

Eliminating the Healthcare Coverage Gap:

Finding a Path for Texas

Issue Brief 1401: What is the Coverage Gap?

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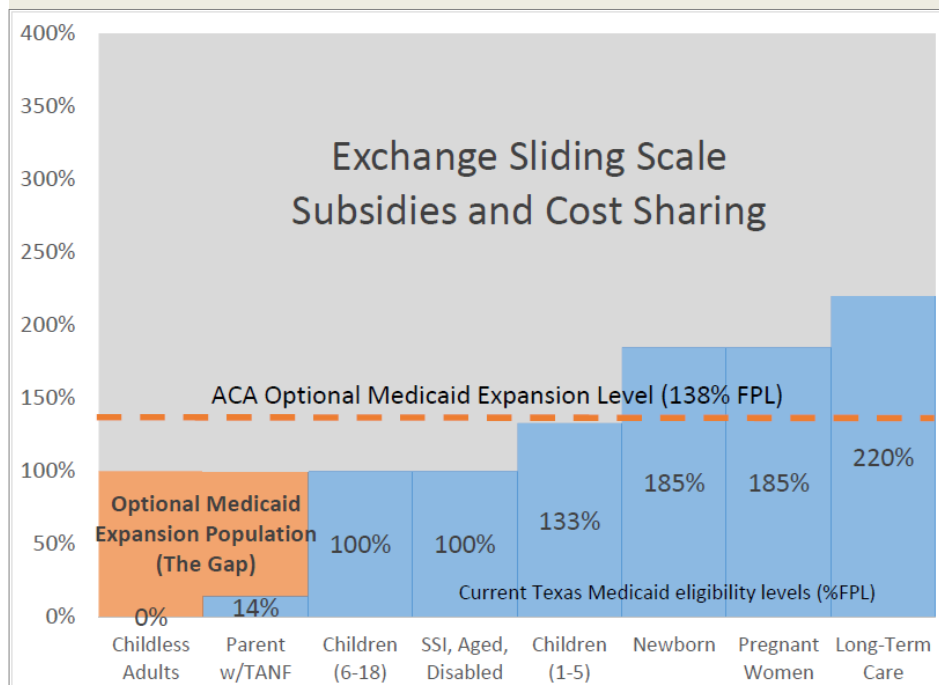
UTMB Center to Eliminate Health Disparities

A lack of health insurance has negative consequences for more than just the individuals and families who become sick and need care. Private industry, including hospitals; the state budget; and the Texas economy all bear the burden of a high uninsured rate. Without addressing systems-level factors associated with this high rate, any attempt to reduce healthcare costs, increase quality, or improve health outcomes will be limited.

In this issue brief, we explore the roots and implications of a major contributor to Texas' high uninsured rate : The healthcare coverage gap left by Texas' decision to opt out of Medicaid expansion under the Affordable Care Act (ACA).

What is the Coverage Gap?

The "Coverage Gap" or "Medicaid Gap" refers to the population of individuals whose income is too high to qualify for Medicaid in Texas but too low to qualify for the ACA federal insurance exchange



sliding scale subsidies and cost-sharing mechanisms which start at 100% FPL.

These are persons who would be covered by Medicaid under a more generous state program (Texas Medicaid only covers low-income children, pregnant women, disabled adults, and parents with children of low income or with a disability) or through expansion under the ACA.

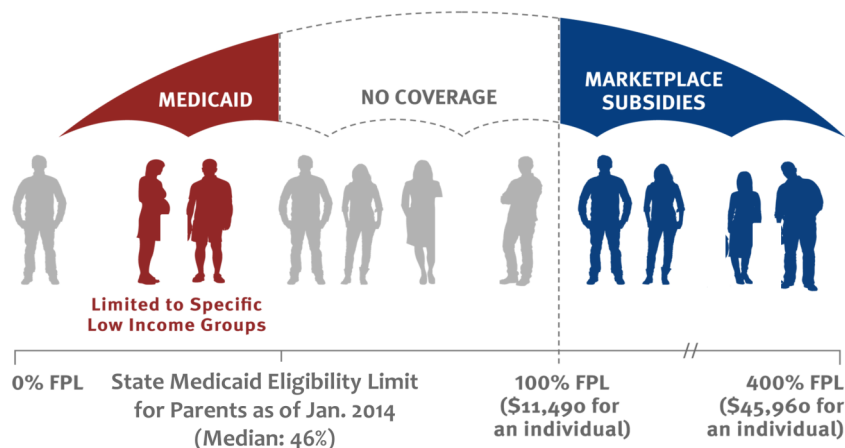
1.2 Million Texans are in the Coverage Gap

Data source: Texas Health and Human Services Commission

Roots of the Coverage Gap

The Coverage Gap exists because each state operates and sets eligibility requirements for its own Medicaid program. After the ACA became law in 2010, the Supreme Court gave states the option whether or not to expand Medicaid eligibility above their current levels to meet the new standard set by the ACA: 138% FPL (\$27,310 for a family of three).

In states that do not expand Medicaid under the ACA, there will be large gaps in coverage available for adults.



NOTE: Applies to states that do not expand Medicaid. In most states not moving forward with the expansion, adults without children are ineligible for Medicaid.



Texas has the highest uninsured rates in the country, yet the state has chosen not to expand Medicaid under the ACA. This high rate is partly due to the high cost of insurance on the individual and group markets and to limited Medicaid eligibility. The current uninsured rate is 22%, which is a slight decline from 24.8% in 2013. Declines largely stem from increased Medicaid enrollment among the previously eligible, which is attributed to the “bandwagon” effect generated by the increased number of individuals now seeking coverage due to the ACA.

Beginning the search for a uniquely Texas solution

Texas has choices when it comes to closing the Coverage Gap in a way that is consistent with our state’s values, heritage, and unique health system issues. Many states have eliminated their coverage gap by providing more generous Medicaid programs, expanding Medicaid under the ACA, or supporting the purchase of private health insurance in the state health insurance market.

The last strategy, known as the private option, is the choice of many states that have not opted to expand Medicaid under the ACA. States opting for the private option are building on state-specific reforms. Our next issue brief will focus on the lessons learned from other states should Texas choose this option.

Texas’ health reforms have already begun under the 1115 Waiver program, creating the foundation for addressing the healthcare needs of the low-income uninsured population. Building on the momentum of the 1115 Waiver, Texas can shift from a model of sickness care to one of wellness and prevention at the population level to interrupt the cycle of dropped healthcare coverage and cost inflation.

Sources: “A 50 State Look at Medicaid Expansion” Families USA 2014; “Closing the Coverage Gap in Texas: Health Insurance for Working Individuals and Families” Families USA; “The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid,” Kaiser Family Foundation; Greenwald, Robert, “Expanding Access to Health Care in Texas: Turning Affordable Care Act Challenges into Opportunities,” Center for Health Law and Policy Innovation, Harvard School of Law; Smith, Jessica and Medalia, Carla, US Census Bureau, Current Population Reports, P60-250, “Health Insurance Coverage in the United States: 2013” US Government Printing Office, Washington, DC, 2014.

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