

## F Moment Conditions and Estimation

**Moment Conditions.** Central to the structural model are three equations of interest: the behavioral effects of CHIP exposure on altruism and present bias (equation 21 and 22), and the birth weight production function (equation 16). To identify the behavioral effects, I contrast the timing and the level of investments by exposure levels in  $\Delta\ell_i$ . I estimate the birth weight production function using exposure levels in  $\Delta\ell_i$  as instruments. I therefore derive the following set of key moment conditions to identify the equations of interest.

1.  $4 \times 5$  moments on the percent starting care in the first, second, and third trimester, and the percent with no pre-natal care, by exposure  $\Delta\ell_i$ ,
2. 5 moments on the number of visits, by exposure  $\Delta\ell_i$ ,
3. 5 moments on the percent smoking more than 5 cigarettes daily, by exposure  $\Delta\ell_i$ ,
4.  $6 \times 3$  moments on log birth weight interacted with indicators of 6 visit levels and 3 smoking status,
5. 5 moments on log birth weight, by exposure  $\Delta\ell_i$ ,

In addition, I include the following set of auxiliary moment conditions to capture additional investment responses and heterogeneity by mother characteristics such as mother age. These moment conditions receive lower weights in the estimation.

6.  $4 \times 4$  moments on the percent starting care in the first, second, and third trimester, and the percent with no pre-natal care, by cohort  $j$ ,
7.  $16 \times 5$  moments on the percent with a given number of visits and starting care in a given trimester, by exposure  $\Delta\ell_i$ ,
8.  $2 \times 5$  moments on the percent of non-smokers ( $<5$  cigarettes daily) and heavy smokers ( $\geq 15$  cigarettes daily), by exposure  $\Delta\ell_i$ ,
9.  $4 \times 5$  moments on the percent with very low or high number of visits ( $\leq 6$  or  $\geq 15$ ) interacted with smoking less than 5 or over 15 cigarettes daily, by exposure  $\Delta\ell_i$ ,
10.  $3 \times 6 \times 3$  moments on birth weight below 2,500 grams and the two terciles (3,062 grams and 3,450 grams), interacted with indicators of 6 visit levels and 3 smoking status,
11.  $3 \times 5$  moments on birth weight below 2500 grams and the two terciles (3,062 grams and 3,450 grams), by exposure  $\Delta\ell_i$ ,
12.  $6 \times 4$  moments on the number of visits, by mother age  $a_i$ .

In total, I employ 272 moment conditions to estimate the model parameters.

**Simulated Moment Conditions.** Moment conditions that vary by exposure  $\Delta\ell_i$  take the following form

$$\mathbb{E}\left[d_i^l | \Delta\ell_i = k\right] - D^l(\Theta; k) = 0, \quad (\text{F1})$$

where  $d_i^l$  is the outcome of interest in moment condition  $l$  for individual  $i$ , and  $\Theta$  is the model parameters. The outcome implied by the model for exposure  $k$  is  $D^l(\Theta; k)$ , obtained by simulating optimal investments given  $\Theta$ . At true parameter values, simulated outcomes  $D^l(\Theta; k)$  should match the sample counterpart  $\mathbb{E}\left[d_i^l | \Delta\ell_i = k\right]$ .

I transform the conditional moment in equation F1 into an unconditional one as follows

$$\mathbb{E}\left[\left(d_i^l - D^l(\Theta; k)\right) \cdot 1\{\Delta\ell_i = k\}\right] = 0, \quad (\text{F2})$$

and the sample counterpart of the moment condition is given by

$$m^l = \frac{1}{N} \sum_i \left(d_i^l - D^l(\Theta; k)\right) \cdot 1\{\Delta\ell_i = k\}, \quad (\text{F3})$$

where  $m^l$  is the moment residual given model parameter  $\Theta$ .

I similarly construct the moment residuals for investments by mother age groups and for the birth weight production function.<sup>35</sup> Stacking up,  $m = (m^l)$ ,  $l = 0, \dots, 271$  is a vector of moment residuals with the variance covariance matrix  $\mathbf{S}$ .

**Estimation.** The method of simulated moment (MSM) searches for parameter values that best match the simulated outcomes  $D^l(\Theta)$  with the sample counterparts. The estimated parameter  $\hat{\Theta}$  minimizes moment residuals  $m$  according to the following objective function

$$\hat{\Theta} = \underset{\Theta}{\operatorname{argmin}} m(\Theta)' \mathbf{W} m(\Theta), \quad (\text{F5})$$

where  $\mathbf{W}$  is the weighting matrix. I choose a diagonal weighting matrix where the weights are inverse to the variance of moment residuals and are larger for the main identifying moments.<sup>36</sup> The estimate  $\hat{\Theta}$  is asymptotically normal:  $\sqrt{I}(\hat{\Theta} - \Theta_0) \sim N(0, \mathbf{V})$ , and the variance-covariance matrix  $\mathbf{V}$  equals

$$\mathbf{V} = (1 + r)(\mathbf{D}'\mathbf{W}\mathbf{D})^{-1} \mathbf{D}'\mathbf{W}\mathbf{S}\mathbf{W}\mathbf{D}(\mathbf{D}'\mathbf{W}\mathbf{D})^{-1}, \quad (\text{F6})$$

<sup>35</sup>In particular, moment conditions for log birth weight interacted with visits and smoking inputs are the follows

$$m^l = \frac{1}{N} \sum_i \left[\log(b_i) \cdot 1\{V_i = p\} \cdot 1\{\bar{s}_i \geq q\} - D^l(\Theta)\right], \quad (\text{F4})$$

where  $p = 3, 6, \dots, 18$ , and  $q = 5, 15$ .

<sup>36</sup>Specifically, diagonal element  $w_{ll} = \gamma_l \left[\frac{1}{N} \sum_i (d_i^l - D^l)^2 \cdot 1\{\Delta\ell_i = k\}\right]^{-1}$  for condition  $l$  in equation F3, where  $D^l$  is the sample statistic. I increase  $\gamma_l$  so that the 53 main moment conditions receive the largest weights in the estimation.

where  $\mathbf{D} = \left. \frac{\partial m}{\partial \Theta} \right|_{\Theta_0}$  is the Jacobian of moment residuals at the true parameter, and  $r$  is the ratio of observed to simulated number of individuals.

I bootstrap the estimation sample to generate 1,000,000 individuals in the simulation sample. I draw a vector of standard normal shocks for individual  $i$  in trimester  $t$ . I fix the  $z$ -draws and transform them into taste and health shocks based on model parameters. Given parameter  $\Theta$ , I solve for optimal investments in state  $\mathcal{I}_{it} = (3 \sum_{\tau=1}^{t-1} v_{i\tau}, \sum_{\tau=1}^{t-1} s_{i\tau}, X_i)$  from equation 17 to 20. I use the decision rules to generate simulated profiles  $D^l(\Theta)$ , and calculate the match with sample counterparts according to equation F5. The minimization algorithm tries different parameter values to find the best fitting parameters  $\hat{\Theta}$ .

