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The Impact of the Coverage Gap in States not Expanding Medicaid by Race and Ethnicity

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Introduction

People of color face longstanding and persistent disparities in accessing health coverage that contribute to greater barriers to care and poorer health outcomes. The Affordable Care Act (ACA) Medicaid expansion to adults with incomes at or below 138% of the federal poverty level (FPL) makes many uninsured adults of color newly eligible for the program, which would help increase their access to care and promote greater health equity. However, in states that do not implement the ACA Medicaid expansion, poor adults fall into a coverage gap and will likely remain uninsured. This brief examines the impact of this coverage gap by race and ethnicity and finds that it disproportionately impacts poor uninsured Black adults, which may contribute to widening disparities in health and health care over time.

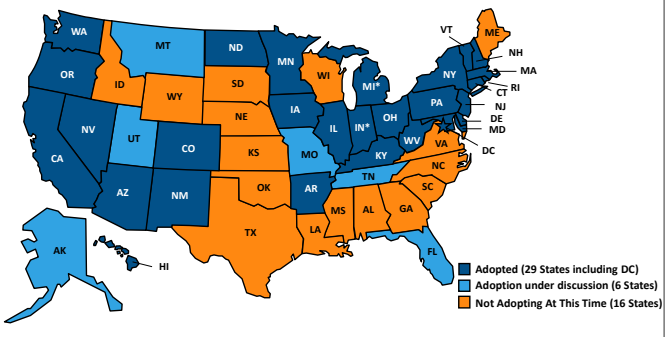
Background

As enacted, the Medicaid expansion to low-income adults would occur nationwide, but it was effectively made a state option by the Supreme Court decision on the constitutionality of the ACA. As of March 2015, 29 states, including DC, have adopted the expansion, while 22 states are not adopting the expansion at this time (Figure 1).

In states that have not expanded Medicaid, 3.7 million poor uninsured adults fall into a "coverage gap," and will likely remain uninsured. These individuals would have been eligible under the Medicaid expansion. However, in the absence of the expansion, they remain ineligible for Medicaid and do not earn enough to qualify for premium tax credits to purchase Marketplace coverage, which begin at 100% FPL (Figure 2). Most of these individuals are likely to remain uninsured.

Figure 1

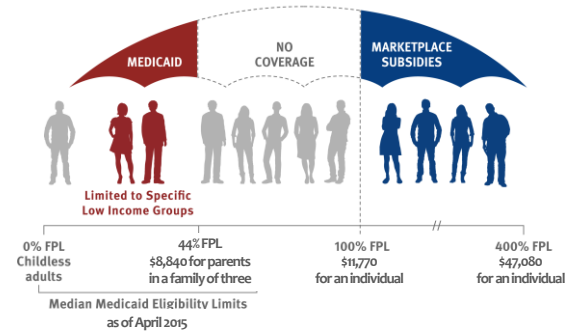
Status of Medicaid Expansion Decisions, March 2015



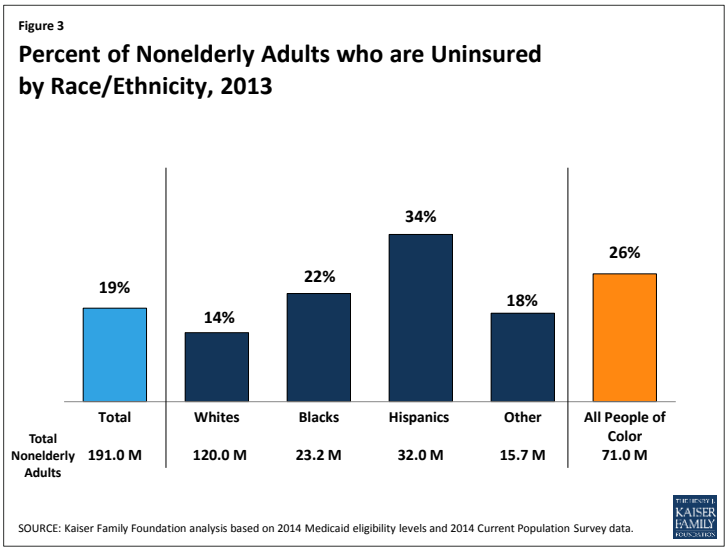
NOTES: Under discussion indicates executive activity supporting adoption of the Medicaid expansion.
SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated March 6, 2015.
http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/

