



# NEARLY 182,000 KANSANS IN THE ELIGIBILITY GAP

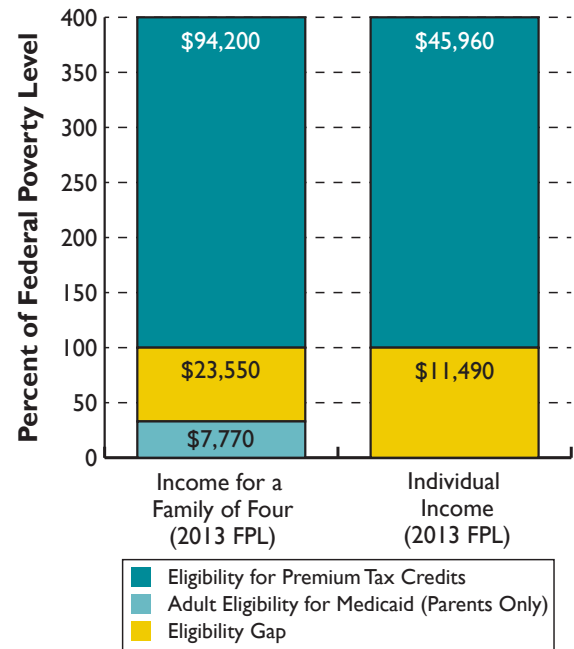
## Introduction

The Affordable Care Act (ACA) of 2010 aims to increase the number of people with health insurance by expanding both private and public coverage. The nonpartisan Congressional Budget Office estimates the law will reduce the number of uninsured Americans (under age 65) by approximately 27 million by the year 2017.

To increase private insurance coverage, the ACA requires nearly all U.S. citizens have health insurance and creates online marketplaces where people can purchase private coverage. Premium tax credits are available to reduce the cost of purchasing health insurance through the marketplaces for people with annual incomes between 100 and 400 percent of the federal poverty level (FPL) that do not have access to affordable employment-based health insurance.

The ACA increases public insurance coverage by expanding Medicaid eligibility to non-elderly adults with annual incomes up to 138 percent of FPL, or about \$32,500 for a family of four. The ACA also provides states with a significant financial incentive to expand Medicaid. The federal government pays 100 percent of the cost for newly eligible citizens through 2016. In 2017, states will be responsible for 5 percent of the cost, and in 2020 and beyond, states will pay 10 percent of the cost of newly eligible enrollees.

Figure 1: The Kansas Eligibility Gap: Premium Tax Credit and Medicaid Eligibility for Kansas Adults



Notes:

- A. This chart outlines adult Medicaid eligibility guidelines based on income but does not represent eligibility for adults who may qualify based on disability or other criteria, and does not include children.
- B. Pregnant women with incomes up to 150 percent of FPL are also eligible for Medicaid.
- C. The ACA includes an overlap of eligibility for Medicaid expansion and premium tax credits for people with incomes between 100 and 138 percent of FPL. In states that expand Medicaid, eligibility for premium tax credits starts at 138 percent of FPL.

Source: U.S. Department of Health and Human Services: 2013 Federal Poverty Guidelines, and the Kansas Legislature's Bob Bethell Joint Committee on HCBS and KanCare Oversight — Update: Modified Adjusted Gross Income conversion.

### KEY POINTS

- The eligibility gap includes adults whose income is **too high** for Medicaid eligibility but **too low** to qualify for premium tax credits to purchase health insurance through the marketplace.
- Approximately 182,000 Kansans fall into this eligibility gap, and 78,400 of them currently

do not have health insurance. Nearly half (47 percent) of Kansans in the gap are also employed.

- Closing the eligibility gap has many policy considerations that legislators must weigh along with the potential benefit to low-income Kansans.

However, in its June 2012 ruling on the ACA, the U.S. Supreme Court made Medicaid expansion essentially optional for states.

As of January 2014, Kansas and 24 other states have not expanded Medicaid, creating a gap between existing Medicaid eligibility and eligibility for premium tax credit assistance.

In Kansas, the existing Medicaid eligibility level for non-elderly adults is among the lowest in the country. For parents and guardians, income must be less than 33 percent of FPL, or about \$7,770 annual income for a family of four. And in most cases, childless adults who are not disabled or elderly cannot qualify for Medicaid in Kansas regardless of how poor they are, as shown in Figure 1 (page 1).