## G Calculation of MVPF

**Outreach Cost.** The outreach cost of CHIP is calculated from program spendings in year 2000. All states have started enrolling children in CHIP by the end of year 2000. According to the Balanced Budget Act of 1997, the national budget for CHIP is capped at an amount chosen by the federal government each year, and states are allotted a fixed share of the budget to spend on their CHIP programs. In particular, states can spend no more than 10% of the allotment on administrative expenditures, outreach costs, and additional CHIP-related health assistance and initiatives.<sup>37</sup> In year 2000, the national allotment is \$4.3 billion, and outreach costs are a relatively small share of total administrative costs, ranging from 6% (Pennsylvania) to 14% (California) of the 10% limit across states.<sup>38</sup> Assuming that 10% of the administrative costs are outreach costs, total outreach cost is  $\$4.3 \text{ billion} \cdot 10\% \cdot 10\% = \$43 \text{ million}$  in 2010. On a per capita basis, because states initially focused outreach efforts on informing the general public of CHIP (Williams and Rosenbach, 2007), I assume the outreach costs are distributed evenly in the population. To account for the potential spillover of CHIP exposure within household, I divide the total cost by the number of women above age 21 (102 million) in the 2000 census.<sup>39</sup> This gives an outreach cost of  $\frac{\$43 \text{ million}}{102 \text{ million}} = \$0.42$  per woman. Dividing by the total number of households (105 million) gives an outreach cost of \$0.41 per household.<sup>40</sup> I use the cost per woman in the welfare analysis.

**Robustness.** I calculate alternative MVPFs when the outreach cost is adjusted by the factor  $1 + \omega$ , where  $\omega$  captures the additional program costs due to increased awareness of CHIP. In general, greater program outreach increases application to the program and the administrative costs of processing the application. For states that expanded insurance for children using the Medicaid program, information about CHIP can lead to higher take-up of Medicaid insurance by eligible parents, and the woodwork effect increases the overall administrative burden of state insurance programs. To accommodate these potential effects, I set  $\omega = 0.5$ , the upper bound of the marginal cost of public funds commonly applied in the literature. Appendix Table G1 calculates the MVPF using the adjusted outreach cost (\$0.63 per child), finding similar welfare implications of CHIP exposure for pregnant mothers.

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<sup>37</sup>The detailed list of items subject to the 10% limit is available in the attachment of a letter from the Health Care Financing Administration, available at <https://www.medicaid.gov/sites/default/files/Federal-Policy-Guidance/downloads/SMD120897b.pdf>.

<sup>38</sup>A report prepared by the United States General Accounting Office (GAO) summarizes outreach costs in a select number of states based on responses to a 2000 survey of states. The report is available at <https://www.gao.gov/new.items/he00086.pdf>.

<sup>39</sup>Population by gender and age group is published by the Census Bureau at <https://www.census.gov/content/census/en/data/tables/2000/dec/phc-t-09.html>.

<sup>40</sup>Historical households tables are published by the Census Bureau at <https://www.census.gov/data/tables/time-series/demo/families/households.html>.



Table G1: MVPF of CHIP exposure,  $\Delta G = \$0.63$

	$WTP$	$WTP^M$	$WTP^C$	$MVPF$
$\varphi = 1$	0.29 (0.003)	0.43 (0.005)	-0.13 (0.004)	0.46 (0.004)
$\varphi = 2$	0.59 (0.005)	0.85 (0.010)	-0.27 (0.007)	0.94 (0.009)
$\varphi = 3$	0.88 (0.008)	1.28 (0.015)	-0.40 (0.011)	1.40 (0.013)

Notes. Table summarizes the marginal value of public funds (MVPF) for the in-utero exposure to CHIP. MVPF compares mothers' WTP for the exposure  $WTP$  with the cost of the exposure to the program. I calculate the cost to be  $\$0.63 = (1 + 0.5) \cdot \$0.42$  per woman, assuming a marginal cost of public funds of 50%. I calculate separate WTP for birth weight  $WTP^C$  and investments  $WTP^M$ , and summarize the MVPF by mothers' welfare weight  $\varphi$  in the table. Standard errors from one million simulated individuals in the parenthesis.

## H Fiscal Externality

I calculate the fiscal externality of CHIP exposure on the government budget in three steps. First, I calculate the initial program investment in children of single mothers based on spendings in the first 19 years of the program (FY1998-FY2016). Next, I calculate the increase in adult earnings (age 19-64) based on the effect of in-utero exposure on education attainment. From the earning benefits, I calculate the increase in tax payments and compare it with the cost of program investments in childhood to quantify the fiscal externality on the government budget. I detail the calculations below.

**Childhood Costs.** Because CHIP spendings are capped by the federal allotment, I divide the allotment by the number of children (age 0-18) to calculate the cost of investment per child each year. I calculate cumulative investment costs in childhood using the sum of annual costs between 1998 and 2016 (corresponding to age 0 to 18 for the 1998 birth cohort), and discount the cumulative cost to the year before birth (1997) using a 2% annual discount rate. Appendix Table H1 lists the annual CHIP allotment (in 2000 dollars), number of children, and the cost per child discounted to 1997 from FY1998 to FY2016. Over this period, CHIP invested a total of \$1,354.42 per child.

I then adjust the average cost to focus on the cost per child of single mother. In the National Health Interview Survey (NHIS), the take-up rate of CHIP is 30% in 1998-2016, and among single mothers, 55% enrolled their children in CHIP. The implied cost per enrolled child is  $\frac{\$1,354.42}{30\%} = \$4,514.73$ . Among single mothers, CHIP investments cost  $\$4,514.73 \cdot 55\% = \$2,483.10$  per child of single mother.

**Earning Benefits.** I quantify the effect of in-utero exposure on future earnings based on the effects of exposure on college enrollment. For children of single mothers, gaining an 80% FPL exposure in the roll-out increases college enrollment by  $80\% \cdot 1.41 = 1.13$  percentage points (Table 6). Following Hendren and Sprung-Keyser (2020), I assume that students induced by the exposure remain in college for two years. Applying a 11.3% return on earnings for each year of college (Zimmerman, 2014), I calculate that in-utero exposure increases earnings by  $2 \cdot 11.3\% \cdot 0.0113 = 0.26\%$  for children of single mothers.

I then apply the 0.26% earning effect to the life-cycle earning profile for children of single mothers. I construct the profile from average labor earnings in age 19-64 in the 2014-2018 American Community Survey (ACS).<sup>41</sup> I adjust the population averages by the earning loss from single parenthood, using estimates from Lopoo and DeLeire (2014).<sup>42</sup> Consistent with Zimmerman (2014), I assume that the return of college education on earnings occurs from age 23 onward, and each additional year of college lowers current earnings by 12.80% in age 19-22.<sup>43</sup> Discounted to 1997, the life-cycle earning benefit

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<sup>41</sup>I assume a 0.5% wage growth rate to predict the earning profiles for children in adulthood. Results are very similar using static wages observed in 2014-2018.