Figure 2

Gap in Coverage for Adults in States that Do Not Expand Medicaid under the ACA

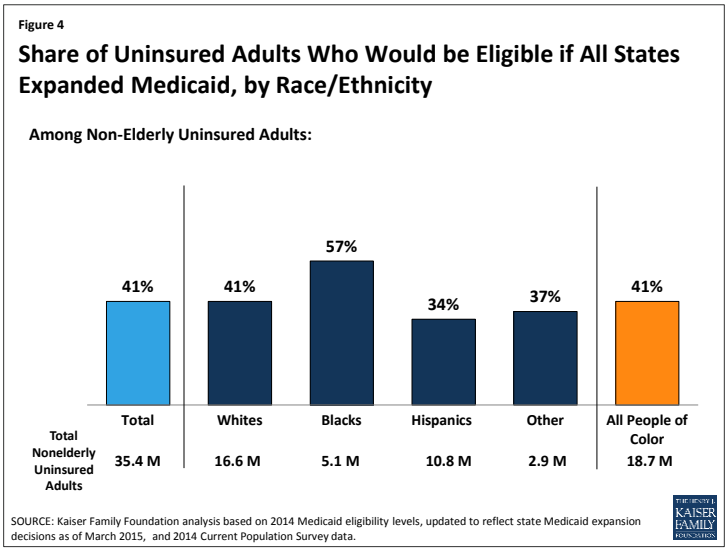


Adults of color are more likely to be uninsured than Whites. Overall, more than one-quarter of adults of color are uninsured compared to 14% of Whites. Hispanic adults are at the highest risk of lacking coverage, with more than one in three (34%) uninsured, while more than one in five (22%) Black adults are uninsured (Figure 3).

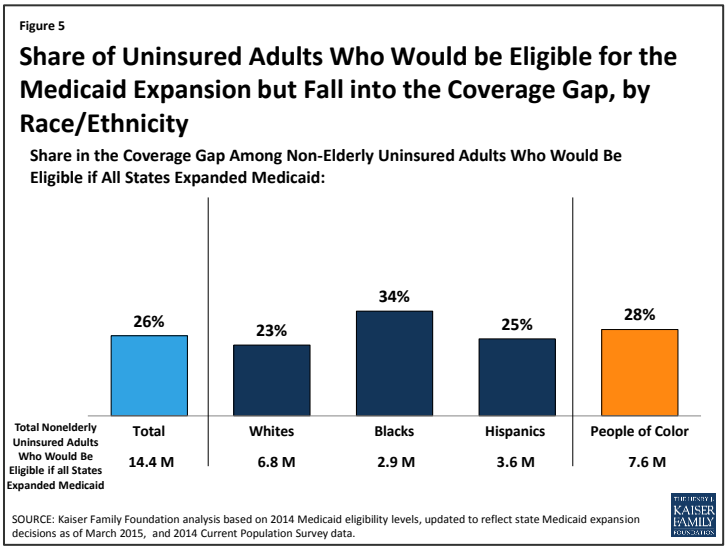


Key Findings

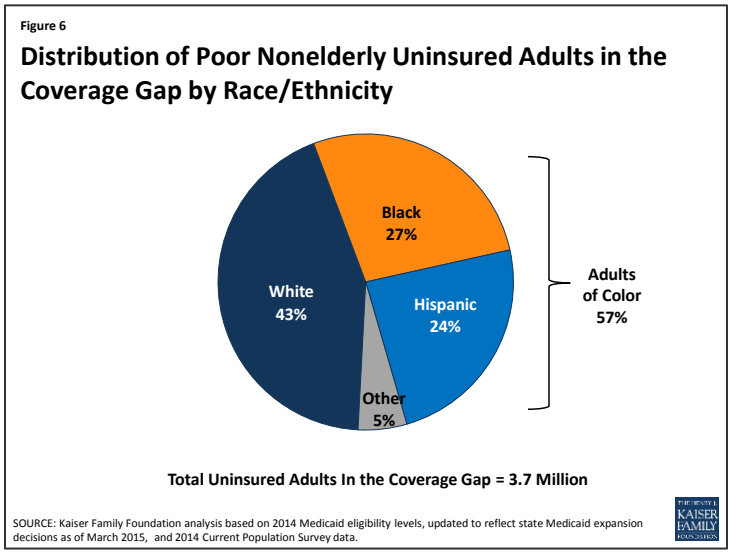
The ACA Medicaid expansion offers a new pathway to increase health coverage among people of color. Overall, more than four in ten (41%) uninsured adults of color would be eligible for Medicaid (based on income, immigration status, and age) if all states adopted the Medicaid expansion, comparable to the share of White uninsured adults who would be eligible. If all states expanded Medicaid, nearly six in ten (57%) uninsured Black adults would be eligible, but only about a third (34%) of uninsured Hispanic adults, reflecting the fact that a greater share would not qualify based on their immigration status (Figure 4).



