THE COMMONWEALTH FUND

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IN STATES' HANDS
How the Decision to Expand Medicaid Will Affect the Most Financially Vulnerable Americans

Findings from the Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults, 2011 and 2012

Petra W. Rasmussen, Sara R. Collins, Michelle M. Doty, and Tracy Garber

Abstract: Between 2010 and 2012, nearly one-third (32%) of U.S. adults ages 19 to 64, or an estimated 55 million people, were either continuously uninsured or spent a period of time uninsured. Data from the 2011 and 2012 Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults show that people with incomes below 133 percent of the federal poverty level (i.e., the level that will make them eligible for Medicaid in 2014 under the Affordable Care Act) were uninsured at the highest rates. Yet, fewer than half the states are currently planning to expand their Medicaid programs, because the 2012 Supreme Court decision allows states to choose whether to expand eligibility. In those states that have not yet decided to expand, as many as two of five (42%) adults who were uninsured for any time over the two years would not have access to the new coverage provisions in the law.

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OVERVIEW

In January 2014, the central coverage provisions of the Affordable Care Act go into effect, providing new coverage options for millions of Americans who are currently without affordable health insurance. The law will accomplish this by providing subsidies for private health plans sold through the new state insurance marketplaces—also called "exchanges"—and by expanding eligibility for Medicaid. In 2012, however, the Supreme Court ruled to allow states to decide whether or not to expand their Medicaid programs. In states that choose not to expand their programs, adults with low incomes will not be able to fully benefit from the law and gain access to coverage. Currently, fewer than half the states have indicated they plan to expand their programs next year (Exhibit 1).

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For more information about this study, please contact:

Petra W. Rasmussen, M.P.H.
Senior Research Associate,
Affordable Health Care Insurance and Access for All
The Commonwealth Fund
pwr@cmwf.org

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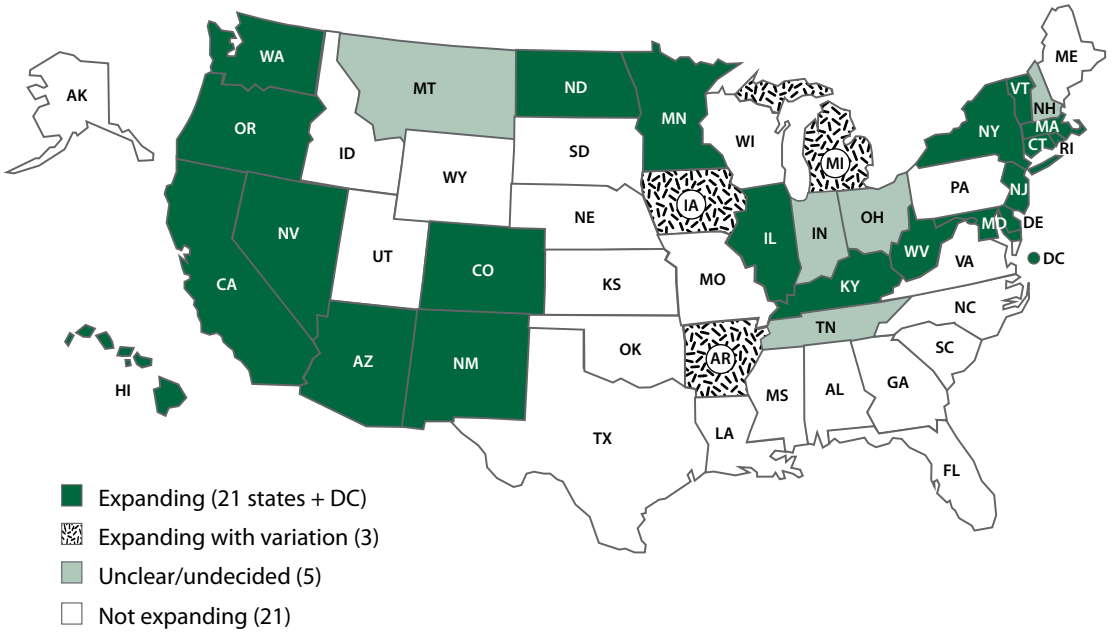
Exhibit 1. Status of State Participation in Medicaid Expansion, as of August 2013



Note: Indiana and Tennessee have considered expanding with variation.
Source: Avalere State Reform Insights; Center of Budget and Policy Priorities; Politico.com; Commonwealth Fund analysis.