## Who Falls into the Eligibility Gap?

In Kansas, adults with annual incomes below the FPL — \$23,550 for a family of four and \$11,490 for an individual — are not eligible for premium tax credits when

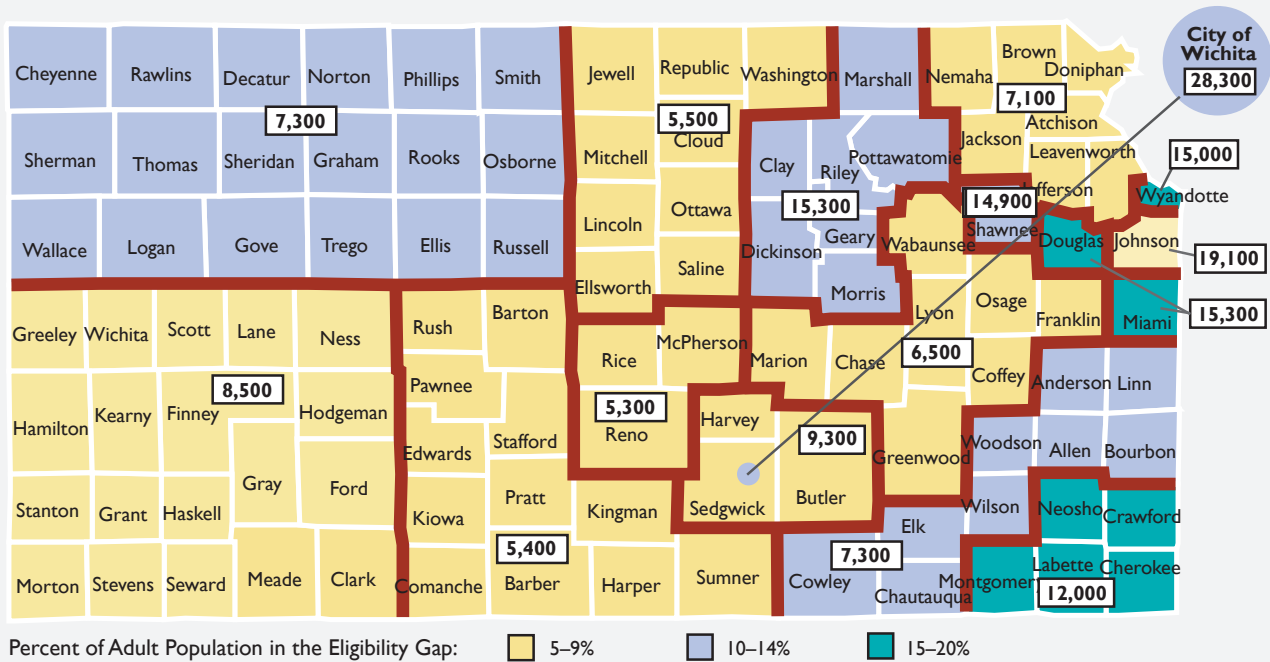
purchasing insurance through the marketplace. Childless adults (regardless of income) and parents with incomes above 33 percent of FPL also do not qualify for Medicaid. The lack of access to premium tax credits, while also not being eligible for Medicaid, creates what is called the eligibility gap. There is no eligibility gap for children because Kansans age 18 and younger in families with annual income up to 245 percent of FPL are eligible for Medicaid or CHIP. Kansans age 65 and older are eligible for insurance through Medicare. Therefore, all Kansans in the eligibility gap are age 19–64.

While Kansans in the eligibility gap are exempt from the ACA's penalties for not obtaining health insurance, they continue to be financially responsible for the health care they need.

## How Many People Fall into the Eligibility Gap?

Nearly 182,000 Kansans fall into the eligibility gap. Figure 2 shows the number and percent of non-elderly Kansas adults in the eligibility gap across the state. The City of

**Figure 2: Estimated Number and Percent of Kansas Adults (Age 19–64) in the Eligibility Gap by Region, 2009–2011**



Note: The U.S. Census Bureau determines Public Use Microdata Areas reported here.

