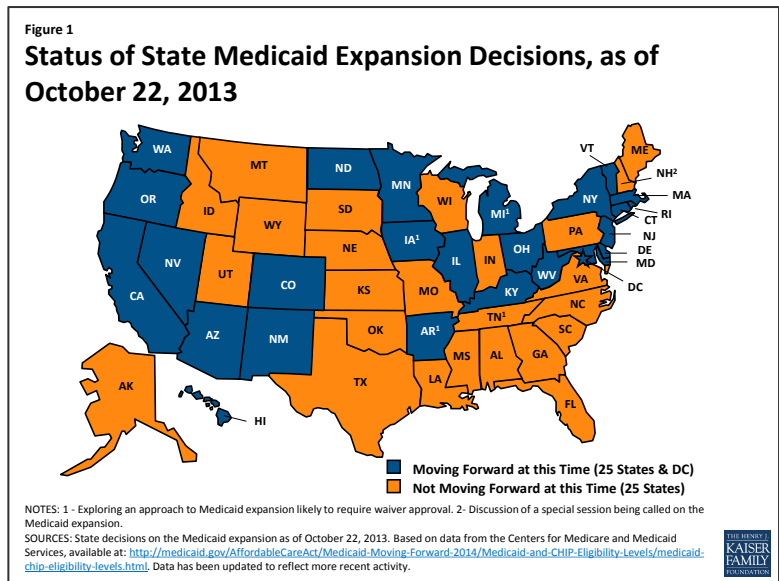


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## The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid

The expansion of Medicaid eligibility to nearly all low-income adults is a core component of the coverage provisions in the 2010 Affordable Care Act (ACA). The ACA Medicaid expansion provides a link between new private coverage options available through either Health Insurance Marketplaces or employers and the existing Medicaid program, which previously had many gaps in coverage for adults. Historically, Medicaid eligibility generally was restricted to low income individuals in a specified category, such as children, their parents, the aged, or individuals with disabilities. In most states, adults without dependent children were not eligible for Medicaid. Further, eligibility levels for parents were generally set very low and varied greatly across states. As a result, only 30% of poor nonelderly adults had Medicaid coverage in 2012, compared to 70% of poor children, and uninsured rates for poor adults (42%) were well over twice the national average (18%).<sup>1</sup>

The expansion of Medicaid, effective in January 2014, fills in historical gaps in Medicaid eligibility for low-income adults and has the potential to extend health coverage to millions of currently uninsured individuals. This expansion essentially sets a national Medicaid income eligibility level of 138% of poverty (about \$27,000 for a family of three<sup>2</sup>) for adults. The expansion was intended to be national and to be the vehicle for covering low-income individuals, with premium tax credits for Marketplace coverage serving as the vehicle for covering people with higher incomes. However, the June 2012 Supreme Court ruling made the expansion of Medicaid optional for states, and as of October 2013, 25 states did not plan to implement the expansion (Figure 1).

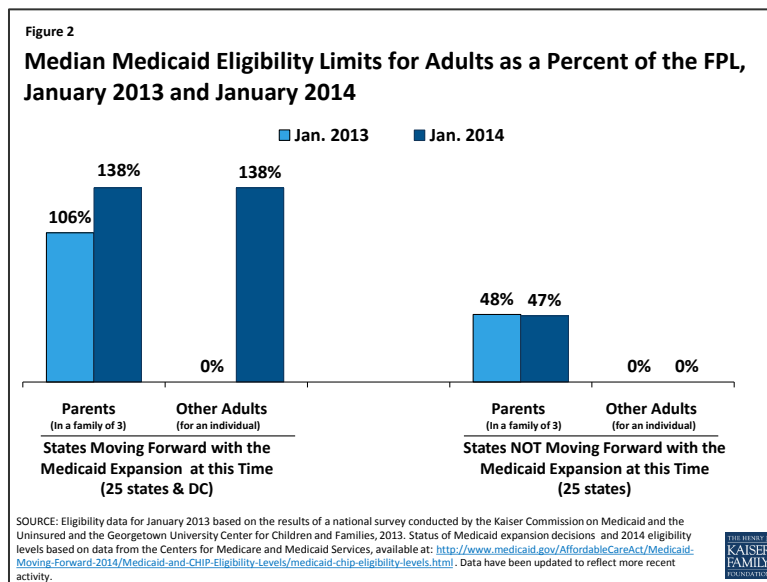


In states that do not expand Medicaid, nearly five million poor uninsured adults have incomes above Medicaid eligibility levels but below poverty and may fall into a “coverage gap” of earning too much to qualify for Medicaid but not enough to qualify for Marketplace premium tax credits. Most of these people have very limited coverage options and are likely to remain uninsured. This brief describes the coverage gap and presents estimates of the population that falls into this situation. An overview of the methodology underlying the analysis can be found in the Methods box at the end of the report, and more detail is available in the accompanying Technical Appendices.

