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BASIC FACTS

AS OBAMACARE PROCEEDS, HOW WELL DO U.S. STATES ADDRESS INEQUALITIES IN HEALTH INSURANCE AND ACCESS TO CARE?

by Ling Zhu, University of Houston, and Morgen Johansen, University of Hawai'i at Manoa

Health insurance aims to buffer people from very high medical costs, and in the United States uneven coverage comes from a mix of public and private sources. Older Americans enjoy nationally financed health insurance through Medicare; many employed adults are covered through employer-provided insurance; and the disabled and very poor have health insurance through Medicaid, jointly financed by the federal government and the states. However, nearly 47 million Americans are left without health insurance coverage in any given year, and low-income working aged adults and their children are most likely to fall into the gap. They may work only part time or be employed by businesses that cannot afford or do not offer coverage to their employees, or they may fall into the large slices of the low-income population not covered by Medicaid programs in many states.

Indeed, how well inequalities in health coverage and access are addressed is largely up to authorities in the fifty U.S. states – and their choices remain central as the Affordable Care Act of 2010 goes into full effect. ObamaCare establishes new federal subsidies to help low- and moderate-income uninsured Americans buy private health insurance plans on state "exchanges," and the law also provides generous new federal funding for all states to expand Medicaid coverage to everyone below and just above the poverty line. Nevertheless, state governments can refuse to expand Medicaid, and they can also make key decisions about rules for private insurance and subsidies for clinics and hospitals serving low-income populations.

How Unequal are the States?

Inequality is usually discussed in terms of the percentage of the people in each state who do not have health insurance coverage from public or private sources. States with higher percentages of uninsured people are considered to have greater inequality. However, another measure is also very useful: the gap between coverage for low and high income groups. This measure of relative inequality in health insurance coverage helps to identify states in which the middle class and the poor have substantially lower rates of insurance coverage than the rich. For example, the state of Maryland had a relatively low overall uninsured rate of just 11.3% in 2002, but was quite unequal because of a large difference in coverage between higher and lower income groups.

In the past decade, inequality in health insurance coverage by income groups increased in nearly two thirds of the states, with gaps most visible in states such as Florida, Georgia, Louisiana, Missouri, New Mexico, and Texas – all with large minority populations and less generous public health care provisions. Hawaii and Massachusetts, the two states that have led the way in Medicaid expansion and universal health care reforms, have seen a substantial decline in inequality, even during economic downturns.

What Governments Can Do to Reduce Inequalities

The high cost of health insurance in a system where for-profit companies play a large role is the major reason why many low and moderate income people go without coverage. Governments can try to correct the resulting inequality in several ways – by providing public funding to hospitals or clinics delivering basic services to the poor; by using regulations or payment rules to reduce the cost of insurance and health care; and by allocating public funds to extend insurance coverage. How well does each approach work?

- Publicly funded or subsidized health care facilities can slightly reduce inequalities in access to care. Many public hospitals provide care to the uninsured paid for by extra public funding from localities, states, and the national government; and the Affordable Care Act includes expanded funding for community health clinics serving poor urban and rural areas.

- Governments at all levels often pay reduced prices for Medicaid services or other publicly funded care for the poor, and they may regulate private insurance offerings to limit price increases. These approaches may enhance access and reduce inequalities up to a point, but they run into sharp partisan and interest group pushback from hospitals, doctors, and insurance companies who do not want to forego profits.

- Generous eligibility criteria and public financing for public health insurance have the most substantial impact on reducing inequality, but eligibility and funding must go together or else groups that are nominally eligible for benefits will end up on waiting lists. Economic downturns can also increase the need for public health insurance, but at the same time strain state budgets and prompt many states to underfund vital programs.

For decades, state governments in the United States have grappled with the reality of rising need for health insurance coverage among their low-income and disabled populations combined with limited public funding to cover the rising cost of care in systems where market actors play a big role in setting prices. Many states, especially in the South and West, have responded by sharply cutting back eligibility for Medicaid, leaving many low income residents without insurance. The state of Texas, for example, so sharply limits Medicaid eligibility that about 25% of its population is uninsured and the state is one of the most unequal in coverage.

Will ObamaCare Help States Reduce Inequalities?

The dilemmas states have faced help to explain why the Affordable Care Act provides new federal funding to expand Medicaid to the near poor and promises to help the states with 100% funding for newly eligible beneficiaries from 2014 through 2016, and 90% funding after that. The aim was to entice all fifty states into providing more generous and uniform Medicaid insurance to low-income Americans – greatly reducing inequality in the process. However, the Supreme Court's review of Affordable Care in June 2012 changed the rules to allow state authorities to refuse to expand coverage without losing existing Medicaid funds from the federal government. So far, more than twenty states run by Republicans opposed to ObamaCare are refusing to expand Medicaid – leaving about five million low income Americans uninsured. Tellingly, these states include many that already have high levels of inequality in coverage. Across all fifty states, millions of other uninsured people with low or modest incomes still qualify for new Affordable Care subsidies to help them buy private insurance on the exchanges, so the net effect will be to reduce inequalities everywhere. But the refusal of many states to accept federal funds to expand Medicaid will leave inequities in place for the time being.