

The Health Care Safety Net: Millions of Low-Income People Left Uninsured

INTRODUCTION

Medicaid reaches many people who need basic health care, but millions of low-income people are left behind. Most of the public, and many policymakers and opinion leaders, believe that Medicaid offers a health care safety net for all low-income people. Not only is this myth grossly inaccurate, it also discourages corrective action that could significantly reduce the ranks of the uninsured.

Today, more than four out of five low-income, uninsured adults—people with incomes below 200 percent of the federal poverty line, or \$29,260 in annual income for a family of three—are ineligible for Medicaid or other public health coverage. Census Bureau data show that, nationally, an estimated 81 percent of low-income, uninsured adults—more than 13 million people—have incomes that are considered “too high” to qualify for coverage in their state.

The holes in the Medicaid safety net are readily apparent. In 40 states, non-parent adults (childless couples or single adults) are ineligible for Medicaid—even if they are penniless—unless they are severely disabled. For parents, the Medicaid eligibility levels are very low—below \$15,000 in annual income for a family of three in almost three-quarters (37) of the states.

Why Medicaid Fails to Cover Most Uninsured, Low-Income Adults

Medicaid was established in 1965 to provide low-income Americans with health insurance. From its inception, it was a joint federal and state program. Under broad federal guidelines, each state has extensive flexibility to set its own eligibility standards, benefit packages, payment rates, and program administration. The result is 56 unique Medicaid programs (one for each state, territory, and the District of Columbia). As this analysis demonstrates, the federal government does not require states to cover

all low-income people—and the vast majority of low-income adults who are currently uninsured are ineligible for public health coverage.

With the exception of the elderly and the disabled, Medicaid and other public health programs divide low-income populations into three groups: children, parents of dependent children, and non-parent adults. Each of these low-income groups is treated very differently from the others—with children receiving most favored treatment, parents receiving less favorable treatment, and non-parent adults virtually excluded from public health coverage.

- *Low-Income Children:* As a result of incremental Medicaid improvements over the past decade and a half, and especially due to the enactment of the State Children’s Health Insurance Program (SCHIP) in 1997, most states offer public health coverage to children in families with incomes below 200 percent of the federal poverty level. Since the program is relatively new, there are seven million low-income, uninsured children who are not yet enrolled in SCHIP or Medicaid. As states undertake outreach to the families of those eligible children who are not yet enrolled, many more children will gain public health coverage.
- *Low-Income Parents:* According to the federal Medicaid statute, parents are potentially eligible for Medicaid coverage. However, states have near-total discretion to establish the Medicaid income eligibility standards for parents—and most states have established standards that are very low. For example, in more than half (26) of the states, a parent in a three-person family working at the minimum wage (\$5.15 per hour) is considered to have “too much income” to qualify for Medicaid if that parent works full time. As a result, there are 6.5 million low-income uninsured parents and approximately two-thirds of them—4.3 million—are ineligible for Medicaid coverage. (See Tables 1 and 3.)
- *Non-Parent Adults:* In 40 of the 50 states, non-parent adults are ineligible for Medicaid—even if they have no income at all—unless those adults are severely disabled. Ten states provide *some* coverage for non-disabled adults, either through Medicaid or through Medicaid-like coverage without any federal funds. Those 10 states are: Arizona, Delaware, Hawaii, Massachusetts, Minnesota, New Jersey, New York, Oregon, Vermont, and Washington. But even in these states, the income eligibility standards are meager: in five of the

10 states, income eligibility standards are below \$9,000 of annual income. As a result, among the 9.8 million low-income, non-parent adults who are uninsured today, approximately 91 percent—or more than 8.9 million people—are ineligible for Medicaid or Medicaid-like coverage. (See Tables 2 and 3.)