<sup>42</sup>Specifically, Lopoo and DeLeire (2014) finds that children of single parents have lower adult incomes by 27% compared to children of continuously married parents, or by 21% compared to the population average.

<sup>43</sup>Specifically, Zimmerman (2014) finds lower earnings for students above the college admission cut-off in the first 4 years after high school. Scaled by the first-stage effect on the years of college enrollment, each additional year of college lowers annual earnings in age 19-22 by 12.08%.

Table H1: Cost of program investments, by year

FY	allotment (billions)	# children (millions)	cost per child (discounted to 1997)
1998	4.56	75.37	62.59
1999	4.45	75.89	59.42
2000	4.30	76.42	55.90
2001	4.21	76.74	53.36
2002	3.07	76.95	38.08
2003	3.01	77.16	36.47
2004	2.92	77.37	34.59
2005	3.52	77.58	40.72
2006	3.43	77.90	38.72
2007	4.15	78.11	45.86
2008	4.02	78.22	43.39
2009	8.52	78.22	90.25
2010	9.93	78.22	103.03
2011	10.36	78.01	105.62
2012	11.31	77.79	113.29
2013	12.93	77.69	127.19
2014	13.99	77.69	134.78
2015	8.25	77.71	77.91
2016	10.07	77.69	93.25
Total	126.99	1,470.72	1,354.42

Notes. Table calculates the cost of program investments per child in FY1998-FY2016. Each year, CHIP spending is capped by the federal allotment. I divide the allotment by the number of children to determine the cost of investments per child, and discount the cost to year 1997 using a 2% annual discount rate. I adjust all dollars to 2000 levels using CPI-U. Between FY1998 and FY 2016, CHIP invested a total of \$1,354.42 per child. For cohorts born in 1998, this is the cost of initial program investments in childhood. I obtain CHIP allotments from the Federal Register, and obtain the number of children per year from decennial census counts released by the Federal Interagency Forum on Child and Family Statistics, available at <https://www.childstats.gov/americaschildren/tables/pop1.asp>.

amounts to \$1,013.16 per child of single mother.

**Tax Payments.** Following [Hendren and Sprung-Keyser \(2020\)](#), I assume that the earning gains are subject to a marginal tax rate of 18.9%.<sup>44</sup> Applying the tax rate, the government is able to collect  $18.9\% \cdot \$1,013.16 = \$191.49$  in tax revenues per child of single mothers, recouping  $\frac{\$191.49}{\$2,483.10} = 7.71\%$  of the initial investment costs from in-utero exposure alone.

**Robustness.** I show robustness of the result to alternative calculations of the earning benefits in Appendix Table H2, where I vary the discount rate  $r$  and the assumption that students induced by the exposure to CHIP remain in college for 2 years. Enrolling in college for 4 years doubles the fiscal externality. Under a 3% discount rate, the government recoups over 10% of the initial costs from in-utero exposure. Given enrollment, lowering the discount rate from 3% to 1% also doubles the fiscal externality. The preferred estimate, which assumes a 2% discount rate and a 2-year college enrollment, lies in the lower range of plausible estimates calculated in Table H2.

Table H2: Fiscal externality as a fraction of initial investment costs, alternative calculations

	$r = 3\%$	$r = 2\%$	$r = 1\%$
2-year college	5.56% ( $\frac{\$122.49}{\$2,204.55}$ )	7.71% ( $\frac{\$191.49}{\$2,483.10}$ )	10.76% ( $\frac{\$301.47}{\$2,802.24}$ )
4-year college	11.11% ( $\frac{\$244.99}{\$2,204.55}$ )	15.42% ( $\frac{\$382.97}{\$2,483.10}$ )	21.52% ( $\frac{\$602.95}{\$2,802.24}$ )

Notes. Table calculates the fiscal externality of in-utero exposure as a fraction of the initial investment costs under different assumptions on the discount rate  $r$  and college enrollment years. I calculate the ratio of tax payment gains over the initial program cost in the parenthesis below. Enrolling in college for 4 years instead of 2 years doubles the fiscal externality. Given enrollment, lowering the discount rate from 3% to 1% also doubles the fiscal externality. The preferred estimate assuming a 2% discount rate and a 2-year college enrollment is in the lower range of plausible estimates calculated in the table.

<sup>44</sup>The tax rate is based on CBO estimates of tax-and-transfer rates, which include state and federal individual income taxes, SNAP benefits, and subsidies on health insurance benefits. The CBO estimates are available at <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50923-marginaltaxrates.pdf>. [Hendren and Sprung-Keyser \(2020\)](#) deducts federal payroll taxes (13.9%) from the estimates and adds a small adjustment for state individual income taxes (2.6%). This is consistent with the view that payroll taxes are partly returned to workers as benefits and do not strictly increase government revenues. Ultimately, I apply the adjusted tax-and-benefit rates reported in Table G.I of [Hendren and Sprung-Keyser \(2020\)](#) for the calculation.

# I Additional Tables

Table I1: Effect of CHIP on fertility choice

	(1) fertility (%)	(2) single (%)
exposure in		
4-7 months of age	0 (0.005)	-0.16 (0.17)
1-3 months of age	0 —	0 —
3rd trimester	-0.001 (0.005)	0.12 (0.22)
2nd trimester	0.008 (0.009)	0.16 (0.30)
1st trimester	0.005 (0.009)	0.34 (0.27)
0-4 months pre-utero	0.005 (0.009)	0.15 (0.31)
y mean	0.66%	24.21%
$R^2$	0.92	0.97
$N$	808	808

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table shows the effect of CHIP on the fertility rate and the share of pregnant mothers who are single. I join the birth certificate data, which contain the universe of live births, with fetal death records to arrive at the full sample of pregnant mothers by gestation year-month. I then construct the fertility rate using population estimates for women between age 21 and 40 in each state-year. I group pregnant mothers by the timing of exposure to CHIP and estimate effects for different exposure groups. Robust standard errors clustered at the level of states in the parenthesis.

Table I2: Relationship between income eligibility rules and economic conditions

	(1) unemployment (%)	(2) hourly wage (\$)
$inc^{pre} \times \text{exposure in}$		
4-7 months of age	0 (0.037)	-0.034 (0.044)
1-3 months of age	0 —	0 —
3rd trimester	-0.025 (0.035)	-0.031 (0.070)
2nd trimester	-0.023 (0.041)	-0.005 (0.10)
1st trimester	0.019 (0.054)	-0.023 (0.11)
0-4 months pre-utero	0.005 (0.072)	0.045 (0.17)
y mean	4.68%	\$9.80
$R^2$	0.98	0.76
$N$	808	808

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the relationship between the income limit of insurance programs and monthly unemployment rate and wage rate. I interact pre-CHIP income limit  $inc^{pre}$  with indicators for groups of pregnant mothers exposed to CHIP in different stages of the pregnancy. I then relate the changes in income limits to economic conditions during the roll-out of CHIP, obtained from the Current Population Survey. Wage rates are adjusted to 2000-December dollars applying the CPI-U index. Robust standard errors clustered at the level of states in the parenthesis.

