



Why Colorado Should Act Soon to Keep Its 2020 Minimum Wage Increase from Forcing Workers to Drop Health Care Coverage

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Minimum wage increases have become a key issue for many candidates running for local, state, and national offices. The federal minimum wage has not increased since 2009, and at the current level of \$7.25 per hour, even full-time minimum wage workers often find themselves eligible for means-tested public benefits such as Medicaid, childcare assistance programs, and federal food and nutrition assistance programs. In the view of many advocates, mandatory minimum wages should be higher so that workers can become self-sufficient and less dependent on public programs. As wages remain relatively flat despite a rising cost-of-living, increases in the minimum wage seem necessary and appealing to many Americans.

Given public support, a number of states and local jurisdictions have raised their minimum wages above the federal level in recent years. But as these increases go into effect, there can be unintended consequences. For workers who earn too much to qualify for Medicaid, health insurance and health care services are increasingly expensive items in household budgets. The Affordable Care Act of 2010 expanded access to health insurance for such workers, but recent policy changes have destabilized the individual health care markets and caused premiums and out-of-pocket costs to rise. As a result, increasing minimum wage increases can, unintentionally, force many workers either to decrease hours worked in order to retain Medicaid coverage or forego health coverage altogether – a choice that can leave people with serious untreated health conditions and put some at risk for preventable deaths.

Of course, this dilemma should not be taken as an argument against minimum wage increases. Instead, my research suggests that additional policy innovations are needed to ensure that minimum wage increases actually improve the economic security of low-wage workers.

The Interaction of Medicaid Expansion and Higher Minimum Wages

The state of Colorado offers a glimpse into this emerging policy challenge. Even as the state's minimum wage is set to reach \$12 per hour on January 1, 2020, Colorado offers Medicaid to people earning up to 138% of the federal poverty level – which means that many minimum wage workers are eligible for such coverage while other workers who earn more than 138% of the federal poverty level and do not receive employer-sponsored health insurance are eligible to buy coverage through the state's health care marketplace, Connect for Health Colorado. Plans for those earning between 138% and 250% are highly subsidized, because enrollees have a portion of their premiums covered and a portion of their out-of-pocket costs including deductibles offset by subsidies established in the Affordable Care Act. In theory, these programs work together to shift workers to private insurance products as their income increases, using sliding subsidies to ease them into the higher out-of-pocket expenses found in private insurance plans.

Now, however, federal policy changes are underway that may interrupt the continuity or affordability of coverage for minimum wage workers in Colorado. Health care premiums are rising rapidly in response to policy changes made by the Trump Administration and Congress, and more than six million individuals may opt out of health coverage in 2019 because they cannot afford the increased prices.

When Colorado's minimum wage rises to \$12 an hour in 2020, the choice of whether to buy increasingly expensive private health insurance will become a new concern for as many as 80,000 workers who will no longer be eligible for Medicaid if they maintain full-time hours. Initially, private plans will likely remain subsidized for those earning at or near the minimum wage, but Colorado workers will still face a difficult choice between "bronze" and "silver" level plans purchased through the Connect for Health Marketplace. Although subsidies mean no costs for "bronze" plans, the deductible for those bare-bones plans is not subsidized and enrollees may need to spend \$7,350 before benefits kick in. "Silver" plans, meanwhile, carry lower out-of-pocket costs, but their deductibles may still reach nearly \$2,500 per enrollee and premiums will cost about \$130/month, on average. For Colorado workers making \$12 per hour, or \$2,080 per month, both the "no premium-high deductible" and the "moderate premium-moderate deductible" plans may present serious barriers to purchasing health coverage and to access to care. For those whose serious health concerns require them to pay for care despite rising costs, the higher minimum wage may mean that their actual take-home pay decreases.

Time to Build New Bridges between Medicaid and Private Insurance

While raising wages may help many workers, policy changes are needed to ensure that an increase in income does not trigger losses in health coverage among low-wage workers, undermining economic gains for families and the economy. One solution is a step-down program that would allow low-wage workers to maintain Medicaid coverage as their incomes go up, by offsetting their higher premiums and cost-sharing until they earn enough to truly afford private plans in the Connect for Health marketplace. Or, alternatively, the state could improve subsidies for private insurance for consumers who earn incomes just above the Medicaid eligibility threshold. This option was implemented in Minnesota and New York under the Affordable Care Act, but funding for these programs was recently revoked by the Trump Administration.

For workers enrolled in the Colorado Child Care Assistance Program, step-down policies already help ensure that parents earning incomes just above the eligibility thresholds for child care subsidies can keep working while gradually reducing their dependence on those subsidies. A similar approach to easing workers off of Medicaid would help to ensure that Coloradans who benefit from the 2020 minimum wage increase can maintain work hours and health coverage.

Ultimately, new bridge policies may pay for themselves, as the costs of helping low-wage workers maintain Medicaid coverage or pay for private insurance are offset by monies saved when workers remain employed and continue getting preventive care and tests to detect potentially serious health problems. Workers without health insurance are more likely to delay diagnosis and treatment of treatable conditions; and when their problems become emergencies they are also more likely stop working and enroll in Medicaid. To avoid such extra costs to both workers and the state of Colorado, it makes good sense to help low-wage workers maintain smooth access to affordable health care while they gradually become more self-sufficient.

Read more in Jack Strauss and Jennifer Greenfield, *The Impact of a \$12.00 Minimum Wage on Women in Colorado* (Report for the Women's Foundation of Colorado, 2016).