Methodology

Estimates of the number of uninsured adult parents and non-parents state-by-state are based on a Families USA analysis of data for 1997, 1998, and 1999 from the Census Bureau’s Current Population Survey. Three years of data were used in order to improve the reliability of state-level estimates. For this analysis, “low-income” was defined as income below 200 percent of the 2001 Federal Poverty Guidelines (\$17,180 for an individual, \$29,260 for a family of three), which were developed by the U.S. Department of Health and Human Services. Income eligibility levels for Medicaid or Medicaid-like state programs were derived from survey data compiled by the Center on Budget and Policy Priorities and Families USA and were current as of early 2001.

To estimate the low-income population currently ineligible for coverage, income eligibility levels were deflated for 1997, 1998, and 1999 in proportion to the difference between the federal poverty guidelines for those years and the guidelines for 2001. The income eligibility levels also were adjusted for family size, based on the federal poverty guidelines, because actual eligibility levels for different family sizes were not available. These methods likely result in overstating the number of people eligible for coverage and *understating* the number of people ineligible for coverage.

Table 1

Low-Income Parents Uninsured and Ineligible for Medicaid

State	Uninsured Parents		
	Number under 200% of Poverty	Number Ineligible for Medicaid	Percent Ineligible for Medicaid
Alabama	115,042	94,596	82.7%
Alaska ¹	14,687	10,466	70.9%
Arizona ²	221,390	111,487	50.6%
Arkansas	78,919	68,648	86.2%
California ³	1,158,661	591,124	51.1%
Colorado	68,685	56,161	80.4%
Connecticut	40,450	2,349	5.1%
Delaware	13,536	7,564	55.5%
District of Columbia ⁴	8,152	0	0.0%
Florida	381,517	274,762	72.0%
Georgia	212,582	180,364	85.0%
Hawaii ⁵	10,744	6,087	53.9%
Idaho	50,970	46,894	91.9%
Illinois	224,265	171,037	76.5%
Indiana ⁶	92,893	77,564	84.3%
Iowa	34,383	27,689	81.2%
Kansas	46,383	37,018	82.0%
Kentucky	116,076	65,609	56.6%
Louisiana ⁷	137,920	112,172	82.5%
Maine ⁸	25,705	6,895	28.6%
Maryland	72,467	61,519	84.7%
Massachusetts ⁹	55,138	20,255	36.3%
Michigan	167,097	145,379	86.5%
Minnesota ¹⁰	53,424	0	0.0%
Mississippi	100,362	84,642	82.4%
Missouri ¹¹	71,219	35,449	47.9%
Montana	27,618	18,695	67.4%
Nebraska	22,819	20,893	91.6%
Nevada	49,691	27,924	55.5%
New Hampshire	20,066	13,220	65.9%
New Jersey ¹²	130,695	0	0.0%
New Mexico	89,838	66,050	73.4%
New York ¹³	434,903	282,483	65.1%
North Carolina	164,929	121,725	73.8%
North Dakota	13,540	9,337	68.5%
Ohio ¹⁴	159,119	82,337	51.8%
Oklahoma	88,912	71,402	79.8%
Oregon	69,699	38,853	55.1%
Pennsylvania	160,607	128,044	79.5%
Rhode Island	8,553	0	0.0%
South Carolina	110,736	81,002	73.1%
South Dakota	12,852	9,209	72.6%
Tennessee ¹⁵	85,862	63,144	70.7%
Texas	918,335	801,817	87.2%
Utah	34,367	28,726	83.4%
Vermont	4,349	0	0.0%
Virginia	128,318	114,623	89.2%
Washington ¹⁶	66,032	0	0.0%
West Virginia	58,660	50,369	85.8%
Wisconsin ¹⁷	65,429	1,086	2.3%
Wyoming	13,210	9,713	73.5%
US Total	6,511,805	4,336,386	66.6%

Note: Numbers in bold have a standard error greater than 0.3.