Data from the 2011 and 2012 Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults reveal why it is critical for all states to fully explore the benefits of participating in the law's Medicaid expansion. Nearly one-third (32%) of U.S. adults ages 19 to 64, or an estimated 55 million people, were either uninsured for the full two years (2011 and 2012) or spent a time without health insurance. Adults who would be eligible for Medicaid next year—that is, those with incomes below 133 percent of the federal poverty level ($14,856 for an individual and $30,657 for a family of four)—were uninsured at the highest rates.[1] In the 26 states that are leaning toward not expanding their programs or are undecided, nearly three-quarters (72%) of low-income adults had been uninsured at some point during the two-year period. Some of these adults—those earning more than the poverty level ($11,170 for an individual and $23,050 for a family of four)—will be eligible for subsidized private coverage through the new marketplaces. However, there are no new subsidized insurance options for families with incomes below the poverty level because lawmakers assumed they would be eligible for the Medicaid expansion; they did not anticipate the Supreme Court decision.[2]

SURVEY FINDINGS

Low-Income Adults Most Likely to Be Uninsured

The surveys interviewed adults ages 19 to 64 in June 2011 and again in September 2012 to examine changes in their health insurance coverage. Respondents were asked if they were uninsured at the time of either survey or, if insured, whether they had spent any time without insurance during the prior year. Nearly one-third (32%) of adults, or an estimated 55 million people, were uninsured in either 2011 or 2012, or had spent some time without insurance between June 2010 and September 2012 (Exhibit 2). Over the two-year period, 9 percent of adults were uninsured for the full two years and 23 percent spent some time with health insurance and some time without it.[3]

Adults with the lowest incomes were the most likely to have spent a time without insurance. More than two-thirds (68%) of adults in households with

incomes that fell below 133 percent of poverty for all or part of the two-year period were uninsured for a time. This is more than three times the rate of those with higher incomes (21%).[4] Among adults with low incomes, 23 percent were always uninsured over the two years; 45 percent were uninsured for part of the period.

States That Are Not Expanding Medicaid Have High Rates of Uninsured Low-Income Adults

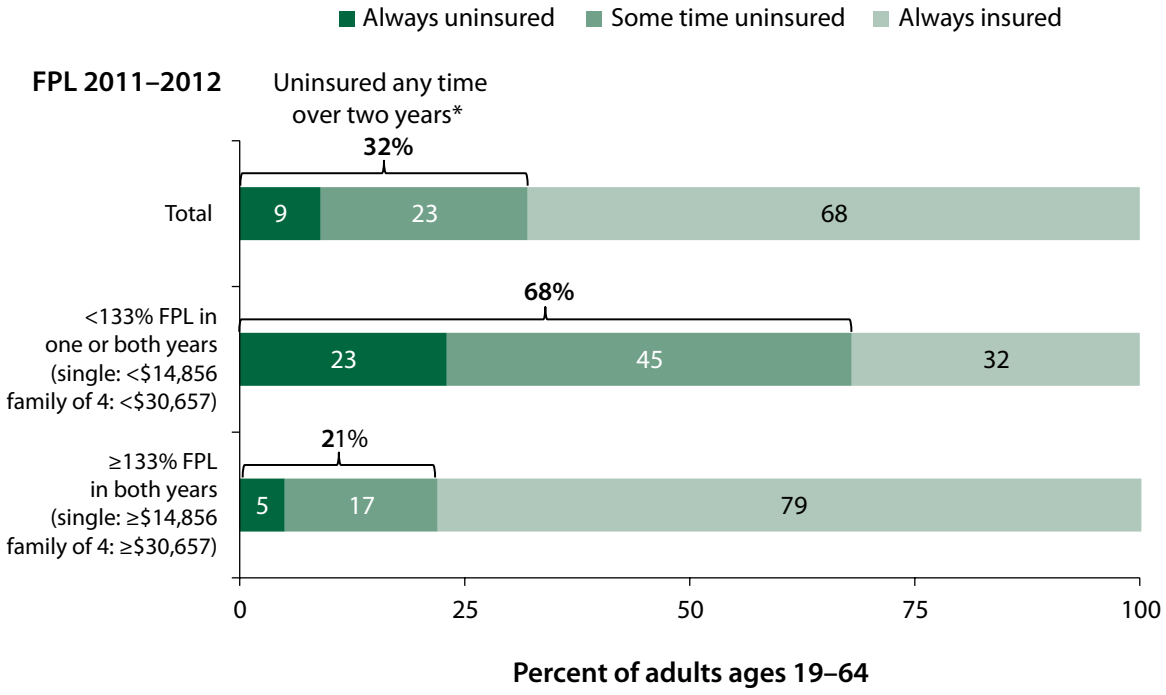
Most of the estimated 55 million adults in the survey who were uninsured for all or part of the two years will be eligible for new affordable insurance options starting in January 2014.[5] These options include a significant expansion in eligibility for Medicaid to people with incomes up to 133 percent of poverty and subsidies for private health plans sold through the new insurance marketplaces for those with incomes up to 400 percent of poverty ($44,680 for an individual and $92,200 for a family of four).

