



CENTER *for* RURAL AFFAIRS

THE DOLLARS AND SENSE OF HEALTH CARE ACCESS IN NEBRASKA

JOHNATHAN HLADIK

MARCH 2016

INTRODUCTION

Nebraska is one of 17 states that has failed to expand Medicaid under the Affordable Care Act.¹ This has left thousands of working Nebraskans without access to affordable health care. The economic consequences of this decision are significant.

This brief takes a closer look at the “coverage gap” that results and those caught in it.

We find that eliminating this gap will lead to increased income and greater discretionary spending in rural Nebraska. We show that expanding access to health care creates a direct increase in state-level gross domestic product. While working Nebraskans, their families, and their communities have the most to gain, the economic benefits of Medicaid expansion extend to industries across the state.

THE COVERAGE GAP

What is the “coverage gap?”

Between September 2013 and February 2015, 16.9 million Americans gained access to health insurance under the Affordable Care Act

(ACA).² The uninsured rate declined by 5.2 percent over this period.³ These positive changes can be attributed to implementation of health insurance marketplaces and expansion of the Medicaid program.

Under the ACA, the Medicaid program was expanded to include those individuals living at or below 138 percent of the federal poverty level (FPL). According to federal poverty guidelines, this was equivalent to \$27,724 of household income for a family of three in 2015.⁴ This is the primary path by which low-income Americans gain access to health insurance.

In 2012, the Supreme Court ruled that the Affordable Care Act could not require states to expand Medicaid in order to continue receiving federal Medicaid funding. Instead, that decision was left to each state’s elected officials. This created a “coverage gap” in those 17 states that chose not to expand the program.

1. Status of State Action on the Medicaid Expansion Decision. (2016, Feb. 24). Retrieved Feb. 29, 2016, from <http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

2. Carman, K. G., Eibner, C., & Paddock, S. M. (2015). Trends in Health Insurance Enrollment, 2013-15. *Health Affairs*, 34(6), 1044-1048.

3. Marken, S. (2016, Jan. 7). U.S. Uninsured Rate 11.9% in Fourth Quarter of 2015. Retrieved February 25, 2016, from <http://www.gallup.com/poll/188045/uninsured-rate-fourth-quarter-2015.aspx>

4. 2015 Poverty Guidelines. (2015). Retrieved March 1, 2016, from <https://aspe.hhs.gov/2015-poverty-guidelines>

CENTER *for* RURAL AFFAIRS

145 MAIN STREET, PO BOX 136 | LYONS, NE 68038 | 402.687.2100 | CFRA.ORG

HEALTH CHECK

“ Living rurally, it’s what a third of Nebraskans do. As a work-from-home, small business owner myself, finances can be tight when few job options exist above minimum wage in the hinterlands. I am lucky to earn enough so that I don’t fall in the ‘coverage gap,’ but 97,000 Nebraskans do live in this uncertainty. And so do many friends, several of whom live in Grand Island, and in western towns of Ogallala, North Platte, and Scottsbluff. These are hard working people, some of whom work two or more minimum wage jobs just to pay their existing bills.

Can you imagine the strain on their families when a medical emergency occurs? It could not only bankrupt them, but it could lead to job loss and require them to enroll in Medicaid and SNAP benefits.

Nebraskans are compassionate, and they are very giving with their neighbors. When the legislators decide which bills to support this session, let’s not leave out the hard-working folks who already contribute to Nebraska’s economy. ”

-CARYL GUISSINGER, BELGRADE

Individuals in the gap do not qualify for Medicaid. They did not have access to health insurance prior to passage of the ACA, but will be newly eligible to gain access if and when their state of residence passes Medicaid expansion legislation. Furthermore, because their income is below the federal poverty level they do not qualify for the premium tax credits that would make purchasing insurance through the marketplace affordable.

Who is in the gap?

Nationwide, approximately one million children have a parent that falls in the gap. A full 24 percent of those in the gap are working parents whose income places them above the federal poverty level. Most are in poor working families. More than 60 percent live in a family with one working member; more than 50 percent are working themselves.⁵

Many of these individuals are rural. The per capita income of rural residents is \$7,417 lower than their urban counterparts. Approximately 14 percent live below the poverty level. Many, 28 percent, consider themselves in fair or poor health. Only 64 percent have access to private health insurance.⁶

Almost 80,000 Nebraskans would gain health insurance under an expanded Medicaid program.⁷ The vast majority work. Approximately 73 percent are working now or have in the past year. Of these, 11,000 work in food service, 6,000 in construction, and 5,000 work as office and administrative support workers.⁸

INSURANCE FOR WORKING FAMILIES

How do working families benefit from Medicaid expansion?