# THE ACA MEDICAID EXPANSION & THE COVERAGE GAP

Effective January 2014, the ACA establishes a new minimum Medicaid eligibility level of 138% of poverty for non-disabled adults who were not previously eligible for the program. As with current Medicaid, legal immigrants who have been in the country for five years or less and immigrants who are not lawfully present are not eligible for this coverage. The federal government will finance the full cost of the Medicaid expansion for the first three years (2014-2016); after that, the federal government's share of costs will phase down, reaching 90% in 2020. Nationally, 17 million currently uninsured nonelderly adults may meet the income and citizenship criteria to be eligible for Medicaid after the expansion.<sup>3</sup> The number of eligible individuals varies by state, reflecting the income and age distribution in the state as well as the current scope of insurance coverage.

Many of the states moving forward with the Medicaid expansion already offer coverage for parents up to poverty, but adults without dependent children are generally ineligible (see Figure 2). In these states, the expansion extends Medicaid eligibility to all parents and other adults up to the new Medicaid limit. For people with incomes above that limit, other provisions of the ACA—particularly the availability of premium tax credits to purchase individual coverage through the Health Insurance Marketplaces—will facilitate access to affordable coverage.



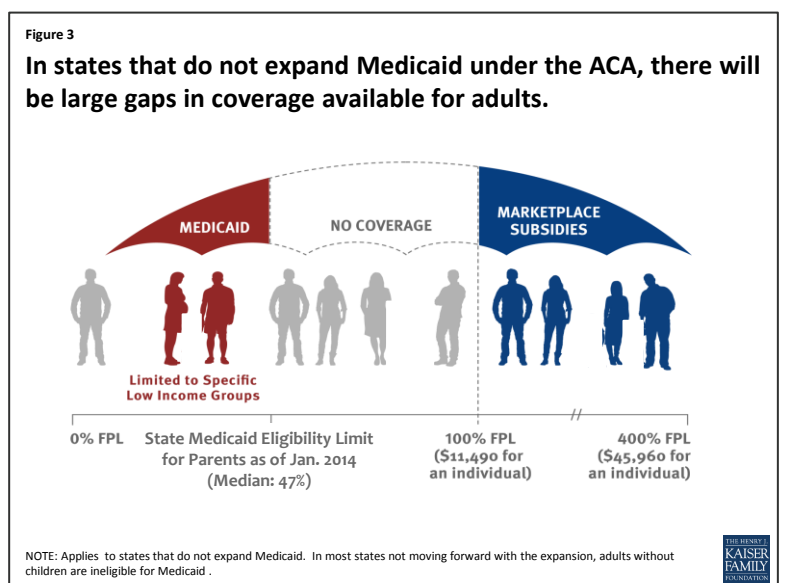
In most states that do not expand Medicaid, however, many people will be left without an affordable coverage option. Medicaid eligibility for adults in states not moving forward with the ACA Medicaid expansion is limited. As of January 2014, the median eligibility level for parents in states not moving forward will be just 47% of poverty, or about \$9,400 a year for a family of three (Figure 2). Only four states not expanding Medicaid (Alaska, Maine, Tennessee, and Wisconsin) cover parents up to at least poverty (see Table 1), and eligibility limits in some states are less than 20% of the poverty level (16% in Alabama, 19% in Texas). Of the states not moving forward with the expansion, only Wisconsin will provide full Medicaid coverage to adults without dependent children in 2014.<sup>4,5</sup>

**Table 1: Medicaid Adult Income Eligibility Limits as a Percent of the Federal Poverty Level in States Not Moving Forward with the ACA Medicaid Expansion, January 2014**