Yet the decision by many states not to participate in the law's Medicaid expansion means that many of the lowest-income adults will continue to lack access to affordable coverage. Indeed, the survey found that in the 26 states that have said they are not expanding or are undecided, nearly three-quarters (72%) of adults with incomes below 133 percent of poverty in one or both of the two years spent a time uninsured over the two-year period (Exhibit 3). In states that are planning to expand their Medicaid programs, 61 percent of adults with incomes below 133 percent of poverty spent a time without insurance.[6]

In States That Do Not Expand Medicaid, Poorest Residents Will Not Have Access to the Law's Subsidized Insurance Options

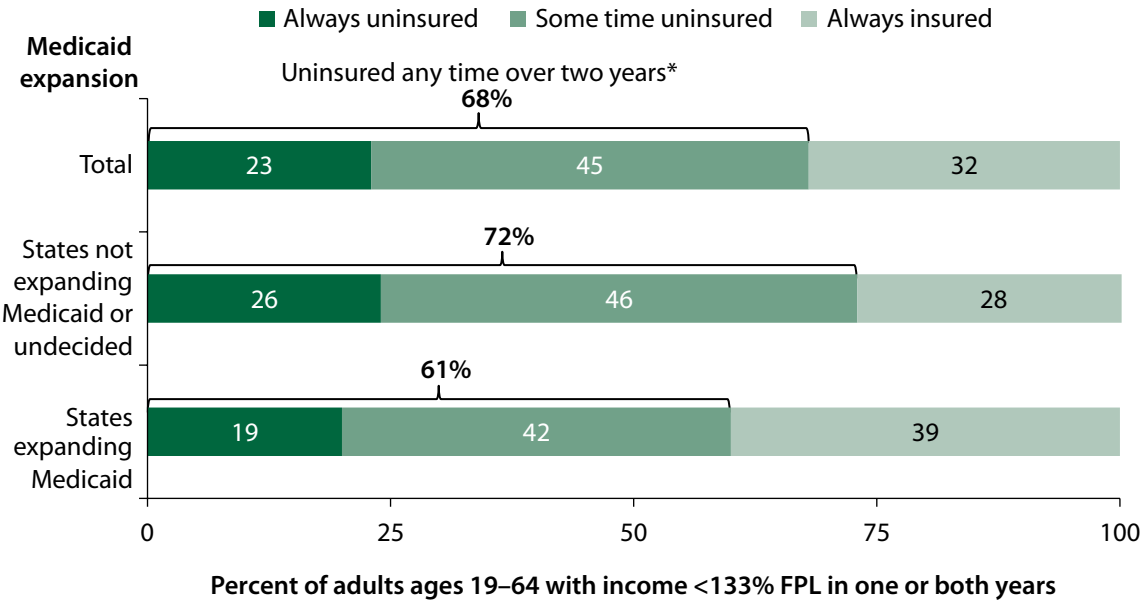
The Affordable Care Act provides Medicaid coverage to adults with incomes below 133 percent of poverty. Tax credits to offset premium costs are available for people earning between 100 percent and 399 percent

Exhibit 2. More Than Two-Thirds of Adults with Incomes Below 133 Percent of Poverty Spent Any Time Uninsured over Two Years



Notes: Numbers may not sum to indicated total because of rounding. FPL refers to 2012 federal poverty level.
* Combines "Some time uninsured" and "Always uninsured."
Source: The Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults (2011 and 2012).