In 2014, those states that expanded Medicaid saw a 25 percent reduction in the number of working residents without health insurance. In eight of those states, the number of workers without health insurance fell by 30 percent or more. On average, twice as many working individuals gained health insurance in states that expanded Medicaid compared to those that did not.⁹

5. Garfield, R., & Damico, A. (2016). The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid – An Update. Retrieved Feb. 26, 2016, from <http://kff.org/health-reform/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid-an-update/>

6. National Rural Health Association. (n.d.). Retrieved March 1, 2016, from <http://www.ruralhealthweb.org/go/left/about-rural-health/what-s-different-about-rural-health-care>

7. L. Hruska “LB 1032 Fiscal Note,” Legislative Fiscal Office, Feb. 23, 2016.

8. Mahan, D., & Stoll, K. (2014). Closing the Coverage Gap in Nebraska: Health Insurance for Working Individuals and Families. Families USA Issue Brief.

9. Mahan, D., & Callow, A. (2016). Medicaid Expansion States Help More Working People Get Health Coverage. Families USA Issue Brief.

Employers also benefit. Personal and family health problems cost employers \$1,685 per employee per year.¹⁰ Insured workers miss approximately 77 percent fewer workdays compared to those without health coverage. Insurance helps workers stay healthy, recover faster when sick, and reach full productive potential when on the job.¹¹

This is possible because access to health insurance under the Affordable Care Act emphasizes preventative care. Medicaid expansion in Nebraska would enable an additional 130,000 physician visits each year. 7,000 more individuals would be given an opportunity to undergo cholesterol screening. 1,600 more women would have access to a mammogram.

More than 6,000 Nebraskans will realize significant health improvements.¹²

How does this affect health care spending in low-income households?

Access to health insurance is a strong determinant of household spending decisions. Living without health insurance forces low-income families to spend more on health care and less on other necessities such as food and housing. This corresponds with a decrease in local spending.

Those entirely without health insurance spend over 60 percent more on out-of-pocket health-care expenses each year compared to those with coverage. For low-income Americans able to afford private insurance, the costs can be crippling. Low-income households with private insurance spend an average of 8 percent of their total household budget on health care costs.¹³

10. Stewart, W. F., Ricci, J. A., Chee, E., & Morganstein, D. (2003). Lost Productive Work Time Costs From Health Conditions in the United States: Results From the American Productivity Audit. *Journal of Occupational and Environmental Medicine*, 45(12), 1234-1246.

11. Dizioli, A., & Pinheiro, R. B. (n.d.). Health Insurance as a Productive Factor. SSRN Electronic Journal SSRN Journal.

12. Council of Economic Advisers. Missed Opportunities: The Consequences of State Decisions Not to Expand Medicaid. (2014). White House Report.

13. Majerol, M., Tolbert, J., & Damico, A. (2016). Health Care Spending Among Low-Income Households with and without Medicaid. Kaiser Commission on Medicaid and the Uninsured.

Expanding access to health insurance

Saves low-income workers
\$1,100 on out-of-pocket
health costs each year.

What does this buy?

800
new jobs

\$4.9 million
of state and local tax revenue

\$32 million
of additional income

\$88 million
of increased economic activity

Thriving Businesses
in strong rural communities



Medicaid expansion would help Nebraskans avoid significant debt. Each year 2,200 fewer individuals would be faced with catastrophic out-of-pocket healthcare costs. Almost 7,000 Nebraskans would avoid needing to borrow money or skip payments in order to cover medical costs.¹⁴ An expanded Medicaid program would have prevented 195 Nebraska bankruptcies in 2013. It would result in \$142.7 million in savings from averted bankruptcies through 2019 to 2020.¹⁵

14. Council of Economic Advisers. Missed Opportunities: The Consequences of State Decisions Not to Expand Medicaid. (2014). White House Report.

15. Jenkins, A., Ph.D., & Konecny, R., Ph.D. (2015). Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Health and Productivity.

