# Expanding the conversation: Examining poverty rates of Medicaid expansion-eligible individuals using the supplemental poverty measure

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**Abstract**

The Affordable Care Act expansion of Medicaid eligibility in 2010 greatly expanded health insurance coverage for individuals living in poverty, but because some states have chosen not to expand, there remains a sizable population of eligible individuals without Medicaid. I examine poverty rates of expansion-eligible individuals using two different measures of poverty across those who are and are not enrolled in Medicaid. Findings show that when measured using the Supplemental Poverty Measure, considered to be a more accurate indicator, those not enrolled in Medicaid are more likely to live in poverty than those enrolled in Medicaid. Furthermore, these results are due in part to higher out-of-pocket medical expenses for those not on Medicaid. I include a discussion of these findings, along with implications for policy.

## Introduction

The 2010 passage of the Affordable Care Act (ACA) expanded Medicaid eligibility, greatly extending the reach of the program to individuals living in poverty. Under the new federal law, states could offer benefits to childless adults aged 21 to 65 whose income falls below 138 percent of the poverty line. This resulted in 15 million people gaining health insurance [1] and increased positive health outcomes [2]. However, not all states have chosen to expand Medicaid, meaning that a sizeable portion of those would-be eligible adults are not enrolled in the program. It is important to understand how the poverty levels of this "expansion" population compare across those who have and have not gained access to Medicaid coverage. One of the goals of expanding Medicaid, besides improving health outcomes, was to allow more low-income individuals access to affordable health care for the purpose of greater financial stability. With inexpensive, reliable health insurance, these individuals can devote less of their own resources to medical care, which can have a sizeable impact on poverty rates.

In this analysis, I examine the poverty rate of the expansion-eligible population across those who are and are not enrolled in Medicaid under two different measures. In summary, my results indicate that under the Supplemental Poverty Measure (SPM), widely considered to be a more accurate indicator of economic deprivation, expansion-eligible individuals not enrolled in Medicaid are more likely to live in poverty than those who are enrolled in Medicaid. Moreover, this difference is due in part to out-of-pocket medical expenses.

## Background

Social science researchers have long expressed disdain for the Official Poverty Measure (OPM) for several reasons [3]. First, the measure is based on a 1963 threshold of food costs and does not take into account any household resources save cash income; it ignores taxes, in-kind transfers, and other important benefits; and it doesn't take into account necessary expenses, such as child care or health care. Second, the measure is housed in the Executive Office of the President in the Office of Management and Budget. As such, it takes significant political effort to revise. Other complaints include the measure ignoring regional variation in cost-of-living and not considering the cost of child-care, work expenses, and medical expenses.

After attempted reforms of the poverty metric across several decades, the Census Bureau released the SPM in 2011 [4]. The new measure is based on a threshold at the 33rd percentile of expenditures for food, clothing, shelter,

and utilities (FCSU) multiplied by 1.2. Importantly, the SPM takes in-kind transfers (e.g., the Supplemental Nutrition Assistance Program [SNAP], SNAP for Women, Infants, and Children, the Low Income Home Energy Assistance Program, housing subsidies) and taxes into account as household resources, as well as deducting out-of-pocket medical, child-care, and work-related expenses. Many scholars consider the SPM to be a superior measure of poverty, because it is based on a more realistic threshold—FCSU as opposed to solely food—and makes necessary adjustments for in-kind benefits and expenses.

## Data and Methods

This analysis uses Integrated Public-Use Microdata Series (IPUMS) data from the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) to examine poverty rates of those who are and are not enrolled in Medicaid across the entire population of expansion-eligible individuals. As such, I limit my sample to childless adults aged 21 to 65 with incomes below 138 percent of the federal poverty line for the years 2015, 2016, and 2017. This results in a total sample size of 27,418. I also use supplemental weights at the person-level available in IPUMS.

My analysis unrolls in three stages. First, I estimate the poverty rates of the Medicaid vs. non-Medicaid individuals using the OPM. Second, I examine the same using the SPM. Finally, I assess poverty rates for these groups using a constructed version of the SPM that does not deduct out-of-pocket medical expenses from an individual's total resource calculation.

## Results

As shown in **Figure 1**, 74 percent of the expansion-eligible population enrolled in Medicaid have incomes below the OPM, compared to 69 percent of those not enrolled in Medicaid. Thus, a higher percentage of people with Medicaid coverage are poor than those not covered by Medicaid, as measured by the OPM. Under the SPM, the percentage of those in poverty that are on Medicaid drops over ten percentage points to 63 percent, while the proportion of non-Medicaid individuals living in poverty increases to 75 percent. After adding medical expenses back into the income calculation, the poverty rate for those not enrolled in Medicaid falls to 67 percent, two percentage points lower than the OPM.