Table 2

Low-Income Non-Parent Adults Uninsured and Ineligible for Medicaid

State	Uninsured Non-Parents		
	Number under 200% of Poverty	Number Ineligible for Medicaid	Percent Ineligible for Medicaid
Alabama	156,920	156,920	100.0%
Alaska ¹	25,737	25,737	100.0%
Arizona ²	228,560	123,749	54.0%
Arkansas	136,227	136,227	100.0%
California ³	1,681,901	1,681,901	100.0%
Colorado	142,687	142,687	100.0%
Connecticut	85,954	85,954	100.0%
Delaware	19,068	10,140	53.5%
District of Columbia ⁴	25,116	25,116	100.0%
Florida	637,912	637,912	100.0%
Georgia	266,410	266,410	100.0%
Hawaii ⁵	39,184	16,065	41.7%
Idaho	43,212	43,212	100.0%
Illinois	337,637	337,637	100.0%
Indiana ⁶	161,478	161,478	100.0%
Iowa	70,669	70,669	100.0%
Kansas	68,813	68,813	100.0%
Kentucky	115,948	115,948	100.0%
Louisiana ⁷	192,795	192,795	100.0%
Maine ⁸	42,611	42,611	100.0%
Maryland	173,006	173,006	100.0%
Massachusetts ⁹	155,327	60,467	39.0%
Michigan	253,969	253,969	100.0%
Minnesota ¹⁰	87,712	20,058	22.1%
Mississippi	136,111	136,111	100.0%
Missouri ¹¹	128,989	128,989	100.0%
Montana	47,432	47,432	100.0%
Nebraska	44,830	44,830	100.0%
Nevada	67,424	67,424	100.0%
New Hampshire	24,393	24,393	100.0%
New Jersey ¹²	236,973	123,192	52.1%
New Mexico	100,021	100,021	100.0%
New York ¹³	752,706	549,281	72.8%
North Carolina	276,410	276,410	100.0%
North Dakota	19,461	19,461	100.0%
Ohio ¹⁴	279,163	279,163	100.0%
Oklahoma	137,325	137,325	100.0%
Oregon	147,719	72,596	49.1%
Pennsylvania	282,667	282,667	100.0%
Rhode Island	21,137	21,137	100.0%
South Carolina	135,769	135,769	100.0%
South Dakota	24,352	24,352	100.0%
Tennessee ¹⁵	174,683	174,683	100.0%
Texas	955,446	955,446	100.0%
Utah	50,195	50,195	100.0%
Vermont	12,637	4,025	29.1%
Virginia	192,432	192,432	100.0%
Washington ¹⁶	188,337	0	0.0%
West Virginia	100,025	100,025	100.0%
Wisconsin ¹⁷	132,585	132,585	100.0%
Wyoming	16,156	16,156	100.0%
US Total	9,834,232	8,945,583	91.0%

Note: Numbers in bold have a standard error greater than 0.3.

Table 3
2001 Annual Eligibility Levels for Adults: Medicaid or Medicaid-like State Programs

