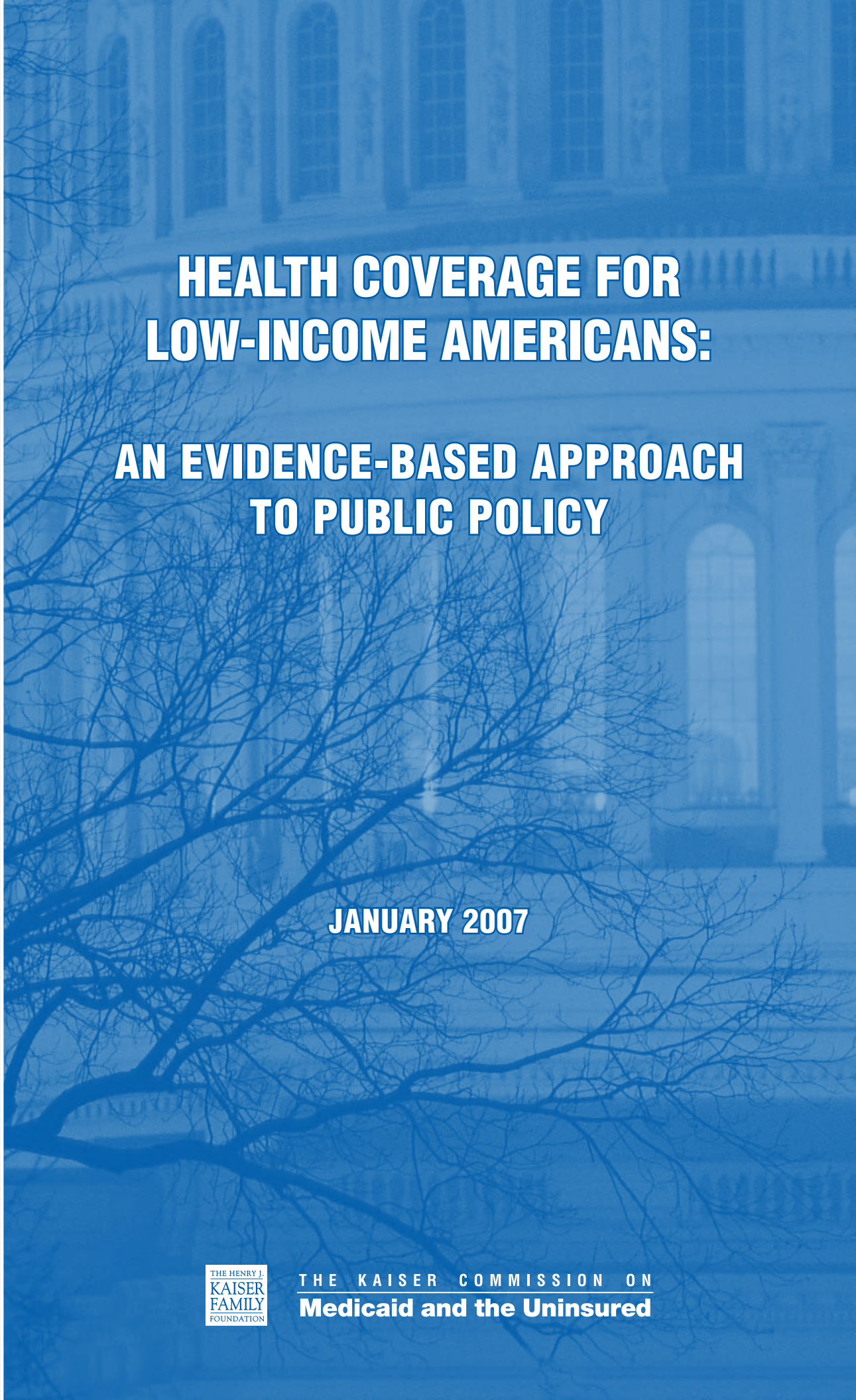

HEALTH COVERAGE FOR LOW-INCOME AMERICANS:

AN EVIDENCE-BASED APPROACH TO PUBLIC POLICY

JANUARY 2007

THE HENRY J. KAISER FAMILY FOUNDATION

THE KAISER COMMISSION ON
Medicaid and the Uninsured

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.

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Foreword

In 2005, 46.1 million non-elderly Americans – more than 1 in 6 – lacked health insurance. An ordinary life event – a job loss or change, the loss of a spouse, a 19th birthday – can cause an individual or a family with health insurance to join the ranks of the uninsured. So can an extraordinary event. Hurricane Katrina added thousands to the nation's poor and uninsured in a few days.

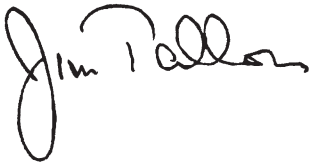
Research solidly documents both the critical role that health insurance plays in promoting access to needed care and improving health, and the ill consequences that ensue from not having coverage. In light of such evidence, the goal of expanding health coverage grows more pressing as the number of people who lack health insurance continues to climb. Low-income individuals and families are the most likely to lack health insurance and they make up the lion's share of uninsured Americans. Therefore, to achieve a substantial reduction in the number of uninsured in our nation, policy solutions must be targeted to reach the low-income population.