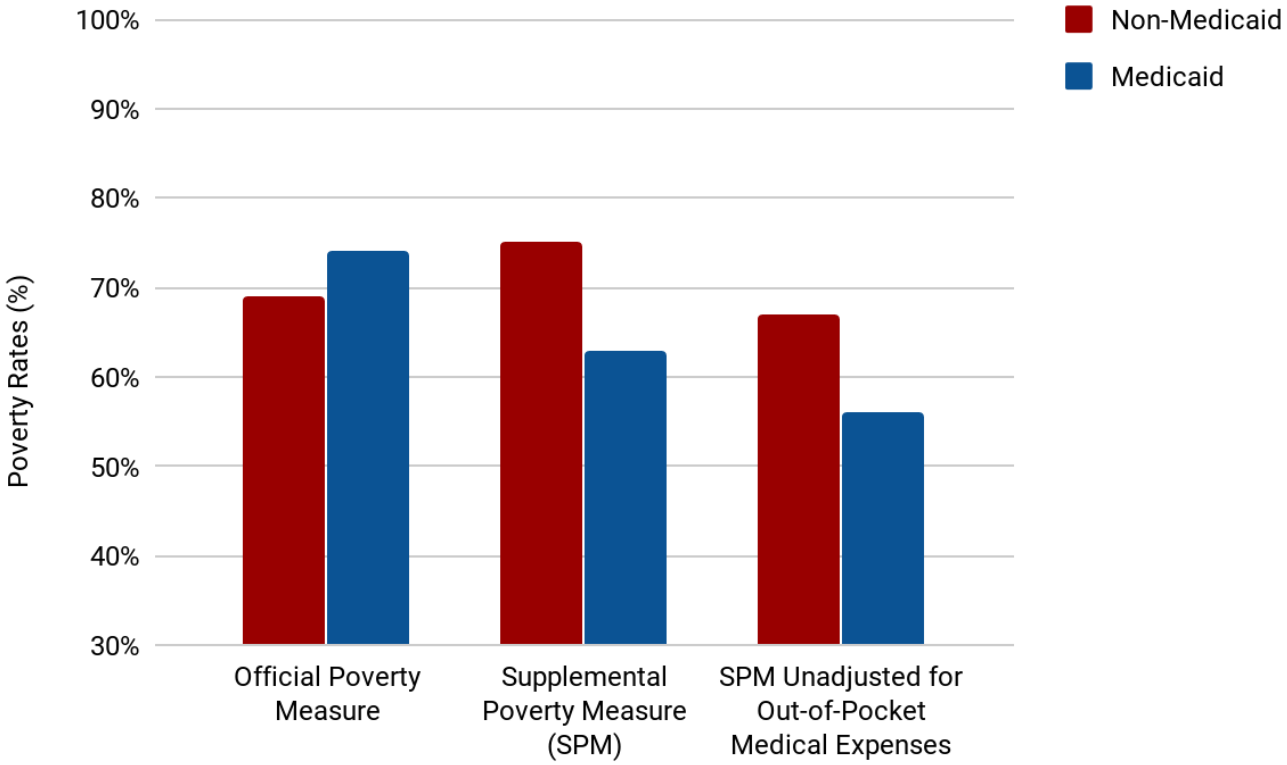


**Figure 1:** *Poverty rates for Medicaid-expansion eligible population by Medicaid-enrollment status*

## Discussion and Conclusion

To recap key findings, a higher percentage of people with Medicaid coverage are poor than those not covered by Medicaid under the OPM. It makes sense that Medicaid enrollees would have higher poverty rates, as the primary targeted audience of the program, as well as the expansion, is those living in poverty. Under the SPM, however, the percentage of non-Medicaid adults in poverty is higher than Medicaid beneficiaries. This means that for expansion-eligible individuals, poverty rates are higher for those not enrolled in Medicaid than those who are enrolled in Medicaid. One reason that this may be occurring is that the SPM takes out-of-pocket medical expenses into account, while the OPM does not. To be more specific, expansion-eligible individuals not enrolled in Medicaid would likely pay more out-of-pocket medical costs, because their health care is not covered by Medicaid, leading to a higher poverty rate with a measure that takes this into account. As **Figure 1** shows, this is indeed the case; the poverty rate for those not enrolled in Medicaid falls to 67 percent, two points lower than the OPM. This is consequential, because it indicates that individuals living in serious economic deprivation may not be getting the affordable health insurance they need, and that one of the factors contributing to that deprivation is how much they spend on medical costs in the first place.

On a separate vein, poverty rates for those enrolled in Medicaid goes down under the SPM, unlike those not enrolled. This could potentially be explained by the fact that they are also likely receiving other in-kind transfers, such as SNAP or housing subsidies, that are counted as income by the SPM but not the OPM. Research shows that social safety net programs such as these alleviate poverty rates (relative to what the OPM would suggest) when they are considered as income. [3] The poverty rate for this group also drops when I add medical expenses back into the income calculation in the SPM, contrary to my expectations. This could be due to increased consumption of health care services that can occur when people have health insurance [5], some of which still require out-of-pocket spending under the cost-sharing structure of Medicaid. When this spending is counted as income, poverty rates drop for the Medicaid population.

It's worth reiterating that every person represented in this analysis is eligible for Medicaid under the ACA expansion. A plausible reason they would not be getting Medicaid coverage, though they may indeed benefit from it, is that they happen to live in a state that chose not to expand eligibility. When using a more reasonable indicator of poverty, such as the SPM, it becomes clear that Medicaid expansion beneficiaries are doing better than the official measure would suggest. Similarly-situated individuals not enrolled in Medicaid do not fare so well. These findings seem to indicate that expansion-eligible individuals not enrolled would benefit highly from Medicaid coverage, as their medical spending would be reduced drastically, thus increasing their income. Further research is needed to determine why these eligible individuals are not enrolled in Medicaid, but the most likely explanation, given the nature of the expansion, is that they live in states that decided not to expand their Medicaid programs. If this is the case, it provides another strong impetus for states to expand Medicaid, as eligible residents could greatly benefit. The findings from this analysis indicate that if more states chose to expand Medicaid, they would likely see poverty rates—when measured under the more accurate SPM— decrease. This also suggests that states should avoid any action that might cause people in this population to lose their Medicaid coverage, such as adding work requirements, as it may cause an increase in poverty. These expansion-eligible individuals are already experiencing tenuous financial stability at best, and severe poverty at worst. Access to affordable health care through Medicaid coverage is an incredibly important resource that not only allows them the ability to utilize necessary health care, but also may help pull them out of poverty.

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