A 2015 report authored by researchers at the University of Nebraska at Kearney considers the relationship between health insurance and local spending in Nebraska. Here the authors use U.S. Bureau of Labor Statistics data to show that the 40 percent of Nebraskans who earn the least spend between 7.5 and 7.9 percent of their income on health care. Medicaid expansion would reduce health care expenditures by 5 percent, to 2.5 percent of income. They go on to demonstrate that reducing health care costs by 5 percent for this group would result in an increase in discretionary income of \$1,100 for each individual.¹⁶

AN ECONOMIC BOOST FOR RURAL COMMUNITIES

Does Medicaid expansion improve the economy in our communities?

Access to health insurance is lowest in rural Nebraska. Of the 37 counties with the highest rate of uninsured individuals, 32 are rural.¹⁷ Overall, a higher percentage of rural Nebraskans are without health insurance than their urban counterparts.¹⁸

Increasing the discretionary income of low-income Nebraskans has cumulative effects far beyond the individual household. By providing an additional 79,990 Nebraskans access to health insurance, Medicaid expansion changes the financial picture for many communities.¹⁹ By spending less for out-of-pocket health expenses, each individual covered would realize an additional \$1,100 in discretionary spending.

16. Jenkins, A., Ph.D., & Konecny, R., Ph.D. (2015). Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Health and Productivity.

17. (CPAR), Center for Public Affairs Research. "Selected Characteristics for Nebraska Counties from the 2008-2012 American Community Survey" (2014). Publications since 2000. Paper 49. <http://digitalcommons.unomaha.edu/cparpublications/49>

18. Cordes, Henry. "As Rural Hospitals Shutter Nationwide, Health Care in the Heartland Appears to Be in Critical Condition." Omaha World Herald. 5 March 2016. Web.

19. The fiscal note for LB 1032 estimates the number of Nebraskans qualifying for the Transitional Health Insurance Program to be 79,990. L. Hruska "LB 1032 Fiscal Note," Legislative Fiscal Office, Feb. 23, 2016.

When circulated in the local economy, this creates an additional \$88 million in expenditures. This leads directly to 800 new jobs, \$32 million in additional income, and \$4.9 million in state and local tax revenue.²⁰ Economic activity of this significance can be used to attract new residents, develop new industries, and provide tax relief to area landowners. This is a significant influx to Nebraska's rural communities, including those in the Western and Central portion of the state where the largest number of uninsured Nebraskans reside.²¹

Does Medicaid expansion improve the economy of our state?

For every \$1 Nebraska invests in Medicaid expansion, an additional \$13.41 in federal funding will enter our state's economy. Much of this is allocated to our hospitals, which stand to lose \$1.6 billion over a 10-year period through our failure to expand Medicaid. This results in more than \$3 billion of missed opportunity for the Nebraska economy.

A significant portion of this is comprised of tax dollars paid by Nebraskans to the federal government. Those taxes will total \$3 billion over the next decade.²² Right now these tax dollars are being distributed to surrounding states.

Nebraska's gross domestic product (GDP) is a measure of the total value of goods and services produced in the state. This is considered a strong indicator of economic growth. Federal Medicaid funding, increased discretionary income circulating in the local economy, reduction in uncompensated care, increased demand for medical services combine to increase state-level GDP by \$380 million over a three-year period.²³

20. Jenkins, A., Ph.D., & Konecny, R., Ph.D. (2015). Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Health and Productivity.

21. Poor uninsured Americans eligible for Medicaid under ACA expansion. (n.d.). Retrieved Feb. 25, 2016, from <http://www.urban.org/policy-centers/health-policy-center/projects/poor-uninsured-americans-eligible-medicaid-under-aca-expansion>

22. Dorn, S., McGrath, M., & Holahan, J. (2014). What Is the Result of States Not Expanding Medicaid? Urban Institute Results In-Brief.

23. Council of Economic Advisers. Missed Opportunities: The Consequences of State Decisions Not to Expand Medicaid. (2014). White House Report.

Combined, this increased economic activity will support an additional 10,779 Nebraska jobs in FY 2019 to 2020.²⁴

CONCLUSION

More than 79,000 Nebraskans are caught in the “coverage gap.” These individuals live in households with too much income to qualify for Medicaid, but too little to qualify for the premium tax credits that make health insurance affordable. Most are parents. The majority work. All live in our communities.

An expanded Medicaid program makes health care accessible to working Nebraskans. Each individual covered will save \$1,100 on out-of-pocket health costs each year. When spent locally, these savings lead to 800 new jobs, \$32 million in additional income, and \$4.9 million in state and local tax revenue.

Medicaid expansion is a smart investment in the people of Nebraska.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

24. Jenkins, A., Ph.D., & Konecny, R., Ph.D. (2015). Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Health and Productivity.