	Parents of Dependent Children (in a family of three)		Other Adults (Non-Disabled) (for an individual)	
	As a share of poverty	As an annual income limit	As a share of poverty	As an annual income limit
<b>Median</b>	47%	\$ 9,245	0%	0%
Alabama	16%	\$ 3,221	0%	\$ 0
Alaska	128%	\$ 31,245	0%	\$ 0
Florida	35%	\$ 6,809	0%	\$ 0
Georgia	39%	\$ 7,589	0%	\$ 0
Idaho <sup>6</sup>	27%	\$ 5,357	0%	\$ 0
Indiana <sup>6</sup>	24%	\$ 4,697	0%	\$ 0
Kansas	38%	\$ 7,421	0%	\$ 0
Louisiana <sup>6</sup>	24%	\$ 4,685	0%	\$ 0
Maine <sup>6</sup>	105%	\$ 20,513	0%	\$ 0
Mississippi	29%	\$ 5,669	0%	\$ 0
Missouri <sup>6</sup>	24%	\$ 4,661	0%	\$ 0
Montana <sup>6</sup>	52%	\$ 10,109	0%	\$ 0
Nebraska	55%	\$ 10,817	0%	\$ 0
New Hampshire	75%	\$ 14,645	0%	\$ 0
North Carolina	45%	\$ 8,861	0%	\$ 0
Oklahoma <sup>6</sup>	48%	\$ 9,377	0%	\$ 0
Pennsylvania	38%	\$ 7,421	0%	\$ 0
South Carolina	67%	\$ 13,085	0%	\$ 0
South Dakota	54%	\$ 10,529	0%	\$ 0
Tennessee	111%	\$ 21,677	0%	\$ 0
Texas	19%	\$ 3,737	0%	\$ 0
Utah <sup>6</sup>	47%	\$ 9,113	0%	\$ 0
Virginia	52%	\$ 10,121	0%	\$ 0
Wisconsin	100%	\$ 19,529	100%	\$ 11,490
Wyoming	59%	\$ 11,453	0%	\$ 0

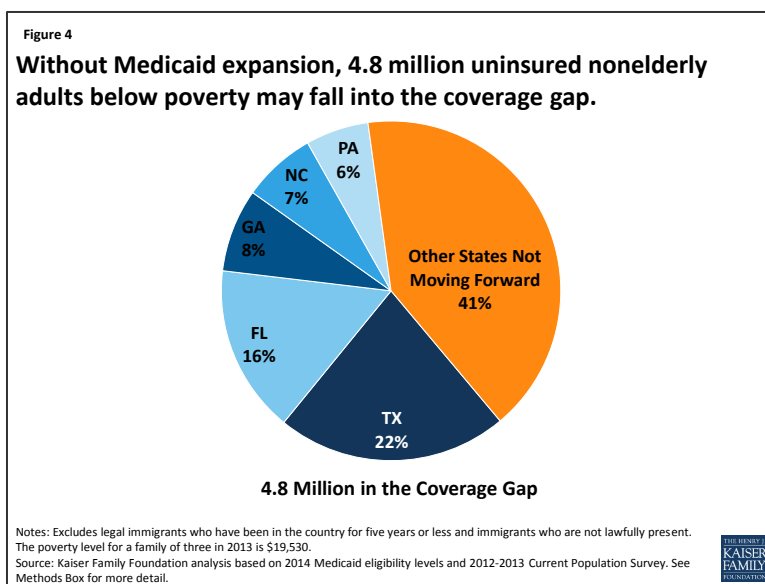
NOTE: Reflects eligibility levels for MAGI groups, including 5 percentage point income disregard. For more detail on who is included in MAGI groups, see: Kaiser Commission on Medicaid and the Uninsured. *Medicaid Eligibility, Enrollment Simplification, and Coordination under the Affordable Care Act: A Summary of CMS's March 23, 2012 Final Rule*. December 2012, available at: <http://www.kff.org/medicaid/issue-brief/medicaid-eligibility-enrollment-simplification-and-coordination-under-the-affordable-care-act-a-summary-of-cmss-march-23-2012-final-rule/> SOURCE: Status of Medicaid expansion decisions and 2014 eligibility levels based on data from the Centers for Medicare and Medicaid Services, available at: <http://medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Medicaid-and-CHIP-Eligibility-Levels/medicaid-chip-eligibility-levels.html>.

The ACA envisioned people below 138% of poverty receiving Medicaid and thus does not provide premium tax credits for the lowest income. As a result, individuals below poverty are not eligible for Marketplace tax credits, even if Medicaid coverage is not available to them. Individuals with incomes above 100% of poverty in states that do not expand may be eligible to purchase subsidized coverage through the Marketplaces; however, only about a third of uninsured adults (3 million people) who could have been eligible for Medicaid if their state expanded fall into this income range. Thus, there will be a large gap in coverage for adults in states that do not expand Medicaid (Figure 3).



## ESTIMATES OF PEOPLE IN THE COVERAGE GAP

Nationally, nearly five million poor uninsured adults will fall into the “coverage gap” that results from state decisions not to expand Medicaid (Figure 4 and Table 2), meaning their income is above current Medicaid eligibility but below the lower limit for Marketplace premium tax credits. These individuals would have been newly-eligible for Medicaid had their state chosen to expand coverage. More than a fifth of people in the coverage gap reside in Texas, which has both a large uninsured population and very limited Medicaid eligibility (Figure 4). Sixteen percent live in Florida, eight percent in Georgia, seven percent in North Carolina, and six percent live in Pennsylvania.



The population in the coverage gap represents over a quarter (27%) of the uninsured adult population in states that are not expanding Medicaid (Table 2). This share ranges across states, from a low of 18% in Alaska to a high of 37% in Mississippi. This variation reflects not only variation in Medicaid eligibility but also variation in the income distribution of the uninsured by state. There are no uninsured adults in the coverage gap in Wisconsin because the state will provide Medicaid eligibility to adults up to the poverty level in 2014. Looking only at uninsured adults below 139% of poverty in non-expansion states— the income range originally targeted for the Medicaid expansion— about half fall into the coverage gap. The remaining share either may be eligible for Medicaid under non-expansion rules or could receive tax credits to purchase coverage in the Marketplace. The share of the Medicaid-target population that falls into the coverage gap varies by state, from 40% in Alaska (again, 0% in Wisconsin) to 65% in Oklahoma.

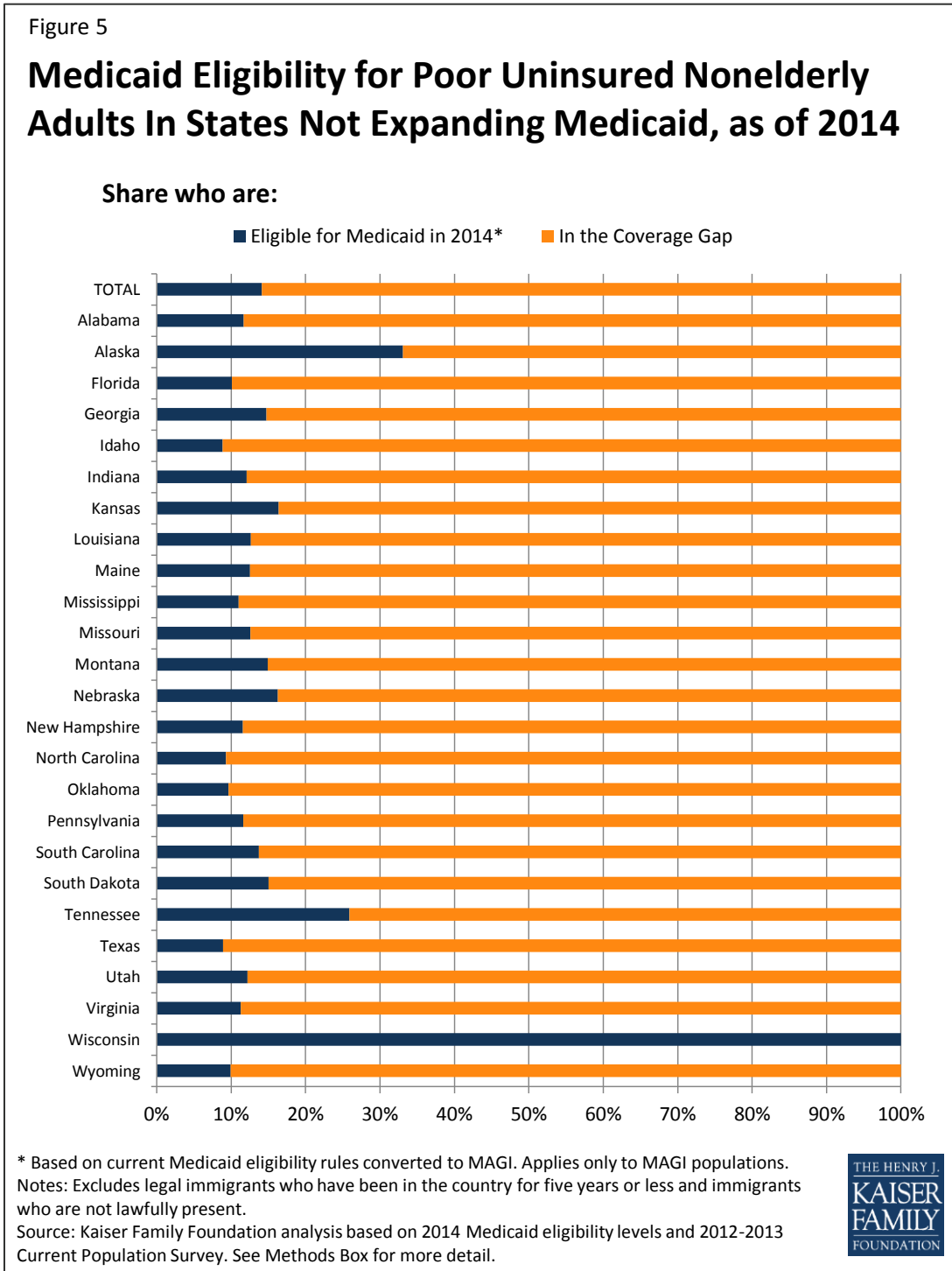
**Table 2: Number of Poor Uninsured Nonelderly Adults in the ACA Coverage Gap, by State**

State	Number in Coverage Gap	As a Share of All Uninsured Nonelderly Adults in State	As a Share of Low-Income (<139% FPL) Uninsured Nonelderly Adults in State	As a Share of Poor (<100% FPL) Uninsured Nonelderly Adults in State
Total in states not moving forward with Medicaid expansion	4,831,580	27%	56%	86%
Alabama	191,320	36%	63%	88%
Alaska	17,290	18%	40%	67%
Florida	763,890	27%	58%	90%
Georgia	409,350	31%	60%	85%
Idaho	54,780	30%	60%	91%
Indiana	181,930	28%	56%	88%
Kansas	77,920	29%	55%	84%
Louisiana	242,150	34%	60%	87%
Maine	24,390	22%	57%	87%
Mississippi	137,800	37%	61%	89%
Missouri	193,420	30%	61%	87%
Montana	40,140	27%	56%	85%
Nebraska	32,570	20%	52%	84%
New Hampshire	26,190	20%	54%	88%
North Carolina	318,710	28%	58%	91%
Oklahoma	144,480	28%	65%	90%
Pennsylvania	281,290	25%	56%	88%
South Carolina	194,330	33%	59%	86%
South Dakota	25,480	29%	56%	85%
Tennessee	161,650	24%	47%	74%
Texas	1,046,430	27%	56%	91%
Utah	57,850	21%	55%	88%
Virginia	190,840	25%	55%	89%
Wisconsin	-	-	-	-
Wyoming	17,390	23%	59%	69%

Note: Excludes undocumented immigrants and legal immigrants who have been in the US for <5 years.

Source: KFF analysis of March 2012 and 2013 CPS and Medicaid MAGI eligibility levels. See Methods Box for more detail.

Among poor uninsured adults, the share that falls into the coverage gap varies across states, reflecting both Medicaid eligibility levels and the income distribution of adults below poverty (Table 1 and Figure 5). Nationally, 86% of poor uninsured adults in states not expanding are ineligible for Medicaid. The share of poor uninsured adults in the gap ranges from a high of 91% in Idaho, North Carolina and Texas to 67% in Alaska. However, in most states not moving forward with the ACA Medicaid expansion, the vast majority of poor adults will remain ineligible for Medicaid coverage. Some of those who are eligible for Medicaid but not currently enrolled may take up coverage as a result of new outreach under the ACA; however, many are likely to remain uninsured.



