

---

July 6, 2010

## **CHILDLESS ADULTS WHO BECOME ELIGIBLE FOR MEDICAID IN 2014 SHOULD RECEIVE STANDARD BENEFITS PACKAGE Federal Government Will Assume Large Majority of Cost**

by Matthew Broaddus

Among those who will qualify for Medicaid when the program is expanded nationwide to 133 percent of the poverty line in 2014 are poor and low-income adults who do not have a disability or live with an eligible child, a group that is uninsured at higher rates and has greater health care needs than other uninsured groups. The health reform law allows states to provide newly eligible Medicaid beneficiaries either with the regular Medicaid benefits package or with a less comprehensive package, including one comparable to employer-sponsored health insurance.<sup>1</sup>

Given their greater health needs, uninsured childless adults would be best served by a comprehensive benefits package identical or comparable to the package that Medicaid offers to low-income parents and people who have disabilities. The federal government will pick up the vast majority of the costs of this Medicaid expansion — 100 percent for the first three years and 96 percent overall over the next ten years, so this should be viable for states.<sup>2</sup>

### **Poor Childless Adults Have Significant Health Needs**

Although poor, uninsured childless adults overall are a fairly diverse group, a substantial number are older or unemployed.

- While a large percentage (40 percent) of the uninsured non-elderly, childless adults who have resources below the poverty line are between the ages of 19 and 29, nearly half (44 percent) are over 40, and 15 percent are between the ages of 55 and 64.
- Over half (56 percent) are employed or are in families with full- or part-time workers.

---

<sup>1</sup> A forthcoming CBPP analysis will examine the health reform law's "benchmark" benefits requirement for most newly eligible populations and states' options for designing their benchmark benefits package.

<sup>2</sup> January Angeles, "Health Reform Is a Good Deal for States," Center on Budget and Policy Priorities, Revised June 18, 2010.

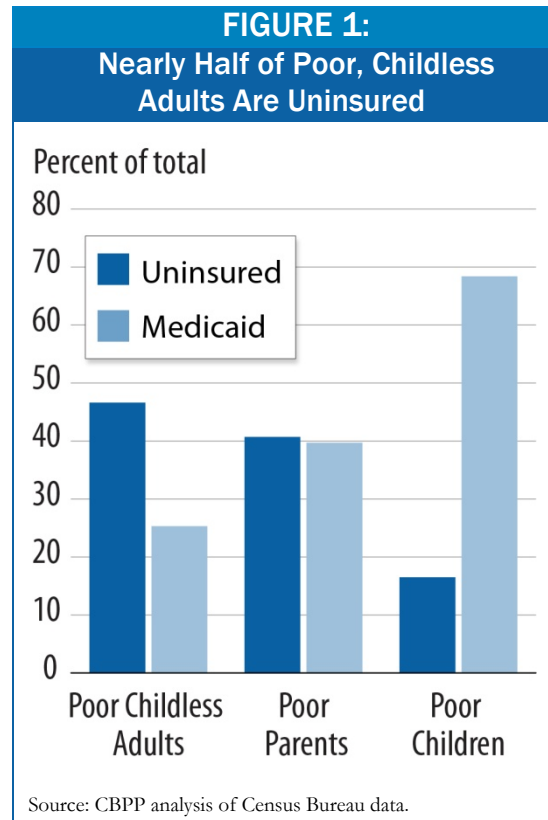
However, 44 percent lack employment and are in families where no one is employed.<sup>3</sup>

Poor adults without children — both those who are insured and those who lack insurance — are more likely to report that they are in fair or poor health than other low-income groups, such as poor parents.

- Thirty percent of poor childless adults report they are in fair or poor *physical* health, compared to 20 percent of poor parents.
- Twenty percent of poor childless adults report they are in fair or poor *mental* health, compared to 11 percent of poor parents.<sup>4</sup>
- Twenty-nine percent of poor childless adults have two or more chronic health conditions, compared to 17 percent of poor parents.<sup>5</sup>

Similarly, uninsured childless adults who are poor are likely to be in worse health than uninsured childless adults with incomes above the poverty line.

- Among uninsured childless adults who are poor, 24 percent are in fair or poor *physical* health, compared to 18 percent of childless adults with incomes between 100 and 200 percent of the poverty line and 11 percent of those at higher income levels.
- Among uninsured childless adults who are poor, 16 percent are in fair or poor *mental* health, compared to 11 percent of those with incomes between 100 and 200 percent of the poverty line and 6 percent of all uninsured childless adults above the poverty line.<sup>6</sup>



<sup>3</sup> The source for these data is the Center on Budget and Policy Priorities' analysis of the Annual Social and Economic Characteristics' supplement to the Census Bureau's 2009 Current Population Survey. Men and women are represented equally among poor childless adults, while women make up the great majority of poor parents (72 percent). Poor childless adults are more likely to be white (54 percent) and less likely to be Hispanic (19 percent) than are parents in the same income bracket (38 percent and 33 percent, respectively). Finally, poor childless adults are more likely to be young adults (aged 19-29) or near-elderly (aged 55-64) than are poor parents.

<sup>4</sup> The source here is the Center on Budget and Policy Priorities' analysis of the 2007 Medical Expenditure Panel Survey (MEPS).