State	Parents (Family of Three)		Non-Parent Adults	
	in dollars	% of poverty	in dollars	% of poverty
Alabama	\$3,048	21%	\$0	0%
Alaska ¹	\$14,496	79%	\$0	0%
Arizona ²	\$14,630	100%	\$8,590	100%
Arkansas	\$4,380	30%	\$0	0%
California ³	\$15,710	107%	\$0	0%
Colorado	\$6,132	42%	\$0	0%
Connecticut	\$23,025	157%	\$0	0%
Delaware	\$15,710	107%	\$8,590	100%
District of Columbia ⁴	\$29,260	200%	\$0	0%
Florida	\$9,672	66%	\$0	0%
Georgia	\$6,168	42%	\$0	0%
Hawaii ⁵	\$16,830	100%	\$9,890	100%
Idaho	\$4,884	33%	\$0	0%
Illinois	\$10,584	72%	\$0	0%
Indiana ⁶	\$4,536	31%	\$0	0%
Iowa	\$12,720	87%	\$0	0%
Kansas	\$5,916	40%	\$0	0%
Kentucky	\$10,908	75%	\$0	0%
Louisiana ⁷	\$3,876	26%	\$0	0%
Maine ⁸	\$23,025	157%	\$0	0%
Maryland	\$6,288	43%	\$0	0%
Massachusetts ⁹	\$19,458	133%	\$11,425	133%
Michigan	\$7,464	51%	\$0	0%
Minnesota ¹⁰	\$40,233	275%	\$15,033	175%
Mississippi	\$5,496	38%	\$0	0%
Missouri ¹¹	\$15,710	107%	\$0	0%
Montana	\$10,032	69%	\$0	0%
Nebraska	\$6,420	44%	\$0	0%
Nevada	\$12,660	87%	\$0	0%
New Hampshire	\$14,400	98%	\$0	0%
New Jersey ¹²	\$29,260	200%	\$8,590	100%
New Mexico	\$8,448	58%	\$0	0%
New York ¹³	\$11,688	80%	\$5,305	62%
North Carolina	\$9,000	62%	\$0	0%
North Dakota	\$11,856	81%	\$0	0%
Ohio ¹⁴	\$14,630	100%	\$0	0%
Oklahoma	\$7,092	48%	\$0	0%
Oregon	\$14,630	100%	\$8,590	100%
Pennsylvania	\$6,684	46%	\$0	0%
Rhode Island	\$28,146	192%	\$0	0%
South Carolina	\$8,016	55%	\$0	0%
South Dakota	\$9,552	65%	\$0	0%
Tennessee ¹⁵	\$11,160	76%	\$0	0%
Texas	\$4,740	32%	\$0	0%
Utah	\$8,076	55%	\$0	0%
Vermont	\$28,146	192%	\$12,885	150%
Virginia	\$5,376	37%	\$0	0%
Washington ¹⁶	\$29,260	200%	\$17,180	200%
West Virginia	\$4,560	31%	\$0	0%
Wisconsin ¹⁷	\$27,066	185%	\$0	0%
Wyoming	\$9,480	65%	\$0	0%

Source: Center on Budget and Policy Priorities and Families USA. Current as of early 2001.

Notes for Tables

Income eligibility levels for Medicaid or Medicaid-like programs were derived from survey data compiled by the Center on Budget and Policy Priorities and Families USA, and were current as of early 2001. The eligibility levels for “parents” are for a family of three with one working parent applying for the state’s Medicaid program (except in Washington, where the eligibility is for a program funded entirely by the state, and in New Jersey, which provides coverage for parents above 133 percent of poverty in its separate child health program). The eligibility levels for “parents” assume that all income is from work and include the standard earned income disregards. The eligibility levels for “non-parents” are for an individual living alone applying for the state’s Medicaid program (except in Minnesota, New Jersey, and Washington, where the eligibility is for a state-wide program covering non-disabled adults that enables them to see a range of providers and obtain benefits that are the same as, or similar to, those available in the Medicaid program). The eligibility levels for “non-parents” do not include any earned income disregards.

¹ In **Alaska**, the federal poverty level is higher than the federal poverty level for the 48 contiguous states and the District of Columbia. The federal poverty level for a family of three in Alaska is \$18,290 per year, compared to \$14,630 for a family of three in the 48 contiguous states.

² **Arizona** received approval on January 18, 2001 to expand its §1115 waiver Medicaid managed care program, ACCESS, to all adults with incomes below 100 percent of the federal poverty level. Enrollment began in April 2001.

³ **California** has applied for a SCHIP 1115 waiver to cover parents with incomes up to 200 percent of poverty in its SCHIP program, Healthy Families, but this waiver had not been approved as of July 9, 2001.

⁴ The **District of Columbia** began covering uninsured adults with incomes up to 200 percent of poverty in a publicly funded health plan in June 2001, after the analysis was completed. The plan replaces care formerly offered by the city’s public hospital and public clinics. The provider network available to uninsured adults is more limited than in the Medicaid program and the District receives no federal funding for the coverage.

