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# Expanding Medicaid makes Colorado's workforce and economy healthier

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## Executive Summary

One in five Colorado adults under 65 lacks health insurance, even though a majority of them have jobs.<sup>1</sup> Colorado has a chance to reduce the number of uninsured by expanding Medicaid coverage. By extending coverage up to 138 percent of the poverty line, more than 122,000 working Coloradans would gain access to health insurance.

Many of those who stand to gain insurance coverage through Medicaid work in industries that are major drivers of the Colorado economy: entertainment, retail, and services. Colorado's tourism industry also has many workers who would gain coverage from the expansion. Among the population who would gain health insurance are day-care workers, nursing home attendants, cooks, landscapers, hotel clerks, and retail clerks.

Fifty-three percent of the uninsured who will benefit if Colorado extends Medicaid coverage are working. Many low-income working people are not offered insurance at work or cannot afford the health insurance that is offered. As a result, many working Coloradans are at risk of financial ruin if they become seriously ill. The expansion would help mitigate that risk while also supporting a healthier and more productive labor force. The state would pay just seven percent of the total cost of the expansion until 2020 as the vast majority of it will be financed by the federal government. The added federal spending provided through Medicaid expansion would also provide an economic boost to the state.

**"More than 122,000 working Coloradans who today are without health insurance would be covered through the Medicaid expansion"**

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<sup>1</sup> 2011 American Community Survey 1-year Estimates; Health Insurance Coverage Status Chart [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_11\\_1YR\\_S2701&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_S2701&prodType=table) Estimates vary depending on what data source is used, as the Colorado Health Institute noted in a recent paper, *Counting Colorado's Uninsured: A Guide to Three Recent Estimates*.

## Introduction

The Affordable Care Act (ACA) gives states the option to extend Medicaid eligibility in order to fill historic health insurance coverage gaps. As of January 2014, people under 65 with an income below 138 percent of Federal Poverty Level (FPL) will qualify for Medicaid in states that choose to extend Medicaid eligibility. As of January 2013, in Colorado, eligibility levels are inconsistent across different groups:

- parents of Medicaid-eligible children qualify at or below 100 percent of FPL,<sup>2</sup>
- children under 18 qualify at or below 133 percent of FPL,
- pregnant women qualify below 185 percent of FPL, and
- adults without dependent children qualify if they are under 10 percent of FPL, but enrollment is limited to 10,000 people.

Under the expansion, any U.S. citizen or eligible lawfully present alien under 138 percent of FPL would be eligible for Medicaid. (The ACA sets Medicaid expansion at 133 percent of FPL, but its new way of calculating income means that in reality the expansion would reach 138 percent of FPL.) For a single person, 138 percent of FPL equals \$15,415. For a family of four, the income threshold equals \$31,810.

What does that population who stands to gain coverage look like? Do they work? Where do they work? Are they mostly men or women? How does the expansion population break down ethnically? Using the Public Use Microdata from the U.S. Census Bureau, this report provides a portrait of the working Colorado population who would gain health insurance coverage from the Medicaid expansion

**“Passing the Medicaid Expansion is a big investment in the working population of Colorado as a healthy work force is a more productive work force.”**

It turns out that more than half of working-age Coloradans below 138 percent of FPL without health insurance have jobs<sup>3</sup>. They lack health insurance because their jobs do not offer it or they cannot afford it. In fact, of the nationally uninsured population with incomes below 138 percent of FPL from 2011, only 11 percent were offered Employer

Sponsored Insurance (ESI) directly or through a family member.<sup>4</sup> More specifically, only one in three Coloradans who are employed and live below 138 percent of FPL have employer or union-sponsored health insurance.<sup>5</sup>

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<sup>2</sup> The Federal Poverty Level is calculated based on the assumption that food expenditures are one-third of a family's monthly budget. The monthly cost of food for that family is multiplied by three. This figure quantifies how much a family spends on its entire monthly budget and is used as the FPL.

<sup>3</sup> CCLP's analysis of 2011 American Community Survey data

<sup>4</sup> