



NEWS RELEASE

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For further information, contact:

Mary Mahon: (212) 606-3853, mm@cmwf.org

Bethanne Fox: (301) 448-7411, bf@cmwf.org

Twitter: [@commonwealthfund](https://twitter.com/commonwealthfund)

NEW STATE-BY-STATE ANALYSIS: 32 MILLION WERE UNDERINSURED IN 2012, INCLUDING 4 MILLION MIDDLE-INCOME PEOPLE

Nearly 80 Million in Total Lacked Health Insurance or Were Underinsured, Ranging from 14 Percent in Massachusetts to 38 Percent in New Mexico and Texas

Report Finds Affordable Care Act Reforms Are Well Targeted, but More Than 15 Million People in States Not Expanding Medicaid Will Be Left Without New Affordable Coverage Options

New York, NY, March 25, 2014—Thirty-two million people under age 65 were *underinsured* in the U.S. in 2012, meaning they had health coverage but it provided inadequate protection against high health care costs relative to their income, a new Commonwealth Fund report finds. The first report to examine the underinsured at the state level, it finds that the rate of underinsured ranged from a low of 8 percent in New Hampshire to highs of 16 percent in Mississippi and Tennessee and 17 percent in Idaho and Utah.

Low- and middle-income families were most likely to be affected: 13 percent—4 million—of the underinsured were middle-income, earning between about \$47,000 and \$95,000 for a family of four, and 81 percent—26 million—were low-income, earning less than 200 percent of the federal poverty level, or under \$47,000 a year for a family of four.

In addition, 47 million people were uninsured in 2012—a decline of nearly 2 million from 2010, likely due in large part to the Affordable Care Act's early provision to expand dependent coverage for young adults.

Before the major expansions of the ACA began to be implemented this year, a total of 79 million people under 65 were uninsured or underinsured, and therefore at risk for not being able to afford needed health care or for facing debt from medical bills in 2012. Nationally, nearly one of three (29%) people were uninsured or underinsured, ranging from 14 percent in Massachusetts to 36 to 38 percent in Florida, Idaho, Nevada, New Mexico, and Texas.

The Affordable Care Act's Medicaid expansion and health insurance reforms are appropriately targeted to those Americans who are most likely to be unable to afford insurance or needed health care, according to the report, *America's Underinsured: A State-by-State Look at Health Insurance Affordability Prior to the New Coverage Expansions*. Based on their incomes alone, 20 million of

the underinsured in 2012, as well as 24 million of the uninsured, would qualify for Medicaid under the Affordable Care Act.

However, millions who are poor will not have any new coverage options. In states choosing not to expand Medicaid, more than 15 million underinsured and uninsured people have incomes below poverty—earning less than \$23,550 a year for a family of four. Unless their states expand Medicaid, there will be no new coverage options—either Medicaid or premium assistance—available to them.

“The vast majority of people struggling to afford health care are low- and middle- income, and exactly the people the Affordable Care Act was designed to help,” said Commonwealth Fund Senior Vice President Cathy Schoen, lead author of the report. “This report demonstrates that the health reform law was accurately targeted toward the needs of the uninsured and underinsured. However, if all states don’t expand Medicaid, millions will still go without health insurance and health care.”

The Affordable Care Act would also help those with high health insurance costs, the report finds. Twenty-nine million people with coverage paid more out-of-pocket for their premiums in 2012 than they would have to pay under the health reform law if they were eligible to participate in Medicaid or receive tax credits. They include:

- About 11 million who could potentially be helped by expanded Medicaid or premium assistance.
- About 12 million people with high premium costs relative to their incomes who are covered by employer-based plans have incomes too high to qualify for Medicaid. Some may be eligible for premium credits if they are paying more than 9.5 percent of their income for self-only coverage. In addition, those who are employed by small employers may benefit from insurance market reforms and the small business marketplaces that may yield more affordable options for some of those businesses.
- About 6 million people with high premium costs are enrolled in other public coverage programs, and may not be eligible for the new options.

The report, which analyzes premium costs, insurance status, and income state-by-state, defines people as underinsured if they have health insurance but still spend 10 percent or more of their income on medical costs, or 5 percent or more if they are low-income. Overall, states in the Northeast and Upper Midwest fared better than states in the South and West.

The report also finds:

- Twenty percent of middle-income people were uninsured or underinsured in 2012. At the state level, middle-income uninsured and underinsured individuals ranged from 9 percent of the population in Hawaii and Massachusetts to 28 percent to 31 percent in Texas, Alaska, and Wyoming.
- Sixty-three percent of people living below the poverty level and nearly half (47%) of living just above poverty were uninsured or underinsured.

“The fact that nearly 80 million people in this country were at risk of not being able to get needed health care because they can’t afford it, or face the prospect of burdensome debt, is evidence of the shortfalls in our system of health insurance coverage, which the Affordable Care Act was designed to address,” said Commonwealth Fund President David Blumenthal, M.D. “It will be critical to monitor the law’s impact to determine whether it’s achieving its goals of ensuring that these millions of Americans gain access to affordable, stable, comprehensive coverage.”

Moving Forward

The authors note that many plans offered in the marketplaces require a large degree of cost-sharing, but people with low or moderate incomes who select silver-level plans will receive significant cost-sharing protections.

It will be important going forward to make certain that people understand the full implications of their choices in the new health insurance marketplaces, and in particular, that choosing low premium plans in the bronze category could result in higher total out-of-pocket expenses as a result of higher deductibles and copays. Lower premium plans may also restrict their choices of providers more than higher premium plans in the silver category.

The report concludes that reforms have the potential to change the insurance map of the country. Uninsured rates have been falling through 2013, with early indications of a continued decline in 2014 as millions have signed up for either marketplace coverage options or Medicaid. The report provides state-by-state baselines prior to these reforms to assess change and compare states over time.

The report will be posted at: <http://www.commonwealthfund.org/Publications/Fund-Reports/2014/Mar/Americas-Underinsured.aspx>.

Methodology

The report is based on analysis of the March 2013 and 2012 U.S. Census Current Population Surveys (CPS). The CPS provides annual estimates of the number of people uninsured for all states and the nation. Starting in 2010, the CPS has asked about out-of-pocket costs for medical care and out-of-pocket payments for premiums. The authors compared spending on medical care, excluding premiums, with annual incomes to estimate the number of insured people who were “underinsured.” Two thresholds were used: they or their family spent 10 percent of more of annual income on medical care, or 5 percent of more if their income was below 200 percent of poverty. The report also used CPS premium expenses to estimate the number paying premiums that were high compared with thresholds for tax credits or Medicaid. National estimates are for 2012. State estimates combine two years, 2011 and 2012 to ensure adequate sample size. Tables in the report’s appendix provide estimates broken down by poverty group, using federal poverty thresholds for the survey year.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.