Source: KHI Analysis of 2009–2011 American Community Survey Three-year Public Use Microdata Sample

Wichita has the highest number of adults, 28,300 — 13 percent of the city’s adult population — in the eligibility gap.

The regions with the highest percentages of adults falling within the gap are Southeast Kansas, Wyandotte County, and Douglas and Miami Counties, each with 16 percent.

The lack of insurance among those non-elderly adults in the eligibility gap varies widely across the state. For example, in Wyandotte County, more than 60 percent of those in the eligibility gap are uninsured, compared to just 14 percent in North Central Kansas.

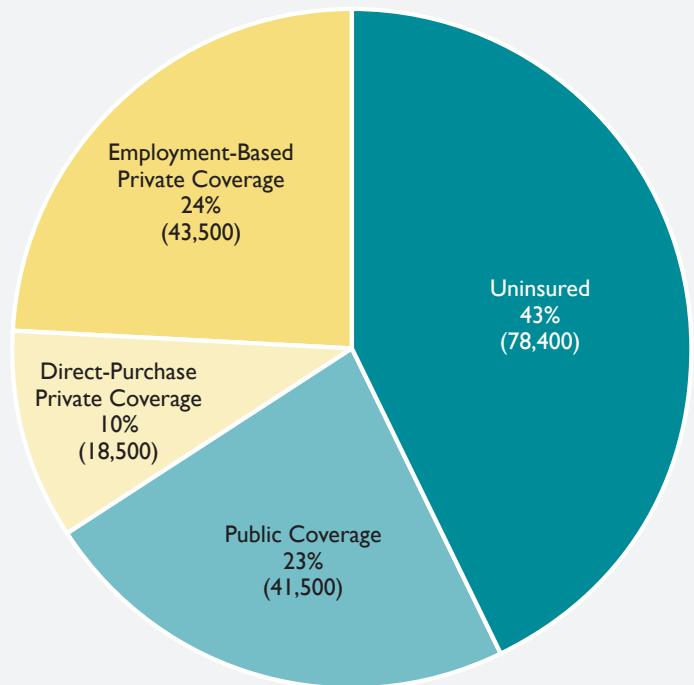
## Characteristics of People in the Eligibility Gap

While 43 percent of Kansans in the eligibility gap have no health insurance, the remaining 57 percent are currently insured. About one-third (34 percent) of people in the eligibility gap have private health insurance; 24 percent get coverage through their employer and 10 percent purchase it directly from insurance companies, as shown in Figure 3. Nearly half (47 percent) of Kansans in the eligibility gap are employed, and although the number of people covered by employment-based insurance is greater at incomes closer to the FPL, many of those who are employed (43 percent) still do not have insurance.

If Medicaid is expanded, Kansans in the eligibility gap who are currently uninsured (78,400) or who have direct-purchase private insurance (18,500) will be the most likely to enroll in the Kansas Medicaid program. However, those with employment-based insurance could also choose to switch from private to public coverage if Medicaid is expanded. When public health insurance takes the place of private insurance coverage, this is known as “crowd-out.”

Many Kansans in the eligibility gap who are employed have incomes near the poverty line. Sometimes people near eligibility thresholds move in and out of health insurance coverage as their income changes. When their income is higher, possibly because of a new job or seasonal changes in earnings, individuals near the poverty line could be eligible for subsidies to purchase health insurance through the marketplace. When their income drops, perhaps due to a job loss or reduction in work

**Figure 3: Insurance Coverage for Kansas Adults (Age 19–64) in the Eligibility Gap, 2009–2011**



**Notes:**

- A. Public coverage includes those who are enrolled in Medicare and Medicaid due to pregnancy, disability, or other criteria, as well as those who are covered by Tricare, VA, or the Indian Health Service.
- B. The population represented here includes childless adults with incomes up to 100 percent of FPL and parents and guardians with incomes between 33 and 100 percent of FPL.

Source: KHI Analysis of 2009–2011 American Community Survey Three-year Public Use Microdata Sample

hours, the subsidy for health insurance could be lost. This fluctuation in eligibility is often referred to as “churning.” About half (46 percent) of those in the eligibility gap are between 67 and 100 percent of FPL, as shown in Figure 4 (page 4). This suggests that a large number of Kansans are likely to experience changes in eligibility for premium tax credits during the year.