Exhibit 3. Nearly Three-Quarters of Low-Income Adults in States That Are Leaning Toward Not Expanding Medicaid Were Uninsured for Any Time over Two Years



Note: FPL refers to 2012 federal poverty level. 133% FPL is equal to an income of $14,856 for an individual, or $30,657 for a family of four. Numbers may not sum to indicated total because of rounding. * Combines "Some time uninsured" and "Always uninsured." See Exhibit 1 for state decisions on expanding Medicaid.
Source: The Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults (2011 and 2012).

Exhibit 4. In States That Are Leaning Toward Not Expanding Medicaid or Are Undecided, Adults with Incomes Under $11,170 Who Spent Any Time Uninsured over Two Years Will Have No New Coverage Options

Percent of adults ages 19–64	<100% FPL in both years (<$11,170 for individual)	<100% FPL in one or both years** (<$11,170 for individual)
Total adults uninsured for any time over two years*	15%	36%
Adults uninsured for any time over two years* in states expanding Medicaid	9%	29%
	Medicaid coverage	
Adults uninsured for any time over two years* in states ***not*** expanding Medicaid or undecided	19%	42%
	No new Medicaid coverage; ineligible for subsidized coverage through state marketplaces	

Note: FPL refers to 2012 federal poverty level. * Combines "Some time uninsured" and "Always uninsured." ** Combines "<100% FPL both years" and "<100% FPL in 2011 or 2012." See Exhibit 1 for state decisions on expanding Medicaid.
Source: The Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults (2011 and 2012).

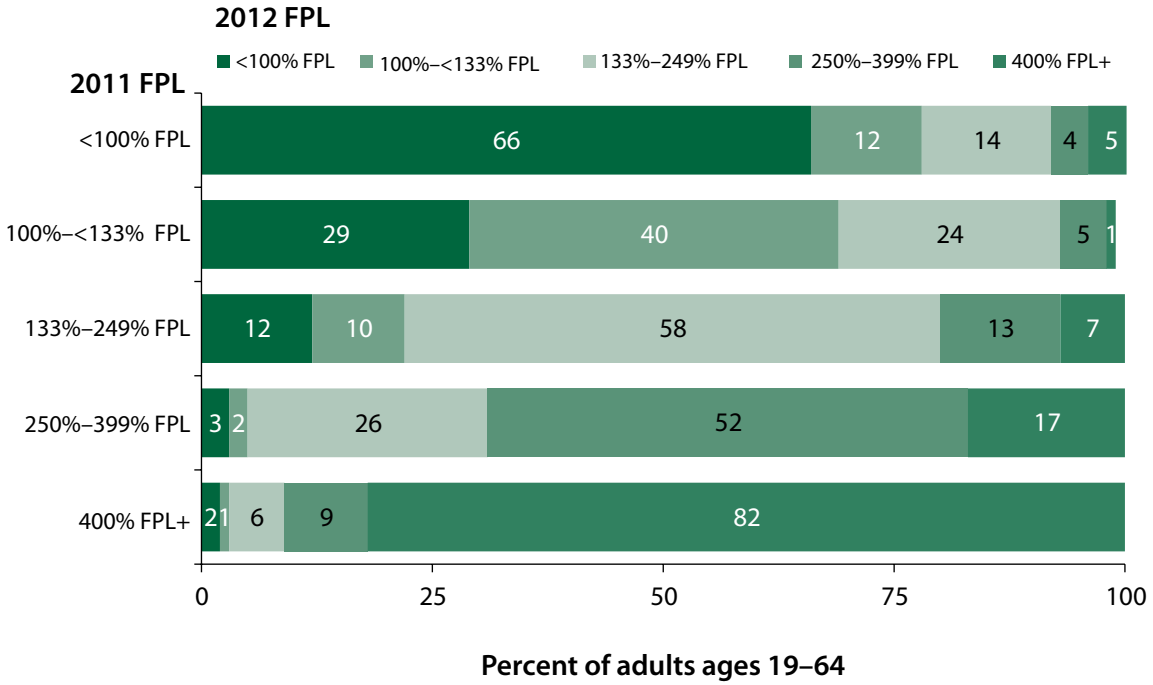
of poverty, who are not eligible for Medicaid or other public coverage, or affordable employer coverage. In addition, the tax credits are available to legal immigrants with incomes below 100 percent of poverty while they are in the five-year Medicaid waiting period that is required under federal law. But because lawmakers assumed that all states would participate in the Medicaid expansion, no similar allowance was made for citizens with incomes below the poverty level. As a result, in states that do not expand their programs, adults with incomes between 100 percent and 133 percent of poverty will be eligible for subsidies, but adults with incomes below 100 percent of poverty who are not legal immigrants will not have access to Medicaid or subsidies for private plans.

