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CBPP STATEMENT

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Greenstein: Health Coverage Progress Stalls — Even as Economy Reduces Poverty, Boosts Income

CBPP released the following statement from Robert Greenstein, president, on the Census Bureau data released today:

Poverty fell last year under the "official" poverty measure, median income rose (though more slowly than over the prior two years), and progress halted in reducing the number of uninsured. As a result, the new Census data on 2017 are less positive than the data of the prior two years, when all three measures improved.

The stalled progress in reducing the number of uninsured is particularly noteworthy, marking a change from the historic coverage gains of recent years after the Affordable Care Act (ACA) was implemented. Moreover, it comes in a year when the share of Americans working full time rose, which should itself cause coverage rates to rise, and when continued strong outreach efforts to bring more of the eligible people into Medicaid and the marketplaces could have boosted coverage further. The stagnation in health coverage likely reflects, at least in part, Trump Administration actions throughout 2017 to place obstacles in the way of successful ACA implementation. Some 8.8 percent of Americans (28.5 million people) lacked health coverage last year, unchanged from 2016.

Poverty and Income

The official poverty rate fell for the third straight year, from 12.7 percent to 12.3 percent, as the economic recovery stretched into its eighth full year, with continued growth in employment. The number of Americans in poverty remained unchanged, as 39.7 million Americans — including 12.8 million children — had cash incomes below the poverty line.

At 12.3 percent, the official poverty rate dipped below its pre-recession (2007) level of 12.5 percent for the first time, reflecting the continued strong overall economic growth of recent years; 2017 was the sixth straight year that the economy added more than 2 million jobs, according to Labor Department data.

Median household income rose 1.8 percent, a growth rate that has slowed over the two previous years. Median income rose 3.2 percent in 2016 and 5.2 percent a year earlier after sharp income declines during the Great Recession.

Median income only returned, however, to about its levels in 1999 and 2007 (when adjusting for changes in the Census Bureau's methodology), meaning that the income of the typical household today is about where it was 18 years ago. A gradual slowing of wage growth between 2015 and 2017 helps to explain why the rise in median income moderated in 2017. Labor Department data show that average weekly earnings for non-supervisory workers rose only 0.5 percent in 2017, after adjusting for inflation, the slowest growth in four years. Average hourly wages rose only 0.2 percent.

Other Census data released today show that without key anti-poverty programs, economic hardship would be much more pervasive. Under the Supplemental Poverty Measure (SPM) — which accounts for non-cash benefits and taxes and presents a more complete picture of the impact of anti-poverty programs than the official poverty measure — refundable tax credits (mainly the Earned Income Tax Credit [EITC] and the Child Tax Credit) lifted 8.3 million people out of poverty in 2017; SNAP (food stamps) lifted 3.4 million people out; the Supplemental Security Income (SSI) program for low-income people who are elderly or have disabilities lifted 3.2 million out; and rental subsidies lifted 2.9 million out. These programs also reduced the severity of poverty for tens of millions more. (Note: these SPM figures understate how much these programs reduce poverty, because they don't correct for the underreporting of government benefits in the survey data.)

Health Coverage

Today's Current Population Survey data also suggest that efforts to weaken the ACA contributed to the lack of progress in reducing the share of people without health coverage.

Administration attacks on health coverage that the ACA provides began on President Trump's first day in office, with an executive order calling on federal agencies to waive and delay ACA provisions "to the maximum extent permitted by law." That continued throughout 2017 with the Administration's cancellation of most federal outreach efforts in the final weeks of the open-enrollment season and Administration and congressional attempts through much of the year to repeal the ACA.[1] If, rather than undermine the law, the Administration had continued the strong outreach efforts of prior years, that — coupled with a rising number of full-time year-round workers — could have generated further progress in reducing the uninsured rate.