Table I3: Effects of CHIP exposure on birth outcomes

	(1) birth weight (grams)	(2) low birth weight (%)
<i>single · eliginc · exposure in</i>		
4-7 months of age	-1.31 (1.66)	0.05 (0.09)
1-3 months of age	0 —	0 —
3rd trimester	0.70 (1.70)	0.02 (0.07)
2nd trimester	1.66 (1.71)	-0.01 (0.07)
1st trimester	4.07*** (1.03)	-0.12* (0.07)
0-4 months pre-utero	4.12*** (1.09)	-0.11** (0.05)
y mean	3342.57	7.08%
R <sup>2</sup>	0.02	0.01
N	4,315,394	4,315,394

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$ 

Notes. Table estimates the effect of in-utero exposure to CHIP on birth weight (grams) and low birth weight (<2,500 grams). I group children by the trimester of exposure and estimate effects across six exposure groups. Effects on children already 1-3 months old at the onset of CHIP are normalized to zero. Robust standard errors clustered at the level of states in the parenthesis.

Table I4: Effects of CHIP exposure on the timing of pre-natal visits

	(1) month care started	(2) late onset (%) (2nd/3rd trimester)	(3) very late onset (%) (3rd trimester)
<i>single · eliginc · exposure in</i>			
4-7 months of age	0.002 (0.010)	0.10 (0.23)	-0.021 (0.18)
1-3 months of age	0 —	0 —	0 —
3rd trimester	-0.006 (0.009)	0.034 (0.24)	-0.10 (0.10)
2nd trimester	-0.004 (0.012)	-0.10 (0.23)	-0.13 (0.18)
1st trimester	-0.010 (0.010)	-0.25 (0.19)	-0.27 (0.17)
0-4 months pre-utero	-0.019** (0.008)	-0.38** (0.16)	-0.30** (0.13)
y mean	2.45	15.08%	5.48%
R <sup>2</sup>	0.08	0.06	0.04
N	4,200,326	4,200,326	4,200,326

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$ 

Notes. Table estimates the effect of in-utero exposure to CHIP on the timing of pre-natal visits, focusing on the month pre-natal care started in column 1, late onset of care in the second or third trimester in column 2, and very late onset in the third trimester in column 3. I group mothers by the trimester of exposure and estimate effects across six exposure groups. Effects on mothers already 1-3 months postpartum at the onset of CHIP are normalized to zero. Robust standard errors clustered at the level of states in the parenthesis.

Table I5: Effects of CHIP exposure on the number of visits and smoking

	(1)	(2)	(3)
	# pre-natal visits	smoking (%) (≥5 cigarettes daily)	heavy smoking (%) (≥15 cigarettes daily)
<i>single · eliginc · exposure in</i>			
4-7 months of age	-0.014 (0.016)	0.12 (0.15)	0 (0.073)
1-3 months of age	0 —	0 —	0 —
3rd trimester	0.006 (0.022)	0.12 (0.14)	0.029 (0.086)
2nd trimester	-0.003 (0.024)	-0.012 (0.10)	-0.092 (0.064)
1st trimester	0.022 (0.021)	-0.11 (0.097)	-0.16** (0.071)
0-4 months pre-utero	0.035 (0.022)	-0.20** (0.082)	-0.19*** (0.062)
y mean	11.74	8.41%	3.12%
$R^2$	0.07	0.07	0.03
N	4,157,327	3,331,203	3,331,203

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effect of in-utero exposure to CHIP on the number of pre-natal visits and smoking. I define smoking status focusing on the intensive margin of daily cigarette consumption. Specifically, columns 3-4 focus on the probability of consuming 5 or more cigarettes daily, and columns 5-6 focus on the probability of consuming 15 or more cigarettes daily. I group mothers by the trimester of exposure and estimate effects across six exposure groups. Effects on mothers already 1-3 months postpartum at the onset of CHIP are normalized to zero. Robust standard errors clustered at the level of states in the parenthesis.

Table I6: Effect of CHIP exposure on birth weight and investments, simulated eligibility

	(1)	(2)	(3)	(4)	(5)	(6)
	birth weight (grams)		late onset (%) (2nd/3rd trimester)		heavy smoking (%) (≥ 15 cigar. daily)	
<i>eligCHIP</i>	32.09*** (11.63)	13.08 (12.84)	-0.048*** (0.018)	-0.027 (0.018)	-0.029*** (0.008)	-0.023*** (0.006)
<i>eligCHIP · single</i>		47.51*** (11.01)		-0.054*** (0.013)		-0.014** (0.006)
y mean	3343.95		14.94%		3.13%	
$R^2$	0.03	0.03	0.08	0.08	0.05	0.05
N	4,246,535		4,142,279		3,279,807	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effect of in-utero exposure to CHIP eligibility on birth weight (column 1-2), late care onset (column 3-4), and smoking intensity (column 5-6). I simulate eligibility *eligCHIP* applying CHIP income limits to women in a reference national sample, and use the average coverage probability of their children as the simulated eligibility. I calculate separate coverage probability by mother's marital status, race (White, Black, and Other), and education (high school drop-out, high school, some college), allowing simulated eligibility *eligCHIP* to differ across these groups. I estimate average effects of eligibility in odd-numbered columns, and estimate differential effects on single mothers in even-numbered columns. Robust standard errors clustered at the level of states in the parenthesis.



Table 17: Effect of CHIP exposure on cash benefits, health expenditures, and borrowing

	(1)	(2)	(3)	(4)	(5)	(6)
	means-tested cash transfer (\$)		out-of-pocket health expenditure (thousands \$)		personal debt (thousands \$)	
<i>eliginc · treat · post</i>	-5.58 (16.18)	58.86 (90.74)	0.056 (0.85)	0.34 (0.36)	2.00 (2.41)	-0.58 (1.45)
<i>eliginc · treat</i>	33.64 (42.07)	-185.74 (216.04)	-2.75 (1.91)	-0.29 (1.25)	-3.68 (5.33)	1.79 (2.93)
<i>eliginc</i>	5.47 (5.42)	6.02 (5.42)	0.36** (0.16)	0.36** (0.16)	-0.15 (0.48)	-0.17 (0.47)
<i>treat</i>						
pregnant	Y	Y	Y	Y	Y	Y
single		Y		Y		Y
y mean	46.81	46.82	0.44	0.44	4.00	4.00
$R^2$	0.02	0.02	0.02	0.02	0.01	0.01
N	33,808	33,803	11,963	11,963	12,219	12,219