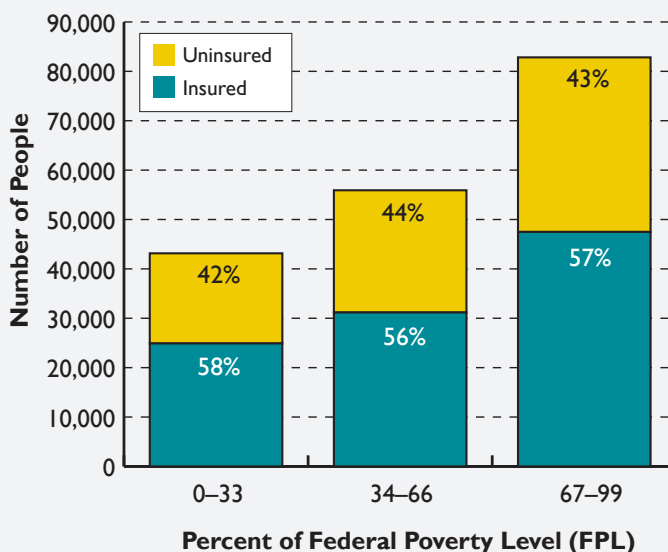
Such churning affects individuals, providers and insurance companies. It can be more difficult for individuals to receive good preventive care and continuous care for chronic diseases if their eligibility for insurance coverage varies. Physicians may lose track of patients who unexpectedly lose insurance coverage. It becomes more complex and expensive for insurance companies to track who is eligible for services or not.

## Eligibility Gap Policy Implications

The consideration of Medicaid expansion in Kansas raises a number of important policy issues:

- Kansas will see an increase in enrollment for children and some adults currently eligible for, but not enrolled in Medicaid due to the individual mandate of the ACA and increased publicity about the law. This is known as the “welcome mat” or “woodwork” effect. These enrollees would be covered at the current federal matching rate, which is 57 percent federal dollars and 43 percent state dollars.
- While many Kansans in the eligibility gap are uninsured, about one-third (34 percent) already have private insurance, creating the possibility that expanding Medicaid may “crowd-out” private coverage for those that have it in favor of public health insurance.
- A question of equity is raised when public funds are used to provide assistance gaining health insurance to higher income persons, in the form of premium tax credits, but assistance is not provided to lower income persons who are eligible for neither premium tax credits nor Medicaid.
- Without expansion, hospitals and other providers will be affected by the large number of people who will not gain health insurance and therefore add to the cost of uncompensated care they provide.
- With Medicaid expansion, the federal government covers much of the cost for newly eligible citizens. These funds are provided from federal taxpayer dollars even in those states that do not expand Medicaid. However, none of the economic benefit of those additional federal dollars will come to states that are not expanding their Medicaid program. Estimates of Medicaid expansion in Kansas suggest federal contributions could be \$392 million per year, increasing to \$935 million per year over a ten-year period.

**Figure 4: Insurance Coverage by Percent of Poverty Level for Kansas Adults (Age 19–64) in the Eligibility Gap, 2009–2011**



Note: The population represented here includes childless adults with incomes up to 100 percent of FPL and parents and guardians with incomes between 33 and 100 percent of FPL.

Source: KHI Analysis of 2009–2011 American Community Survey Three-year Public Use Microdata Sample

- Expanding Medicaid in Kansas would be expected to cover an additional 226,000 people at a cost to the state of \$1.1 billion over ten years. Even without expansion, Kansas is expected to enroll an additional 41,500 people through the “welcome mat” effect at a cost of \$513 million over ten years.

## Conclusion

As Kansas policymakers consider whether to expand Medicaid, it is important for them to consider the makeup of the population within the eligibility gap, the financial and non-financial costs to the state, and the potential benefit to the 182,000 Kansans within the eligibility gap who may have more difficulty getting health insurance coverage.

### About the Issue Brief

This brief is based on work done by Sarah Hartsig, M.S. It is available online at [www.khi.org/eligibilitygap](http://www.khi.org/eligibilitygap).

#### KANSAS HEALTH INSTITUTE

The Kansas Health Institute is a nonprofit, nonpartisan, independent health policy and research organization based in Topeka, Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.

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