In the 26 states that have decided not to expand their programs or are undecided, the survey analysis finds that more than two of five (42%) adults uninsured any time over the two years had incomes that were below poverty in one or both years, potentially leaving them without access to the provisions for part or all of the time they were without coverage (Exhibit 4). In contrast, in states that are planning to expand their Medicaid programs, 29 percent of those who were uninsured for any time over the two-year period had incomes below poverty in one or both years.[7]

Annual Income Changes Could Lead to Coverage Losses for Adults

The vulnerability of low-income people in states that do not expand their Medicaid programs will be exacerbated by annual changes in income. People might have incomes high enough to gain subsidized health coverage in one year, but then a job loss, or other life change, could mean a reduction in income that would make them ineligible for subsidies in the following year. In the survey, among people in households with incomes between 100 percent and 133 percent of poverty in 2011, 29 percent experienced a change in income that lowered their household earnings to less than 100 percent of poverty in 2012 (Exhibit 5). Twelve percent of those earning between 133 percent and 249 percent of poverty in 2011 also experienced an income change

Exhibit 5. Many Adults Experience Year-to-Year Income Fluctuations That Would Change Their Eligibility for Medicaid and Subsidized Private Plans



Notes: Numbers may not sum to 100 percent because of rounding. FPL refers to federal poverty level.
Source: The Commonwealth Fund Health Insurance Tracking Surveys of U.S. Adults (2011 and 2012).

that lowered their earnings to less than the poverty level in 2012. In contrast, 30 percent of adults who earned less than 100 percent of poverty in 2011 experienced an income *gain* that that would have made them eligible for subsidized coverage in 2012. Two-thirds of adults in this income group had incomes below poverty in both years.

CONCLUSION AND POLICY IMPLICATIONS

The central goal of the Affordable Care Act is to achieve near-universal health insurance coverage over the next decade. It accomplishes this through the largest expansion in eligibility for Medicaid since the program's inception in 1965 and through subsidized private plans available through new state insurance marketplaces. While only 24 states and the District of Columbia have decided to expand eligibility for their Medicaid programs next year, there is a high probability that more states will participate over time. All states currently participate in the existing Medicaid and Children's Health Insurance Programs, which have less federal financial support than the Medicaid expansion. The federal government will finance 100 percent of the Medicaid expansion in most states through 2016, phasing down to 90 percent for all states by 2020. This new financing translates to an infusion of $800.2 billion in federal funds over 2013–2022, according to the Kaiser Family Foundation.[8] In addition, with millions of currently uninsured people receiving coverage, states could save an estimated $18.3 billion through 2022 in uncompensated care costs.[9]

Several governors and state legislatures are continuing to debate the benefits of participating in the Medicaid expansion. In the meantime, Congress could step in and provide a solution by passing legislation that would amend the law to make all adults with incomes below 100 percent of poverty, who are not eligible for Medicaid, eligible for subsidized private plans offered through the marketplaces. This would ensure that all Americans have access to the law's sweeping new reforms when they take effect in January.

Survey Methodology

The Commonwealth Fund Health Insurance Tracking Surveys were conducted in two waves by the online research firm Knowledge Networks in 2011 and 2012, among a representative sample of adults ages 19 to 64. The first survey was conducted between June 24, 2011, and July 5, 2011. The survey sample was drawn from Knowledge Panel—a probability-based online panel that is representative of the U.S. population and includes cell phone–only and low-income households that are typically difficult to reach using traditional telephone surveys and random-digit-dialing sampling. Respondents to the 2011 survey were recontacted in 2012 between August 31 and September 28. A total of 1,416 adults completed both waves of the survey. We include in this analysis only those respondents who reported income in both waves, leaving a sample size of 1,317.

Data are weighted to correct for the longitudinal panel aspects of the study design and disproportionate nonresponse that might bias results. The data are weighted to the U.S. adult population, ages 19 to 64, by gender, age, race/ethnicity, education, poverty level, census region, metropolitan area, Internet access, and primary language using the U.S. Census Current Population Survey March 2010, the CPS supplemental survey measuring Internet access (from October 2010), and the Pew Hispanic Center Survey (2010) for Spanish language proficiency distributions. The resulting weighted sample is representative of the approximately 186.7 million U.S. adults ages 19 to 64. The margin of sampling error for the longitudinal sample is +/– 3.4 percent.