⁵ In **Hawaii**, the federal poverty level is higher than the federal poverty level for the contiguous 48 states and the District of Columbia. The federal poverty level for a family of three in Hawaii is \$16,830 per year, compared to \$14,630 for a family of three in the 48 contiguous states; for an individual, the poverty level is \$9,890 per year, compared to \$8,590 in the 48 contiguous states.

⁶ **Indiana** enacted legislation this year that will expand coverage for parents with incomes up to 100 percent of poverty. The expansion is scheduled to begin July 2002.

⁷ **Louisiana** enacted legislation in July 2001 expanding Medicaid coverage for parents with incomes below 100 percent of poverty.

⁸ **Maine** enacted legislation in June 2001 that will expand Medicaid to non-parent adults with incomes under 100 percent of the federal poverty level. This expansion becomes effective in October 2002 or when the state receives a Medicaid waiver, whichever happens later.

⁹ **Massachusetts** has a §1115 Medicaid waiver program (MassHealth) that provides coverage for adults with incomes up to 133 percent of poverty. Adults without dependent children can only enroll in MassHealth if they are long-term unemployed and have incomes below 133 percent of poverty; therefore, this report over-estimates the number of uninsured non-parent adults who are eligible for MassHealth.

¹⁰ **Minnesota** operates a health coverage program called MinnesotaCare that provides coverage for parents with incomes up to 275 percent of poverty and non-parent adults up to 175 percent of poverty. Coverage for non-parent adults is state-funded, and the benefit package is more limited than Medicaid. Minnesota recently received approval for a §1115 waiver to receive SCHIP matching funds for coverage of parents with incomes between 100 percent and 200 percent of poverty.

¹¹ **Missouri’s** §1115 waiver expands coverage for custodial parents up to 100 percent of poverty. The waiver also includes up to two years of coverage for custodial parents with incomes below 300 percent of poverty who lose eligibility for Transitional Medical Assistance, and 125 percent of poverty for non-custodial parents of dependent children if they are current in their child support payments.

¹² **New Jersey** provides coverage for parents with incomes up to 133 percent of poverty in Medicaid and up to 200 percent of poverty in its SCHIP program. The Medicaid and SCHIP programs are now called New Jersey FamilyCare. New Jersey also allows non-parent adults with incomes up to 100 percent of poverty to enroll in FamilyCare, but the state receives no federal matching funds for this expansion. Parents in SCHIP and non-parent adults over 50 percent of poverty receive a more limited benefit package than Medicaid.

¹³ **New York** recently received approval to expand Medicaid to 150 percent of poverty for parents and 100 percent of poverty for non-parent adults, scheduled to begin on September 1, 2001. The expansion to parents will be phased in to 133 percent of poverty as of October 1, 2001 and 150 percent of poverty in the fall of 2002.

¹⁴ **Ohio's** parent expansion to 100 percent of poverty is limited to 24 months in any 30-month period.

¹⁵ **Tennessee** has a §1115 waiver expansion to provide subsidized Medicaid coverage to all adults with incomes below 400 percent of the federal poverty level, but due to a cap on the number of people who can participate in the program, enrollment in the expansion has only been open to uninsurable adults and dislocated workers since 1995.

¹⁶ **Washington** has a state-funded health insurance program called the Basic Health Plan that covers parents with incomes between 92 and 200 percent of poverty and non-parent adults with incomes below 200 percent of poverty. The Basic Health Plan has fewer benefits than Medicaid, and charges premiums on a sliding fee scale. In five counties, adults with incomes over 200 percent of poverty can buy Basic Health Plan coverage at the full premium price. Effective July 1, 2001, the program's enrollment of reduced-premium members is capped at 125,000 members (down from a current membership of 129,500). The program will not drop current members. Rather, as members voluntarily disenroll, the program will limit new enrollment to stay within the cap.

¹⁷ **Wisconsin** received approval on January 18, 2000 to use federal SCHIP funds for the parents covered in BadgerCare, its §1115 waiver expansion program. Once enrolled, children and parents can remain covered in BadgerCare until their family incomes reach 200 percent of poverty.

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