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# *In the Literature*

## VARIATIONS IN THE IMPACT OF HEALTH COVERAGE EXPANSION PROPOSALS ACROSS STATES

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**Douglas Gould**

***Health Affairs* Web Exclusive**
**June 7, 2005**
**W5-259–W5-271**

Full text is available at
http://content.healthaffairs.org/cgi/content/full/hlthaff.w5.259/DC1?ijkey=XJQSX/G7qBsmM&keytype=ref&siteid=healthaff

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Commonwealth Fund Pub. #836
June 2005

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Most studies of health coverage expansion policies focus on their potential national impact. But a new Fund-supported study finds that diversity across states means that different federal strategies will have greatly varied effects across the nation.

In "Variations in the Impact of Health Coverage Expansion Proposals Across States" (*Health Affairs* Web Exclusive, June 7, 2005), Sherry Glied, Ph.D., and Douglas Gould examined variability among states with regard to numbers of uninsured, economic characteristics, and health care markets. They found that states with low non-group premiums, low average incomes, and few prior expansion efforts gained the most under expansion proposals.

### Five Proposed Policies

The authors examined the potential impact of five insurance expansion policies: refundable tax credits for the non-group market; tax credits for small-firm workers; and three policies that expand eligibility for Medicaid or the State Children's Health Insurance Program (SCHIP)—one that expands Medicaid eligibility to all low-income adults, one that targets low-income uninsured children not currently eligible for SCHIP, and one that assigns Medicaid eligibility to parents of SCHIP-eligible children.

### Methods

The investigators drew the study sample from the March Current Population Survey for 2001, 2002, and 2003. They used Medical Expenditure Panel Survey data to estimate group premiums. For non-group premiums, they used adjusted per capita state health care expenditures and information from Internet insurance brokers.

### State Variation

Most expansion proposals target recipients according to family income. Therefore, in high-income states, a smaller percentage of the population will be eligible for coverage.

Under the Bush Administration's tax credit proposal, individuals would receive tax credits of varying amounts depending on their adjusted gross incomes. Glied and Gould estimate that 11 percent of the uninsured population (about 4.6 million) would gain coverage under this proposal, reducing the overall U.S. uninsured rate by 1.7 percentage points. Declines in the uninsurance rate by state vary by a factor of five: from 4.4 percent to 20.5 percent.

Another proposed policy would provide tax credits to employees (and their dependents) of firms with 25 or fewer workers. The authors estimate that 1.4 million people would be insured under this proposal. States that would experience greater-than-average impact have relatively large proportions of their nonelderly, uninsured population employed in small firms. Any tax credit proposal will have the most impact in states where insurance premiums are relatively low.

In most states, even the poorest adults are required to be pregnant, disabled, or otherwise "medically needy" in order to participate in Medicaid. According to Glied and Gould, expanding Medicaid eligibility to those at 133 percent of the federal poverty level would create 4.7 million newly insured adults. States that would be most affected have large shares of their uninsured populations living in poverty and lacking access to employer-sponsored coverage.

Glied and Gould estimate that expanding Medicaid to parents of SCHIP-eligible children would increase the number of insured Americans about 2 million, with state variability of 0.7 percent to 10.3 percent of the uninsured population. The effects would be greatest in states with the largest populations of low-income families.

**Conclusions**

Policies that serve one state well could be ineffective in a neighboring state. States with low non-group premiums, low average incomes, and few prior expansion efforts are likely to benefit most from these federal proposals. For states that have already made efforts to expand coverage, federal expansion programs might not decrease the number of uninsured, though they may relieve some financial burden for states.

### Facts and Figures

- Expanding Medicaid to adults with incomes below 133 percent of the federal poverty level would have greatly varying effects across states—from not increasing insurance rates at all to increasing them by 18.3 percent.
- Tax credits would go further in some states: in Kansas, North Carolina, and Utah, non-group premiums average less than $2,200 per person, while in Maine, New Hampshire, New Jersey, and Vermont, premiums average more than $4,000 per person.
- In Idaho, Montana, and Vermont, about six of 10 uninsured have ties to small firms and thus would be affected by tax credits for small-firm workers. In the District of Columbia, less than one-third of the uninsured have ties to small firms.

### Estimated Impact of Proposed Coverage Expansion Programs Across States

| | Refundable tax credits for non-group market | Tax credits for small-firm workers and their dependents | Target low-income uninsured children not eligible for SCHIP | Assign Medicaid eligibility to all parents of SCHIP-eligible children | Expand Medicaid eligibility to all low-income adults |
|---|---|---|---|---|---|
| U.S. effect (% of currently uninsured gaining coverage) | 11.0% | 3.3% | 11.5% | 1.0% | 5.2% |
| State variation in coverage gain | 4.4%–20.5% | 2%–4.7% | 0–18.3% | 0–4.7% | 0.7%–10.3% |
| Uninsured rate, post-proposal | 8.2%–23.9% | 8.9%–25.4% | 7.8%–22.6% | 9.2%–25.9% | 9.1%–23.8% |

Source: S. Glied and D. Gould, "Variations in the Impact of Health Coverage Expansion Proposals Across States," *Health Affairs* Web Exclusive (June 7, 2005): W5-259–W5-271.