The coverage gap in states not expanding Medicaid disproportionately impacts poor uninsured Black adults. Over one-quarter (26%) or about 3.7 million of the total 14.4 million uninsured adults who would be eligible if all states expanded Medicaid fall into the coverage gap in the 22 states that have not adopted the expansion as of March 2015. Over one in three (34%) of the 2.9 million uninsured Black adults who could gain Medicaid fall into the coverage gap because they disproportionately reside in the southern region of the country where most states have not adopted the expansion. In contrast, Hispanics are less likely to fall into the gap since several key states that have large numbers of uninsured Hispanics have adopted the expansion, including California, New York, and Arizona. As a result, one in four of (25%) of the 3.6 million uninsured Hispanic adults who could gain Medicaid fall into the coverage gap (Figure 5).



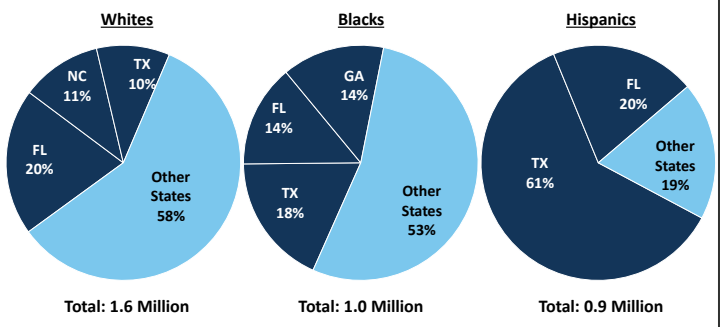
About 2.1 million uninsured adults who fall into the coverage gap are adults of color, making up over half (57%) of the 3.7 million uninsured adults in the coverage gap. Hispanics (24%) and Blacks (27%) each account for about quarter of uninsured adults in the coverage gap, other people of color make up another 5%, while the remaining 43% are White (Figure 6).



Large shares of adults who fall into the coverage gap reside in a small number of states, although the distribution of people in the gap across states varies by racial and ethnic group. Overall, more than half (53%) of poor adults in the coverage gap reside in just three states, including Texas (26%), Florida (18%), and North Carolina (10%). However, the distribution of people in the gap across states varies by racial and ethnic group (Figure 7). For example, four in ten (42%) of the 1.6 million uninsured poor White adults in the coverage gap reside in Florida (20%), North Carolina (11%), and Texas (10%), while nearly half (47%) of the 1.0 million uninsured poor Black adults in the coverage gap reside in Texas (18%), Florida (14%) and Georgia (14%). Among Hispanics, more than eight in ten (81%) of the 0.9 million uninsured poor adults in the coverage gap reside in just two states, with six in ten (61%) in Texas and one in five (20%)in Florida (Figure 7).

Figure 7

Distribution of Uninsured Poor Nonelderly Adults in the Coverage Gap by Race/Ethnicity and State



SOURCE: Kaiser Family Foundation analysis based on 2014 Medicaid eligibility levels, updated to reflect state Medicaid expansion decisions as of March 2015, and 2014 Current Population Survey data.

Conclusion

As enacted, the ACA was designed to create a new continuum of coverage options to significantly reduce the number of uninsured, including a Medicaid expansion to adults with incomes at or below 138% FPL, filling the longstanding gaps in the program for adults and creating a nationwide base of coverage for adults comparable to the national minimum Medicaid levels for children. The Medicaid expansion particularly affects people of color given that they are disproportionately likely to both lack health insurance and have low incomes. Increasing health coverage rates helps to promote increased access to care and can help address the persistent disparities many people of color they face in securing health coverage.

In states that have not adopted the Medicaid expansion, poor adults with incomes below the federal poverty level fall into a coverage gap because they remain ineligible for Medicaid but earn too little to qualify for premium tax credits for Marketplace coverage. As a result, they are likely to remain uninsured. The impact of the coverage gap varies by race and ethnicity, with poor uninsured Blacks most likely to fall into the gap, since they disproportionately reside in the southern region of the country where most states are not implementing the expansion. The continued disparities in access to health coverage will likely lead to widening racial and ethnic as well as geographic disparities in coverage and access to care.

Methods

This analysis uses data from the 2014 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC). The CPS ASEC provides socioeconomic and demographic information for the United Sates population and specific subpopulations. Importantly, the CPS ASEC provides detailed data on families and households, which we use to determine income for ACA eligibility purposes (see below for more detail). Notably, with the 2014 ASEC, Census implemented a fundamental redesign of the health insurance coverage questions. This redesign aimed both to address longstanding issues with measurement of insurance coverage in the ASEC and to capture new coverage categories available under the ACA. The redesigned insurance questions lead to a lower estimate of the uninsured rate compared to the previous approach, addressing a longstanding issue of under-reporting of coverage in the ASEC. As a result of these changes, health coverage data for the 2014 release (reflecting coverage in calendar year 2013) are not comparable with estimates from previous years.