## CONCLUSION

The ACA was passed with the goal of filling in gaps in the availability of affordable health coverage in the United States. Given particularly high uninsured rates for adults living below poverty, the expansion of Medicaid to all adults up to 138% of poverty is a key component of this effort. In states that expand their Medicaid programs, millions of adults will gain Medicaid coverage under the law. However, with many states opting not to implement the Medicaid expansion, millions of adults will remain outside the reach of the ACA and continue to have limited, if any, option for health coverage: most do not have access to employer-based coverage through a job, few can afford coverage on their own, and most are currently ineligible for public coverage in their state. While a small share may be eligible to purchase subsidized coverage through the new Health Insurance Marketplaces, most have incomes below the poverty level and thus will be ineligible for these premium tax credits. It is unlikely that people who fall into the coverage gap will be able to afford Marketplace coverage: The national average premium for a 40-year-old individual purchasing coverage through the Marketplace is \$270 per month for a silver plan and \$224 per month for a bronze plan,<sup>7</sup> which equates to about half of income for those at the lower income range of people in the gap and about a quarter of income for those at the higher income range of people in the gap. Further, people in the coverage gap are ineligible for cost-sharing subsidies for Marketplace plans and may face additional out-of-pocket costs up to \$6,350 a year if they were to purchase Marketplace coverage. Given the limited budgets of people in the coverage gap, these costs are likely prohibitively expensive.

People in the coverage gap are likely to face barriers to needed health services or, if they do require medical care, potentially serious financial consequences. Further, the safety net of clinics and hospitals that has traditionally served the uninsured population will continue to be stretched in these states. Notably, there is no deadline for state decisions about implementing the Medicaid expansion. Millions will be helped by the insurance provisions in the law; however, more than five million poor adults in states not expanding Medicaid coverage will be ineligible for assistance, while millions more who earn more than they do will receive tax credits to help them pay for coverage in the new insurance Marketplaces. The number and distribution of this population by state will be the subject of a forthcoming Kaiser Family Foundation report.



## Methods

This analysis uses pooled data from the 2012 and 2013 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC). The CPS ASEC provides socioeconomic and demographic information for the United States 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). We merge two years of data in order to increase the precision of our estimates.

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 available at [here](#).

Immigrants who are not lawfully present are ineligible for Medicaid and Marketplace coverage. Since CPS data do not directly indicate whether an immigrant is lawfully present, we impute documentation status for each person in the sample. To do so, we draw on the methodology in the State Health Access Data Assistance Center (SHADAC) paper, “State Estimates of the Low-Income Uninsured Not Eligible for the ACA Medicaid Expansion.”<sup>8</sup> 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 available at [here](#).

As of January 2014, Medicaid financial eligibility for most nonelderly adults will be 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 will be effective as of 2014.<sup>9</sup> 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.<sup>10</sup>

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.

<sup>1</sup> Urban Institute and Kaiser Commission on Medicaid and the Uninsured analysis based on the Census Bureau's March 2013 Current Population Survey (CPS: Annual Social and Economic Supplements).

<sup>2</sup> The 2013 federal poverty guideline for a family of three was \$19,530. See: <http://aspe.hhs.gov/poverty/13poverty.cfm>

<sup>3</sup> Kaiser Family Foundation analysis of March 2013 Current Population Survey. See Methods Box for more detail.

<sup>4</sup> Some of these states currently provide more limited benefits than Medicaid to childless adults under Section 1115 Medicaid waiver demonstration authority.

<sup>5</sup> Wisconsin has a pending waiver that would provide full Medicaid coverage to parents and childless adults up to 100% FPL as of January 1, 2014.

<sup>6</sup> These states currently have additional coverage for parents or other adults above state plan limits through a section 1115 demonstration or a pending demonstration proposal. The demonstrations include limits on eligibility and/or benefits, do not offer coverage to all residents of the state, and/or include an enrollment cap.

<sup>7</sup> The methods for arriving at this estimate can be found on the Kaiser Family Foundation Subsidy Calculator, (available here: <http://www.kff.org/interactive/subsidy-calculator/>). The calculator is based on Congressional Budget Office (CBO) projections from July 2012 (Available here: <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012-CoverageEstimates.pdf>)

<sup>8</sup> 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](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2013/rwjf404825).

<sup>9</sup> 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/>.

<sup>10</sup> 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



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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’Mally-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/>.