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MEDICAID COVERAGE FOR THE WORKING UNINSURED: THE ROLE OF STATE POLICY

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State programs that provide health coverage to low-income workers are an important means of covering millions of otherwise uninsured low-income workers. But such programs vary widely from state to state. A new Urban Institute study suggests that, if federal policymakers offered states the right mix of fiscal and programmatic inducements, many more low-income workers could get health coverage through state programs.

In "Medicaid Coverage for the Working Uninsured: The Role of State Policy" (*Health Affairs,* November/December 2002), researchers Randall R. Bovbjerg, Jack Hadley, Mary Beth Pohl, and Marc Rockmore examined state programs for insuring low-income workers. The authors then analyzed differences in states' ability and willingness to help these uninsured workers.

During the 1990s, the federal government granted a large number of state waivers to expand Medicaid coverage. Despite such far-reaching changes, low-income workers continue to comprise a substantial portion of the nation's uninsured. Based on 1999 data, the study found that some 37 percent of low-income workers (adults ages 19–64, with family income of 200 percent or less of the federal poverty level) were uninsured.

To learn more about coverage patterns, the authors examined data from 13 states, comparing the states' rates of coverage, variations in the type of coverage, and fiscal health.

Health coverage rates varied widely. On average, state public insurance programs covered 6.9 percent of their low-income workers, but the four states offering the broadest coverage were able to cover an average of 13.6 percent of their workers. Massachusetts had the highest rate of coverage—17.8 percent.

Some states have worked hard at addressing these large gaps in coverage. States with generous coverage rules expanded eligibility beyond traditional Medicaid populations to encompass many low-income workers.

To compare state Medicaid program eligibility rules, the study's authors identified three parameters for determining how many low-income workers were insured. The first parameter was a state's eligibility income ceiling for parents of children receiving assistance. The second was the extent to which a state covered adults without children, given that 48 percent of low-income workers are not parents. The final guideline was whether a state dropped the "100-hour rule," which traditionally denied eligibility to full-time employees who work more than 100 hours per month.

States that were most generous with these three eligibility rules insured a far higher portion of their low-income workers. Massachusetts, for example, allowed a higher income ceiling than other states. Other high-coverage states also insure adults without children to some extent, and they uniformly dropped the 100-hour rule. In comparison, the states with minimal coverage for low-income workers offered insurance to parents only and often had income ceilings of below one-third the poverty level.

The study found that states offering less health coverage often were burdened by the cost of covering a large number of nonworkers. That expense made them less likely to cover workers as well. However, states with more taxpayers and fewer low-income nonworkers often were more generous with coverage.

Some states had income levels nearly as high as the states with the most generous insurance coverage, yet they covered only about half as many low-income workers.

The study also measured a state's resources relative to its percentage of uninsured workers. They compared states based on an index of their "fiscal capacity," defined as the ratio of the total income of all residents in the state to the total number of low-income residents. Higher fiscal capacity is strongly correlated to more generous health insurance coverage.

Strong political support as evidenced by "fiscal effort"—the willingness to spend available resources—was also found to be a key factor in determining generous coverage. By plotting the correlation between a state's fiscal capacity and its coverage rate of low-income workers, the authors were able to show that fiscal capacity is a necessary but not sufficient condition for more generous public coverage. Political leadership and public support are also important in determining insurance levels for low-income workers.

However, low-income states that qualified for more generous federal aid did not insure more of these workers through Medicaid, mainly because the federal government's share of Medicaid spending varies much less than states' fiscal capacity. The federal matching rate varies from 50 percent to nearly 77 percent, while fiscal capacity varies more than threefold, from $40,500 to $137,800 per low-income person.

The authors conclude that insurance coverage rates for low-income workers would increase if state governments chose to do more for their uninsured workers. But states decline to tackle this issue for several reasons. Federal law requires them to cover many low-income nonworkers before they insure workers. As well, poorer states cannot afford much coverage for their low-income workers.

One remedy is for policymakers to reconsider the structure of Medicaid with an eye toward giving more of the nation's low-income workers health insurance. Federal law could facilitate covering low-income, childless adult workers routinely with federal matching funds, for example, rather than by state waiver. At the same time, the authors note, federal support could be raised in times of economic downturn to provide countercyclical assistance as well as continuity in health coverage.

Coverage Status of Low-Income Workers, by Level of Public Coverage, 1999

State	Public Coverage	Private Coverage		No Coverage
		Employer-Sponsored	Other Private	
Massachusetts	17.8%	51.5%	6.3%	24.4%
Minnesota	15.4	53.1	10.5	21.0
Washington	14.6	45.4	5.0	34.9
New York	10.9	46.6	3.8	38.8
Top 4 average[a]	*13.6*	*48.8*	*6.0*	*31.6*
Michigan	9.3	56.0	5.1	29.6
California	8.0	43.9	5.7	42.4
New Jersey	7.0	52.8	3.1	37.2
Florida	4.7	48.4	6.9	40.1
Wisconsin	4.7	59.5	7.3	28.5
Middle 5 average[a]	*7.1*	*48.7*	*5.7*	*38.5*
Mississippi	3.1	53.0	5.5	38.4
Texas	2.1	46.8	2.9	48.2
Alabama	1.8	59.9	7.4	30.9
Colorado	1.4	52.8	6.7	39.2
Low 4 average[a]	*2.2*	*50.5*	*4.5*	*42.8*
National average	*7.3*	*49.7*	*5.7*	*37.3*

[a] Group averages are weighted by state population.

Source: R. Bovbjerg et al., "Medicaid Coverage for the Working Uninsured: The Role of State Policy," *Health Affairs* 21 (November/December 2002): 231–43; based on data from Urban Institute's National Survey of America's Families.