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effect of CHIP onset on monthly cash benefits from means-tested programs in column 1-2, out-of-pocket health expenditures in 12 months in column 3-4, and personal debt in column 5-6, from the Survey of Income and Program Participation (SIPP). I restrict the analysis to women in age 21-40 surveyed from 8 months before till 8 months after CHIP. I estimate the following difference-in-differences design

$$y_{its} = \beta_0 \cdot \text{eliginc}_{st} \cdot \text{treat} \cdot \text{post} + \beta_1 \cdot \text{eliginc}_{st} \cdot \text{treat} + \beta_2 \cdot \text{eliginc}_{st} + \beta_s \cdot \text{treat} + \alpha_s + \tau_t + \alpha_s \cdot \tau_t + \epsilon_{its},$$

where *eliginc* is the income limit in state *s* and year-month *t*. Specifically,  $\text{eliginc}_{st} = \text{inc}_s^{\text{pre}}$  before CHIP, and  $\text{eliginc}_{st} = \text{inc}_s^{\text{post}}$  after CHIP, where *post* = 1. *treat* indicates pregnant mother in odd-numbered columns, and indicates single pregnant mother in even-numbered columns. The specification controls for cross-state differences by mothers ( $\beta_s \cdot \text{treat}$ ) and over time ( $\alpha_s \cdot \tau_t$ ).  $\beta_0$  estimates the effect of CHIP on (single) pregnant mothers for each 100% FPL exposure to CHIP.

Means-tested cash benefits are asked in the main survey for each month using a 4-month recall. I focus on benefits in the current reference month (the fourth month) in the regression. Out-of-pocket health expenditures include all household payments for the women's healthcare utilization in the past 12 months (including health insurance premiums) net of reimbursements from third parties. Personal debt is the sum of individual credit card or store bill debt, loans, and other debt by the end of the reference month. Both out-of-pocket health expenditures and personal debt are collected in the topical module covering one-third of the sample. Dollar amounts adjusted to the 2000 levels with CPI-U. SIPP sampling weights applied in the regressions. Robust standard errors clustered at the level of states in the parenthesis.

Table 18: Effect of CHIP exposure on mother's insurance

	(1)	(2)	(3)	(4)	(5)	(6)
	any insurance (%)		primary insurance from Medicaid (%)		primary insurance from employer (%)	
<i>eliginc</i> · <i>treat</i> · <i>post</i>	-1.72 (2.42)	-10.93 (6.96)	-1.13 (1.85)	-11.38 (7.90)	-3.87 (4.53)	-8.48 (7.06)
<i>eliginc</i> · <i>treat</i>	5.87 (8.59)	29.38 (17.68)	3.63 (5.45)	35.09 (21.44)	4.54 (10.52)	19.22 (20.76)
<i>eliginc</i>	-1.82 (1.29)	-1.62 (1.23)	0.039 (0.050)	-0.038 (0.49)	-3.14 (1.92)	-3.26 (1.94)
<i>treat</i>						
pregnant	Y	Y	Y	Y	Y	Y
single		Y		Y		Y
y mean	80.20%	80.20%	4.87%	4.87%	41.80%	41.80%
$R^2$	0.03	0.03	0.02	0.03	0.02	0.02
$N$	34,915	34,853	34,421	34,360	34,421	34,360

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effect of CHIP onset on mother's insurance and the source of insurance from the Behavioral Risk Factor Surveillance System (BRFSS). I restrict the analysis to women in age 21-40 surveyed from 8 months before till 8 months after CHIP. I estimate the following difference-in-differences design

$$y_{its} = \beta_0 \cdot \text{eliginc}_{st} \cdot \text{treat} \cdot \text{post} + \beta_1 \cdot \text{eliginc}_{st} \cdot \text{treat} + \beta_2 \cdot \text{eliginc}_{st} + \beta_s \cdot \text{treat} + \alpha_s + \tau_t + \alpha_s \cdot \tau_t + \epsilon_{its},$$

where *eliginc* is the income limit in state *s* and year-month *t*. Specifically,  $\text{eliginc}_{st} = \text{inc}_s^{\text{pre}}$  before CHIP, and  $\text{eliginc}_{st} = \text{inc}_s^{\text{post}}$  after CHIP, where *post* = 1. *treat* indicates pregnant mother in odd-numbered columns, and indicates single pregnant mother in even-numbered columns. The specification controls for cross-state differences by mothers ( $\beta_s \cdot \text{treat}$ ) and over time ( $\alpha_s \cdot \tau_t$ ).  $\beta_0$  estimates the effect of CHIP on (single) pregnant mothers for each 100% FPL exposure to CHIP. BRFSS sampling weights applied in the regressions. Robust standard errors clustered at the level of states in the parenthesis.

Table I9: Effect of CHIP exposure on enrollment and expected education

	(1)	(2)	(3)	(4)
	Medicaid/CHIP (%)	college degree (%)	Expected Education graduate school (%)	attainment (1-5 scale)
<i>single · eliginc · exposure in</i>				
4-7 months of age	1.97 (12.71)	-4.26 (7.93)	7.55 (11.41)	12.35 (23.98)
1-3 months of age	0 —	0 —	0 —	0 —
3rd trimester	19.66 (14.15)	-0.63 (2.69)	-0.85 (2.10)	-0.89 (4.86)
2nd trimester	13.61* (7.64)	2.58 (2.01)	-2.64 (3.51)	4.53 (6.55)
1st trimester	47.69*** (15.68)	3.77 (2.52)	-0.68 (3.82)	5.71 (6.95)
0-4 months pre-utero	36.96** (14.26)	-2.68 (4.96)	-0.75 (4.59)	-5.08 (11.93)
y mean	19.41%	86.15%	26.93%	4.06
$R^2$	0.28	0.12	0.05	0.11
N	1,542	1019	1019	1019

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$ 

Notes. Table estimates the effect of CHIP exposure on enrollment in column 1 and on mother's expected education for the child in column 2-4. I estimate the specification in equation 7 using the Survey of Income and Program Participation (SIPP), and show separate effects by exposure groups in the table. I construct in-utero exposure *eliginc* using equation 6. I determine the time of pregnancy onset from the birth year-month of the child assuming a 9-month pregnancy. In SIPP, respondents are asked to recall monthly enrollment in public insurance over a 4-month period. I focus on enrollment in the most recent month (the fourth month), and examine CHIP enrollment in the first year of the child's life (age 0) in column 1. Outcomes in column 2-4 are mother's stated belief about the child's education attainment. The belief is asked for all children in households surveyed in wave 6 (middle wave) and 12 (final wave) of the 1996-2000 panel, spanning the roll-out of CHIP. In column 4, education attainment is coded on a 1-5 scale. In an ascending order, the integers indicate no degree (less than high school), high school, some college, college degree, and graduate school, respectively. SIPP sampling weights applied in the regressions. Robust standard errors clustered at the level of states in the parenthesis.