Notes

1 Throughout the report, poverty levels are for 2012.

2 Under the existing Medicaid program, all states currently offer Medicaid coverage to children through age 5 to at least 133 percent of poverty and to at least 100 percent of poverty for children ages 6 through 18. All states also offer Medicaid coverage to parents of dependent children, though income eligibility levels are very low in many states, particularly in most states that have not yet decided to expand their Medicaid programs under the Affordable Care Act. Only a few states offer Medicaid coverage to adults without children. See Kaiser Family Foundation, State Health Facts, www.kff.org/statedata/.

3 Those who were uninsured for the full two years were uninsured at the time of the survey in both 2011 and 2012 and reported being uninsured for one year or more at each time period.

4 All reported differences are statistically significant at $p \leq 0.05$ or better, unless otherwise noted.

5 Undocumented immigrants are not eligible for either Medicaid or subsidized private plans. Thus, not all of the adults who were uninsured in the survey would be eligible for the law's coverage expansions.

6 The difference in uninsured rates among people earning less than 133 percent of poverty between those states that plan to expand their Medicaid programs and those that are not currently planning to expand is not statistically significant.

7 This difference is likely driven in part by greater access to health insurance for lower-income adults in the states that are expanding through those states' existing Medicaid programs. States that are expanding on balance have higher Medicaid income eligibility limits for parents of dependent children and a few have expanded eligibility in their existing programs for adults without children. See Kaiser Family Foundation, State Health Facts, www.kff.org/statedata/.

8 J. Holahan, M. Buettgens, and S. Dorn, *The Cost of Not Expanding Medicaid* (Washington, D.C.: Kaiser Family Foundation, July 2013), http://kff.org/medicaid/report/the-cost-of-not-expanding-medicaid/.

9 Ibid.

About the Authors

Petra W. Rasmussen, M.P.H., is senior research associate for the Fund's Health Care Coverage and Access program. In this role, Ms. Rasmussen is responsible for contributing to survey questionnaire development, analyzing survey results through statistical analysis, and writing survey issue briefs and articles. In addition, she is involved in tracking and researching emerging policy issues regarding health reform and the comprehensiveness and affordability of health insurance coverage and access to care in the United States. Ms. Rasmussen holds a B.A. in global health practices and policies from Duke University and an M.P.H. in health policy and management from Columbia University's Mailman School of Public Health. She can be emailed at pwr@cmwf.org.

Sara R. Collins, Ph.D., is vice president for the Health Care Coverage and Access program at The Commonwealth Fund. An economist, Dr. Collins joined the Fund in 2002 and has led the Fund's national program on health insurance since 2005. Since joining the Fund, she has led several national surveys on health insurance and authored numerous reports, issue briefs, and journal articles on health insurance coverage and policy. She has provided invited testimony before several Congressional committees and subcommittees. Prior to joining the Fund, Dr. Collins was associate director/senior research associate at the New York Academy of Medicine, Division of Health and Science Policy. Earlier in her career, she was an associate editor at *U.S. News & World Report,* a senior economist at Health Economics Research, and a senior health policy analyst in the New York City Office of the Public Advocate. She holds an A.B. in economics from Washington University and a Ph.D. in economics from George Washington University.

Michelle M. Doty, Ph.D., is vice president of survey research and evaluation for The Commonwealth Fund. She has authored numerous publications on cross-national comparisons of health system performance, access to quality health care among vulnerable populations, and the extent to which lack of health insurance contributes to inequities in quality of care. She received her M.P.H. and Ph.D. in public health from the University of California, Los Angeles.

Tracy Garber, M.P.H., is senior policy associate for The Commonwealth Fund's Health Care Coverage and Access program, for which she provides grant support, analyzes Fund survey data, and tracks and analyzes health reform implementation. Prior to joining the Fund, she was the development assistant and volunteer coordinator for the Hamilton-Madison House in lower Manhattan, a settlement house. Ms. Garber received her bachelor's degree in women's studies and English from the University of Delaware in 2008, and her M.P.H. from the CUNY School of Public Health at Hunter College in 2012.

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