Medicaid and Marketplaces have different rules about household composition and income for eligibility. For this analysis, we calculate household membership and income for both Medicaid and Marketplace premium tax credits for each person individually, using the rules for each program. For more detail on how we construct Medicaid and Marketplace households and count income, see the detailed technical Appendix A.

Undocumented immigrants are ineligible for Medicaid and Marketplace coverage. Since CPS data do not directly indicate whether an immigrant is lawfully present, we draw on the methods underlying the 2013 analysis by the State Health Access Data Assistance Center (SHADAC) and the recommendations made by Van Hook et. al.[1,2] This approach uses the Survey of Income and Program Participation (SIPP) to develop a model that predicts immigration status; it then applies the model to CPS, controlling to state-level estimates of total undocumented population from Department of Homeland Security. For more detail on the immigration imputation used in this analysis, see the technical Appendix B.

Individuals in tax-filing units with access to an affordable offer of Employer-Sponsored Insurance are still potentially MAGI-eligible for Medicaid coverage, but are ineligible for advance premium tax credits in the Health Insurance Exchanges. Since CPS data do not directly indicate whether workers have access to ESI, we draw on the methods comparable to our imputation of authorization status. For more detail on the offer imputation used in this analysis, see the technical Appendix C. As of January 2014, Medicaid financial eligibility for most nonelderly adults is based on modified adjusted gross income (MAGI). To determine whether each individual is eligible for Medicaid, we use each state's MAGI eligibility level that was effective as of July 2014, updated to reflect subsequent state decisions to expand Medicaid to adults up to 138% FPL.[3] Some nonelderly adults with incomes above MAGI levels may be eligible for Medicaid through other pathways; however, we only assess eligibility through the MAGI pathway.[4]

An individual's income is likely to fluctuate throughout the year, impacting his or her eligibility for Medicaid. Our estimates are based on annual income and thus represent a snapshot of the number of people in the coverage gap at a given point in time. Over the course of the year, a larger number of people are likely to move and out of the coverage gap as their income fluctuates.

Endnotes

[1] State Health Access Data Assistance Center. 2013. "State Estimates of the Low-income Uninsured Not Eligible for the ACA Medicaid Expansion." Issue Brief #35. Minneapolis, MN: University of Minnesota. Available at: http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2013/rwjf404825.

[2] Van Hook, J., Bachmeier, J., Coffman, D., and Harel, O. "Can We Spin Straw into Gold? An Evaluation of Immigrant Legal Status Imputation Approaches" *Demography*. Forthcoming.

[3] Kaiser Commission on Medicaid and the Uninsured. *Fact Sheet: Medicaid Eligibility for Adults as of January 1, 2014.* (Washington, DC: Kaiser Family Foundation), October 1, 2014. Available at: http://www.kff.org/medicaid/fact-sheet/medicaid-eligibility-for-adults-as-of-january-1-2014/.

[4] Non-MAGI pathways for nonelderly adults include disability-related pathways, such as SSI beneficiary; Qualified Severely Impaired Individuals; Working Disabled; and Medically Needy. We are unable to assess disability status in the CPS sufficiently to model eligibility under these pathways. However, previous research indicates high current participation rates among individuals with disabilities (largely due to the automatic link between SSI and Medicaid in most states, see Kenney GM, V Lynch, J Haley, and M Huntress. "Variation in Medicaid Eligibility and Participation among Adults: Implications for the Affordable Care Act." *Inquiry*. 49:231-53 (Fall 2012)), indicating that there may be a small number of eligible uninsured individuals in this group. Further, many of these pathways (with the exception of SSI, which automatically links an individual to Medicaid in most states) are optional for states, and eligibility in states not implementing the ACA expansion is limited. For example, the median income eligibility level for coverage through the Medically Needy pathway is 15% of poverty in states that are not expanding Medicaid, and most states not expanding Medicaid do not provide coverage above SSI levels for individuals with disabilities. (See: O'Malley-Watts, M and K Young. *The Medicaid Medically Needy Program: Spending and Enrollment Update*. (Washington, DC: Kaiser Family Foundation), December 2012. Available at: http://www.kff.org/medicaid/issue-brief/the-medicaid-medically-needy-program-spending-and/. And Kaiser Commission on Medicaid and the Uninsured, "Medicaid Financial Eligibility: Primary Pathways for the Elderly and People with Disabilities," February 2010. Available at: http://www.kff.org/medicaid/issue-brief/medicaid-financial-eligibility-primary-pathways-for-the-elderly-and-people-with-disabilities/.