Table I10: Effects of CHIP exposure on mother's marital status

	(1) never married (%)	(2) unmarried in $t$ (%)
$eliginc^{utero}$	0.62 (0.72)	0.99 (0.81)
$eliginc^{child}$	0.99 (0.87)	0.33 (1.22)
y mean	8.64%	25.46%
$R^2$	0.01	0.01
$N$	385,063	385,063

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table estimates the effects of CHIP exposure on single motherhood, measured by the percentage of mothers who have never married in column 1, and by the percentage of mothers unmarried in the survey year  $t$  in column 2. I estimate the effects for children expected to attend high school or above in the survey year, whose education outcomes in high school and beyond are examined in Table 6. Regressions are weighted by the ACS sampling weights. Robust standard errors clustered at the level of states in the parenthesis.

Table I11: Effects of CHIP exposure on high school graduation and college enrollment

	(1)	(2)	(3)	(4)
	graduate high school (%)		enroll in college (%)	
<i>eliginc<sup>utero</sup> · single · exposure in</i>				
7-12 months of age	-0.54 (0.87)	-0.14 (0.46)	-0.81 (0.92)	-0.31 (0.56)
1-6 months of age	0 —	0 —	0 —	0 —
second - third trimester	0.39 (0.49)	-0.11 (0.28)	0.18 (0.73)	0.32 (0.49)
first trimester in and pre utero	0.47 (0.29)	0.12 (0.20)	0.86** (0.41)	0.59** (0.25)
4-9 months pre utero	0.59** (0.29)	0.29 (0.18)	1.14** (0.45)	0.69** (0.29)
<i>eliginc<sup>utero</sup></i>	0.96 (1.31)	2.01** (0.91)	2.53 (1.99)	1.51 (1.55)
<i>eliginc<sup>child</sup> · single</i>	-0.63 (0.65)	-0.53 (0.64)	-0.52 (0.87)	-0.69 (0.89)
<i>eliginc<sup>child</sup></i>	0.92** (0.41)	0.48 (0.49)	1.77 (1.22)	1.55 (1.41)
<i>single</i>				
never married	Y		Y	
y mean		28.79%		15.78%
R <sup>2</sup>	0.64	0.64	0.35	0.35
N		385,063		385,063

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$ 

Notes. Table shows the effects of CHIP exposure on high school graduation (column 1-2) and college enrollment (column 3-4), estimating separate effects of in-utero exposure by the timing of exposure to CHIP. I focus on children conceived between 7 quarters before till 2 quarters after CHIP. Grouping children into 5 exposure groups, I estimate separate effects of in-utero exposure across groups in the table. I normalize the effect on children gaining exposure in 1-6 months of age to zero. Regressions are weighted by ACS sampling weights. Robust standard errors clustered at the level of states in the parenthesis.

Table I12: Effects of CHIP exposure on high school graduation, robustness

	(1)	(2)	(3)	(4)	(5)	(6)
<i>eliginc<sup>utero</sup>. single</i>	1.71** (0.69)	0.74* (0.37)	1.71** (0.68)	0.75** (0.37)	1.96** (0.94)	1.40** (0.58)
<i>eliginc<sup>utero</sup></i>	-0.56 (0.51)	-0.62 (0.51)	-0.75 (0.66)	-0.80 (0.69)	-0.77 (0.66)	-0.99 (0.68)
<i>eliginc<sup>child</sup>. single</i>	1.26 (1.31)	2.04** (0.93)	1.06 (1.30)	1.97** (0.92)	2.80* (1.49)	3.26*** (1.05)
<i>eliginc<sup>child</sup></i>	0.73 (0.46)	0.30 (0.49)	0.92** (0.41)	0.49 (0.49)	0.79* (0.42)	0.22 (0.51)
<i>single</i> never married	Y		Y		Y	
state-year FE			Y	Y	Y	Y
<i>single</i> -year FE					Y	Y
y mean	28.79%		28.79%		28.79%	
$R^2$	0.64	0.64	0.64	0.64	0.64	0.64
$N$	385,065		385,063		385,063	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Notes. Table examines the robustness of the effect on high school graduation to alternative sets of controls. Column 1-2 examine the robustness to state-specific trends by removing state-year fixed effects from equation 13. Column 3-4 estimate equation 13. Column 5-6 introduces additional fixed effects by *single*-year to examine the robustness to long-run trends by single motherhood. Regressions are weighted by ACS sampling weights. Robust standard errors clustered at the level of states in the parenthesis.

Table I13: Effects of CHIP exposure on college enrollment, robustness

	(1)	(2)	(3)	(4)	(5)	(6)
<i>eliginc<sup>utero</sup>. single</i>	2.72*** (0.60)	1.58*** (0.41)	2.91*** (0.58)	1.41*** (0.70)	2.60*** (0.99)	1.86*** (0.70)
<i>eliginc<sup>utero</sup></i>	-1.09* (0.57)	-1.26** (0.59)	-0.76 (0.90)	-0.94 (0.93)	-0.74 (0.93)	-1.06 (0.99)
<i>eliginc<sup>child</sup>. single</i>	3.34 (2.14)	2.12 (1.69)	2.70 (2.03)	1.59 (1.57)	6.20*** (1.74)	3.95*** (1.33)
<i>eliginc<sup>child</sup></i>	1.58 (1.29)	1.26 (1.47)	1.76 (1.23)	1.53 (1.42)	1.51 (1.21)	1.04 (1.36)
<i>single</i> never married	Y		Y		Y	
state-year FE <i>single</i> -year FE			Y	Y	Y Y	Y Y
y mean	15.78%		15.78%		15.78%	
R <sup>2</sup>	0.34	0.34	0.35	0.35	0.35	0.35
N	385,065		385,063		385,063	

\*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$ 

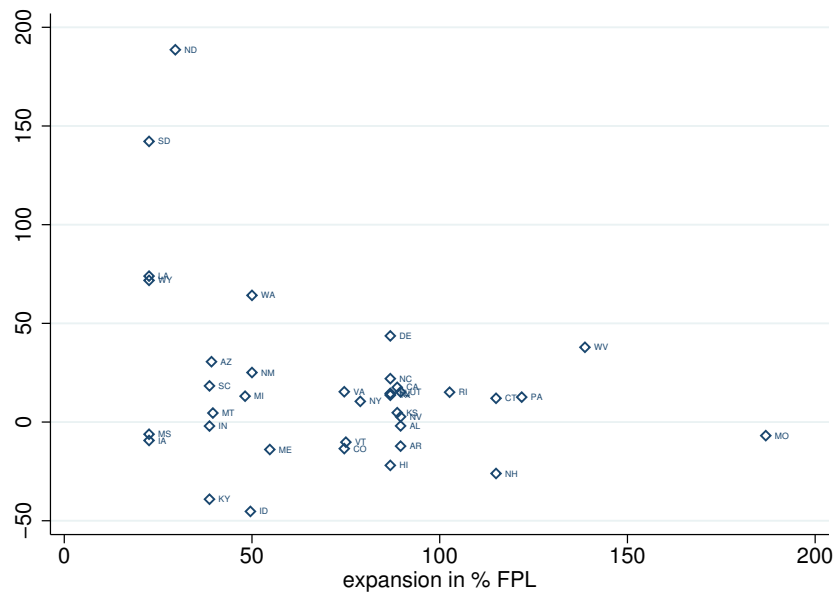
Notes. T Table examines the robustness of the effect on college enrollment to alternative sets of controls. Column 1-2 examine the robustness to state-specific trends by removing state-year fixed effects from equation 13. Column 3-4 estimate equation 13. Column 5-6 introduces additional fixed effects by *single*-year to examine the robustness to long-run trends by single motherhood. Regressions are weighted by ACS sampling weights. Robust standard errors clustered at the level of states in the parenthesis.