How best to structure health coverage for low-income Americans has long been a subject of debate. In the last decade, the context for this debate has generally been a proposed expansion of coverage to reach more of the low-income uninsured population. However, more recently, state and federal policy initiatives that alter core aspects of Medicaid, the nation's major safety-net health insurance program for low-income Americans, have gained increasing momentum. These developments thrust an analytic spotlight on fundamental questions concerning the needs of low-income people and the parameters of a health insurance program that assures their access to needed care.

In *Health Coverage for Low-Income Americans: An Evidence-Based Approach to Public Policy*, the Kaiser Commission on Medicaid and the Uninsured takes the approach that policy makers can learn much about how to proceed in providing health insurance for low-income Americans by considering the large body of evidence from public programs and health services research that is relevant to the central issues. Thus, the aim of the report is to lay an analytic foundation for the current and ongoing policy debate regarding coverage of low-income people. We conceive of it as a tool that policy and program officials and others can use systematically to assess the implications of proposals that would change Medicaid and to evaluate the merits and shortcomings of alternative strategies to broaden coverage of our nation's low-income population.

We hope that by marshalling evidence to address key policy questions, we will help not only to foster improvement of our existing programs, but also to hasten progress toward a sound system of health insurance to meet the needs of all low-income Americans.

James R. Tallon
Chairman



Diane Rowland, Sc.D.
Executive Director

Acknowledgments

This report would not have come about without the efforts of Julia Paradise, who not only conceptualized and articulated this project initially, but also led its development. Her commitment and diligence in synthesizing the key findings from decades of research enabled this work to come to fruition.

Rachel Garfield's thoughtful and useful comments lent additional clarity and rigor to the synthesis of the large literature reviewed here. Thanks are due also to the staff and associates of the Commission, who made valuable contributions over the course of many months as this document took shape.

Introduction

Research conducted over the last several decades shows overwhelmingly that people with health insurance are far more likely to obtain appropriate care than their uninsured counterparts, and that they are likely to have better health outcomes as a result. Insurance achieves these gains primarily by lowering the financial barriers to seeking health care.

Studies show that having insurance – or not having it – matters particularly for low-income individuals, both because their ability to pay for care out-of-pocket is extremely limited and because they are disproportionately likely to have chronic health care needs. Many studies have documented important disparities between the low-income population and others with respect to their health status, their health needs, their financial capacity to purchase care, the treatment they receive for specific conditions, and their health outcomes. Consistently, health insurance has been shown to reduce these disparities.

In the U.S., many in the low-income population do not have access to the market for private health insurance. This fact is reflected in the high uninsured rate among low-income Americans – 33% versus 10% for others who are not low-income. To bridge this coverage gap, the nation has established two major public programs, Medicaid and the State Children's Health Insurance Program (SCHIP), which provide and finance health insurance for low-income Americans.

Medicaid is the principal safety-net health insurance program for low-income Americans. The Medicaid program covers over 50 million low-income people, and its beneficiaries include many of the poorest and sickest individuals in our nation. In 1997, SCHIP was created to widen the safety-net provided by Medicaid; it covers an additional 6 million low-income individuals, primarily children who do not qualify for Medicaid.

The experience of the Medicaid and SCHIP programs has produced a wealth of knowledge that is useful in defining the health insurance needs of low-income people. Over its 40-year history, Medicaid has evolved in important respects as a result of both federal policy changes and states' exercise of their broad authority to shape the program. In addition, some states have obtained waivers to modify core elements of their Medicaid programs, resulting in distinctly different models of health coverage. SCHIP, by design, has fostered still other approaches to public coverage for a low-income population.

Due to difficult fiscal pressures at the state level and shifting federal health policy, public debate about Medicaid has intensified and federal law has been amended lately in ways that could significantly alter the contours of Medicaid coverage. In this environment, insights and lessons gained from Medicaid and SCHIP experience have become particularly relevant. The two programs' respective achievements, the challenges each has confronted, and state and federal efforts to balance chronically competing pressures, illuminate the potential and limitations of alternative approaches to providing and financing coverage for low-income Americans. Findings from the broader field of health services research also help to enrich the picture.

In *Health Coverage for Low-Income Americans: An Evidence-Based Approach to Public Policy*, we have attempted to harness what has been learned from research to address core issues that are common to all systems for covering the low-income population, regardless of their particulars. It is hoped that bringing evidence to bear will highlight important policy concerns and provide an empirical basis for developing public policy and devising sound approaches to covering low-income Americans.

The report is organized as follows. The first part is devoted to the threshold question: What is the role for publicly sponsored health insurance? In this part, the characteristics and circumstances of the low-income population are documented and the limits of the private health insurance system as a source of coverage for low-income Americans are explained.

The second part turns to central questions about how to structure a publicly sponsored health insurance program for the low-income population. It begins with the issue of eligibility policy. Next, it addresses the matter of participation in public insurance and how to promote it. The subsequent three sections focus on distinct but interconnected aspects of financial access to care for low-income people – premiums, benefits, and cost-sharing. The sixth section addresses the fact that coverage does not guarantee access to care and discusses other factors that can facilitate or impede it. The seventh section deals with the fundamental matter of financing the coverage.

Each section begins with an overview that outlines the issue at hand, summarizes the relevant evidence, and based on the evidence articulates a perspective that is expressed in applied, programmatic terms. The overview is followed by a detailed review of the evidence in which the perspective is grounded. The report concludes by drawing together the perspectives presented in each section so that the framework of a well-designed program of coverage for low-income Americans comes more fully into view.