

If Low-Income Adults Are To Gain Health Coverage, States Must Expand Medicaid

March 13, 2013

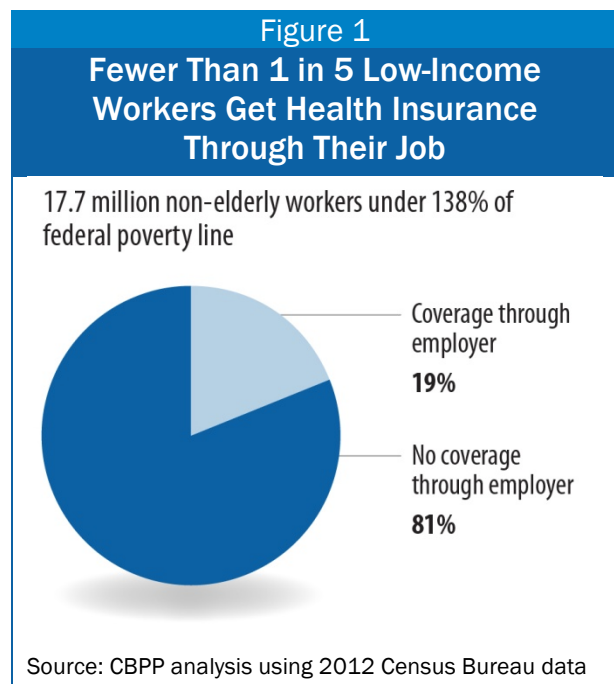
Some state-level policymakers have questioned the need for their states to expand Medicaid saying that the low-income adults who will qualify for the program in 2014 are “able-bodied adults” who should be working instead and obtaining coverage on their own. In reality, most people who do not have health insurance today are employed or in families with at least one full- or part-time worker. In most cases, their employers either don’t offer health coverage or offer coverage that isn’t affordable for low-wage workers. Moreover, coverage in the existing individual market is prohibitively expensive, suffers from substantial gaps in coverage, and can be denied to people with even modest health problems. This lack of coverage options for low-wage workers is precisely the problem the Affordable Care Act (ACA) is intended to solve.

Most Low-Income Adults Lack Affordable Options for Coverage

Forty-five percent of adults living below the poverty line (about \$11,500 a year for an individual) did not have health insurance in 2011. The ACA expands Medicaid to cover most low-income adults earning less than 138 percent of the poverty line¹ (about \$16,000 a year for an individual and \$27,000 for a family of three), which will provide coverage to 17 million people (including some children) by 2022 if all states expand, according to CBO projections.

The Medicaid expansion will extend affordable and comprehensive coverage to poor and low-income adults, many of whom do not have access to the public and private coverage options that exist for adults with higher incomes.

- Three-fifths (60 percent) of adults earning less than 138 percent of poverty *are* employed or are in families with full- or part-time workers.²
- 81 percent of workers earning less than 138 percent of poverty do not have coverage through their employer. This is because their employer either does not offer coverage at all or provides job-based coverage that is not affordable to them.
- Purchasing coverage in the individual market is not a viable option for poor adults who do not have an offer of employer coverage. One survey found that fewer than one in five people earning less than 200 percent of the poverty line (about \$23,000 a year for an



¹ The ACA raises Medicaid eligibility for most adults to 133 percent of the poverty level, but since states must apply a standard income disregard equal to 5 percent of the poverty level, the income eligibility level is effectively raised to 138 percent of the poverty level.

² Center on Budget and Policy Priorities’ analysis of the Annual Social and Economic Characteristics supplement to the Census Bureau’s 2012 Current Population Survey.

individual) who sought coverage in the individual market ultimately purchased it. The majority of those who did not reported this was because the options were unaffordable. (The median annual cost of single coverage in the individual market, including premiums and out-of-pocket costs, is \$6,750, which is 39 percent of the income of a family of three earning at the poverty line.)³

- Medicaid coverage of poor adults is extremely limited in most states. In the typical state, current eligibility levels are 61 percent of the poverty line for working parents (\$11,900 for a family of three) and 37 percent for jobless parents (\$7,200 for a family of three). Except for a handful of states with waivers from the federal government, poor non-disabled adults without children are not eligible for Medicaid at all. As a result, Medicaid currently provides coverage to only 25 percent of poor childless adults and 35 percent of poor parents, as compared to 69 percent of poor children.⁴

Medicaid Improves People's Health and Economic Security

States that expand Medicaid will soon find those who enroll become healthier and more financially stable as a result of gaining coverage. This is the experience from an important 2011 study of an expansion of Medicaid coverage to poor adults in Oregon. The study found that poor adults who gained Medicaid coverage were:⁵

- More likely to receive doctor-recommended preventive care, such as testing for high blood sugar or diabetes, and mammograms for women.
- More likely to report improvements in physical and mental health.
- 40 percent less likely to borrow money or leave other bills unpaid in order to cover medical expenses.
- Less likely to have an unpaid medical bill sent to a collection agency. The study noted a decrease in medical debt benefits both the individual and health care providers.

The ACA's Medicaid expansion represents an opportunity for states to extend health coverage to individuals who by and large do not have access to the coverage options available to the rest of the population. Gaining coverage will make these individuals healthier and more financially stable, which in turn will benefit states by fostering a healthier workforce.

³ 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. The percent of family income figure is based on 2007 federal poverty guidelines since that is the year that data on the cost of plans was collected.

⁴ CBPP, *op cit.*

⁵ Amy Finkelstein, *et al.*, "The Oregon Health Insurance Experiment: Evidence from the First Year," National Bureau of Economic Research, July 2011.