## J Additional Figures

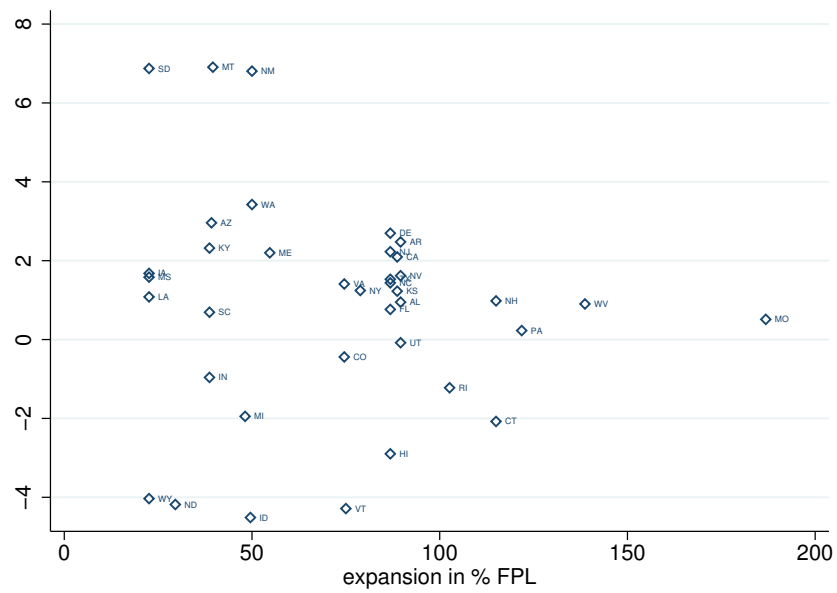


Figure J1: Effect of CHIP exposure by states

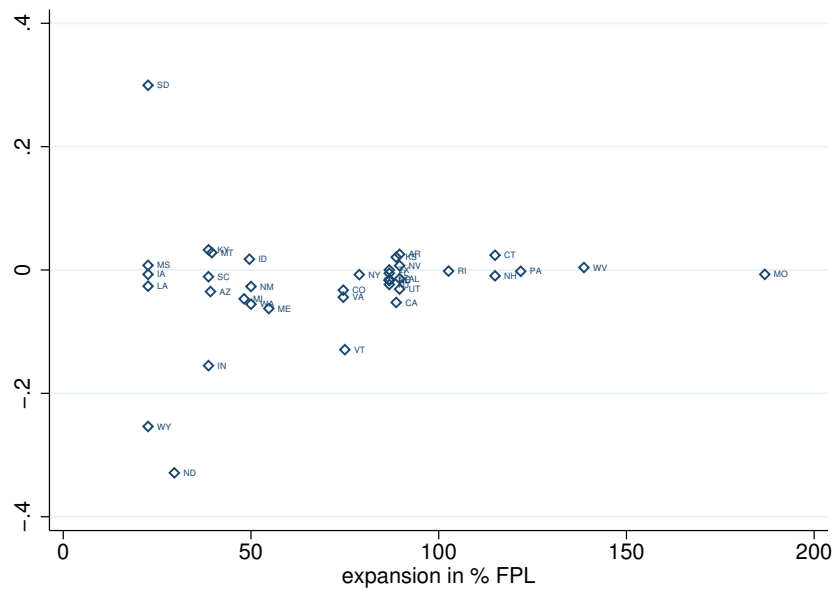
(a) Birth Weight (grams)



(b) First Trimester Care (%)



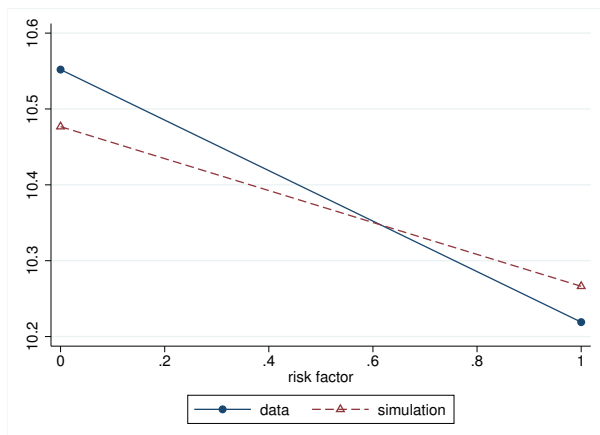
(c) Smoking Intensity (half packs)



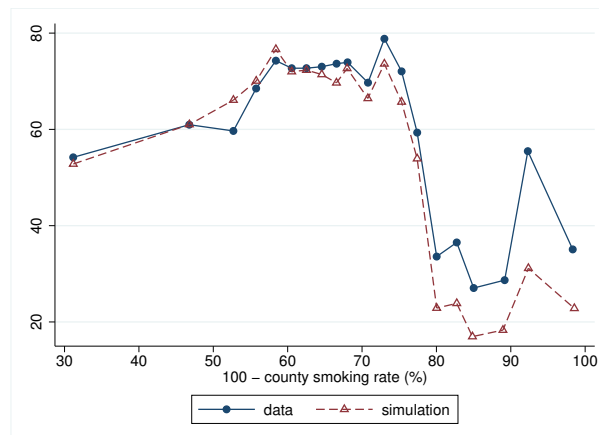
Notes. Figure plots the state-specific effects of CHIP exposure on birth weight (grams) in panel (a), on first trimester care in panel (b), and on smoking intensity by half packs (10 cigarettes) daily in panel (c). Smoking intensity is defined using cut-points at 5 and 15 cigarettes daily, and takes value 0, 1, and 2, respectively for non-smokers (<5 cigarettes daily), light smokers ( $\geq 5$  and <15 cigarettes daily), and heavy smokers ( $\geq 15$  cigarettes daily). I estimate the state-specific effects from equation 10, and plot the estimates against the size of CHIP expansion in 100% FPL on the x-axis. On average, states expanded income limits by 80% FPL, and most states (accounting for 89% of all births) expanded income limits by less than 90% FPL.