Nevertheless, the ACA also proved resilient; even with efforts to undermine it, millions of Americans continued to benefit from marketplace and expanded Medicaid coverage as well as private insurance improvements under the law. States that have adopted the ACA's Medicaid expansion — which lets states provide coverage to all non-elderly adults with incomes up to 138 percent of the poverty line, including low-income adults without children — had a much lower uninsured rate in 2017 than states that haven't, and that gap continues to widen. Some 6.6 percent of those in the 32 states (including the District of Columbia) that expanded Medicaid by January 2017 lacked health insurance that year, compared with 12.2 percent in the 19 non-expansion states, according to the Census Bureau's American Community Survey. The gap in uninsured rates between expansion states and non-expansion states has grown for four straight years, from 4.0 percentage points in 2013 to 5.6 percentage points in 2017. If the uninsured rate had fallen in non-expansion states at the same rate since 2013 as it did in expansion states, another 4.5 million uninsured Americans would have had coverage last year.

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[1] For details on Administration efforts to undermine the ACA, see CBPP's Sabotage Watch page: https://www.cbpp.org/sabotage-watch-tracking-efforts-to-undermine-the-aca.

Policy Implications

Proposals from the President and some congressional leaders risk increasing poverty and hardship for lower-income households, including those with low-wage workers. Both the President's 2019 budget[2] and the budget plan that the House Budget Committee adopted on a party-line vote on June 21[3] call for deep cuts in Medicaid, SNAP, and income assistance, as well as in non-defense discretionary programs such as rental assistance. Today's data suggest that cutting those and other basic assistance programs would cause poverty and the share of people without health insurance to rise.

In addition, the Administration is implementing rules promoting substandard health plans — outside the ACA marketplaces — that lack important consumer protections. These plans likely will cause health insurance premiums within the marketplaces to rise and thus could cause the number of people without insurance to climb.

Budget cuts in assistance programs, on the heels of last December's tax cuts that went mostly to high-income individuals and large, profitable corporations, would also cause inequality to widen. And, the new tax-cut package that the House Ways and Means Committee is expected to approve tomorrow would only exacerbate these problems.[4]

To make further progress on poverty and income, policymakers could pursue a different course. Despite a strong labor market and low inflation, inaction in raising the federal minimum wage has played a role in preventing more progress. The federal minimum wage is now 23 percent lower than in 1978, after adjusting for inflation. While enacting a long-overdue increase in the minimum wage, the President and Congress also should strengthen refundable tax credits for low-income workers, particularly the tiny EITC for workers without minor children in their homes, and strengthen the Child Tax Credit for children in the poorest working families.

Other reasonable steps could further help struggling workers and their families. Policymakers could expand access to child care assistance so that more low-income parents can work and afford the quality care that their children need. They could create a pathway for undocumented workers to come out of the shadows, which would reduce opportunities for unscrupulous employers to pit immigrant and native-born workers against each other and underpay both. They could increase federal resources to enforce rules against abuses such as wage theft and discrimination by race and gender and update the rules for overtime pay. They could expand access to postsecondary education, training, and apprenticeships so that more workers have the skills they need to compete successfully

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[2] Center on Budget and Policy Priorities, "The 2019 Trump Budget: Hurts Struggling Families, Shortchanges National Needs," February 20, 2018, https://www.cbpp.org/research/federal-budget/the-2019-trump-budget-hurts-struggling-families-shortchanges-national-needs.

[3] Joel Friedman and Richard Kogan, "House GOP Budget Retains Tax Cuts for the Wealthy, Proposes Deep Program Cuts for Millions of Americans," Center on Budget and Policy Priorities, June 28, 2018, https://www.cbpp.org/research/federal-budget/house-gop-budget-retains-tax-cuts-for-the-wealthy-proposes-deep-program-cuts.

[4] Brendan Duke, "House Republicans' New Tax Plan Doubles Down on 2017 Tax Law's Flaws," Center on Budget and Policy Priorities, July 24, 2018, https://www.cbpp.org/blog/house-republicans-new-tax-plan-doubles-down-on-2017-tax-laws-flaws.

in today's economy.[5] Together with steps to stabilize and strengthen health insurance markets, such approaches could help ensure that households at all income levels share more fully in the gains of a still-growing economy.

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[5] Josh Bivens *et al.,* "Ten actions that hurt workers during Trump's first year: How Trump and Congress further rigged the economy in favor of the wealthy," Economic Policy Institute, January 12, 2018, https://www.epi.org/publication/ten-actions-that-hurt-workers-during-trumps-first-year/.