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

## Large Share of Poor Childless Adults Lack Health Coverage

Nearly half (47 percent) of poor adults living without children are uninsured at any given point during the year, compared to 40 percent of poor parents and 17 percent of poor children (see Figure 1). More than one-third (35 percent) of poor adults living without children are uninsured throughout the entire year.<sup>7</sup>

This is because poor childless adults have less access to private and public health insurance. Only 12 percent have employer-sponsored coverage. Poor childless adults tend to be disconnected from the labor force or work too few hours to qualify for coverage; they are more than twice as likely as poor parents to be unable to work or to be limited in the work they are able to do. Because of their incomes, they often cannot afford job-based coverage even when it is offered. Likewise, individual-market insurance is too costly for them and tends to offer inadequate benefits; fully 85 percent of low-income adults attempting to purchase an individual plan do not obtain coverage.<sup>8</sup>

As for publicly funded coverage, except for some people with disabilities, poor childless adults are covered by Medicaid only in a handful of states with waiver programs. Medicaid covers only 25 percent of poor childless adults, compared to nearly 40 percent of poor parents and 70 percent of poor children.<sup>9</sup>

People without coverage are more likely to forgo needed medical care, and nearly 60 percent of poor, uninsured childless adults report forgoing care due to cost concerns.<sup>10</sup> But once they become

TABLE 1: Poor, Uninsured Childless Adults with High Health Care Needs Incur Greater Health Care Costs than Their Higher Income Counterparts		
Level of Health Care Costs Incurred	Annual Health Care Costs Incurred	
	Poor, Uninsured Childless Adults	Non-poor, Uninsured Childless Adults
Average	\$93	\$229
70 <sup>th</sup> Percentile	\$829	\$872
90 <sup>th</sup> Percentile	\$5,235	\$3,618

*Data Source: Medical Expenditure Panel Survey, 2007. Estimates are made by the Center on Budget and Policy Priorities in May 2010.*

very sick, uninsured childless adults who are poor incur far greater health costs than non-poor ones. Poor, uninsured childless adults in the 90<sup>th</sup> percentile of spending on health incur health costs

<sup>7</sup> Center on Budget and Policy Priorities analysis of the Annual Social and Economic Characteristics Supplement to the 2009 Current Population Survey and of the 2007 National Health Interview Survey.

<sup>8</sup> Michelle Doty, *et al.*, "Failure to Protect: Why the Individual Insurance Market is Not a Viable Option for Most U.S. Families," The Commonwealth Fund, July 2009.

<sup>9</sup> CBPP, *op.cit.*

<sup>10</sup> Center on Budget and Policy Priorities analysis of the 2007 National Health Interview Survey.

(\$5,235) that are 45 percent higher than comparable childless adults with incomes above the poverty line (\$3,618).<sup>11</sup>

This is another indication that this group tends to have more medical conditions and to be in poorer health. It likely also results in part from poor, uninsured childless adults going without coverage and failing to receive care early on due to cost, and finding themselves with more severe and costly health care needs later on as a consequence (see Table 1). A number of poor childless adults who gain Medicaid coverage under the health reform expansion thus will require a comprehensive array of health care services to address longstanding untreated or undertreated medical conditions.

### **Standard Medicaid Benefits Package Is Appropriate and Would Carry Only Modest Cost to States**

When designing a benefits package for the Medicaid expansion population under health reform, state policymakers should consider this population's significant health care needs. Poor childless adults in particular would best be served by a benefits package that is identical or comparable to the regular Medicaid package. Medicaid is well-suited for vulnerable populations with significant medical needs because it covers a number of health services that people with various conditions need but that private insurance typically does not cover or covers only to a very limited extent.

For example, as noted, nearly one of every five poor childless adults without insurance reports being in fair or poor mental health; many of these individuals may suffer from such undiagnosed or untreated conditions as clinical depression or anxiety disorder.<sup>12</sup> The comprehensive Medicaid mental health benefit that most states provide includes inpatient and outpatient care, targeted case management, and individual and group therapy to help address such mental health conditions.

Providing the comprehensive Medicaid benefit to newly eligible childless adults would come at relatively modest cost to states. New research from the Urban Institute indicates that the Medicaid provisions of the health reform law, which will greatly increase the number of Medicaid beneficiaries, will raise states' Medicaid costs by only 1.4 percent over the next ten years because of the generous federal matching rates for the Medicaid expansion.<sup>13</sup> This 1.4 percent estimate includes the costs to states associated with increased participation among adults and children who are already eligible for Medicaid, along with the costs of covering those who will be newly eligible — and it assumes that all newly eligible beneficiaries will receive the regular Medicaid benefits package. This means the difference in overall cost to states between offering newly eligible beneficiaries the regular Medicaid benefits package (or a comparable package) and offering them a scaled-back benefits package would likely amount to only a relatively small share of the already-modest 1.4 percent increase in states' costs.

---

<sup>11</sup> Center on Budget and Policy Priorities analysis of the 2007 Medical Expenditure Panel Survey (MEPS).

<sup>12</sup> Center on Budget and Policy Priorities analysis of the 2007 Medical Expenditure Panel Survey (MEPS).

<sup>13</sup> John Holahan and Irene Headen, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL," The Urban Institute and the Kaiser Commission on Medicaid and the Uninsured, May 2010.