Figure J2: Simulated investments by mother characteristics

(a) Number of Pre-Natal Visits, by Risk Factor



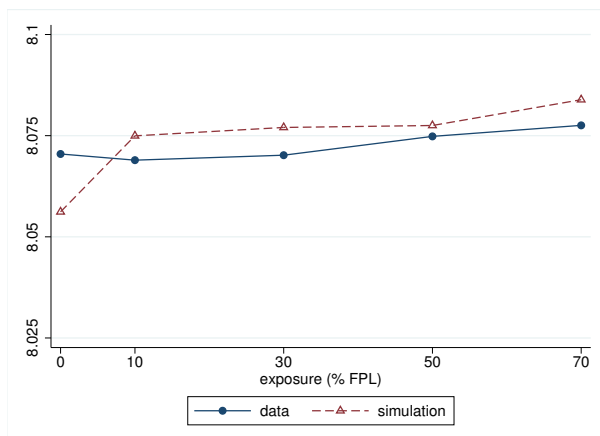
(b) Non-Smokers (%), by County Smoking Rate



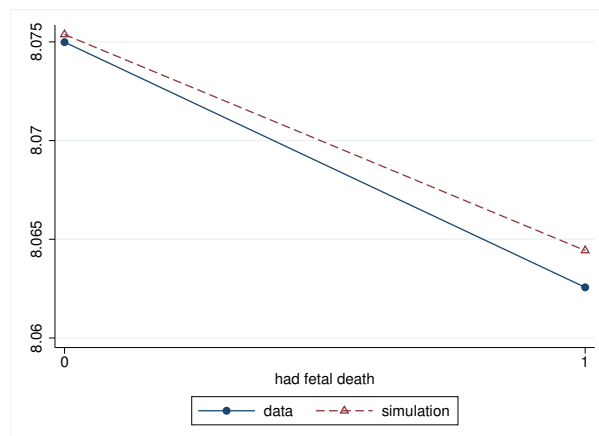
Notes. Figure plots the number of pre-natal visits by the presence of mother risk factors in panel (a), and the share of non-smokers by county shares in panel (b). The county smoking rate is calculated from monthly county rates for non-college educated women in the Behavioral Risk Factor Surveillance System (BRFSS). I plot simulated investments in dotted lines and the data counterparts in solid lines. I simulate pre-natal visits and smoking from one million low-educated single mothers drawn from the estimation sample.

Figure J3: Effect of CHIP exposure on birth weight

(a) By Exposure  $\Delta\ell_i$

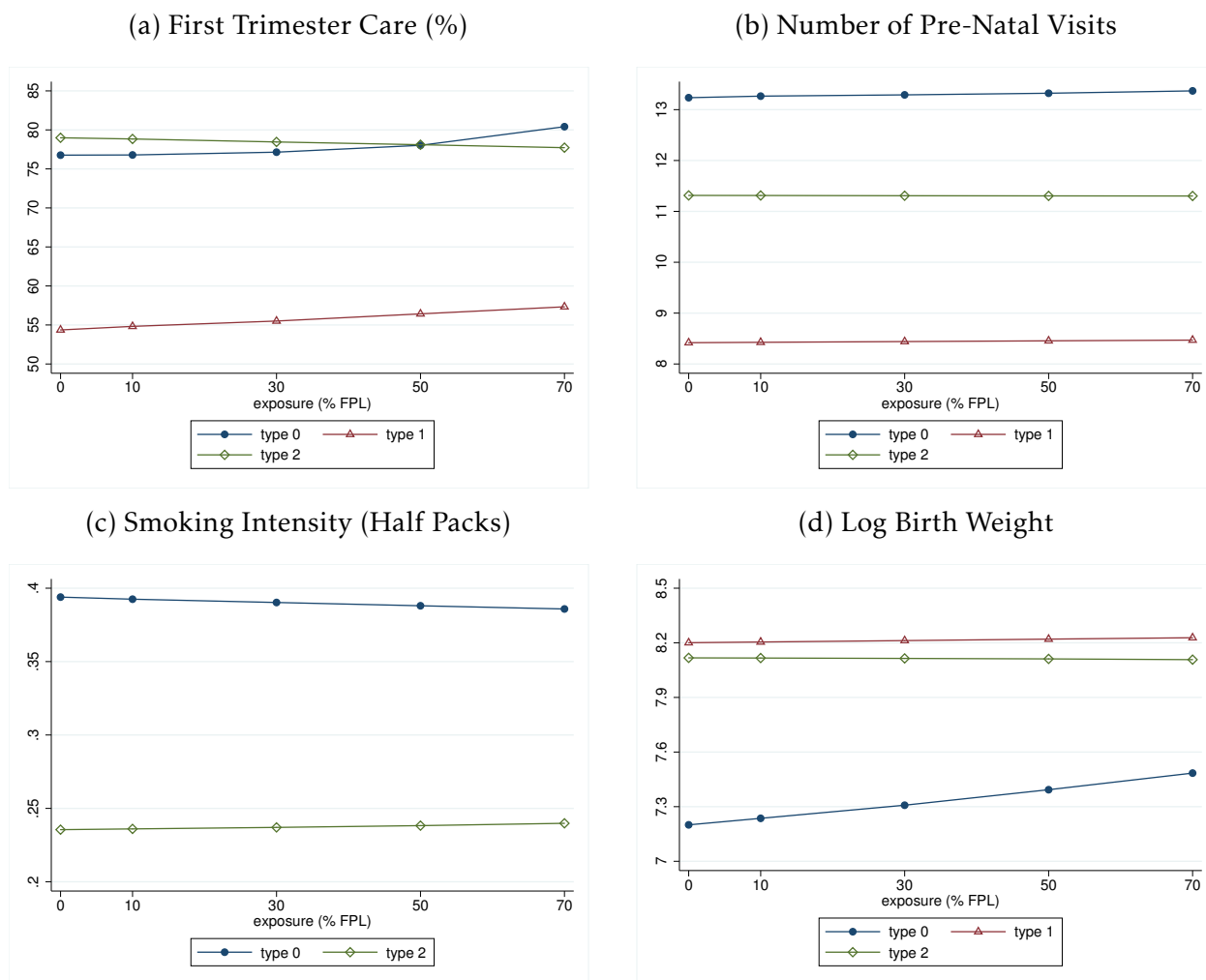


(b) By Prior Fetal Death



Notes. Figure plots log birth weight by CHIP exposure  $\Delta\ell_i$  in panel (a), and by fetal death in previous pregnancies in panel (b). The mother suffered from fetal death in previous pregnancies if the reported live birth order is less than the total birth order. I plot simulated birth weight in dotted lines and the data counterparts in solid lines. I simulate birth weight from one million low-educated single mothers drawn from the estimation sample.

Figure J4: Effect of CHIP exposure on investments and birth weight, by mother types



Notes. Figure plots simulated investments and birth weight by exposure  $\Delta\ell_i$  and mother types. The simulation includes one million low-educated single mothers drawn from the estimation sample. I fix CHIP exposure at each level of  $\Delta\ell_i$  for the entire simulation sample, and plot investments and birth weight implied by the exposure by mother types. In panel (c), since type 1 mothers have high disutility from smoking and never smoked in the simulation, I plot smoking intensity only for type 0 and type 2 mothers.

## Appendix References

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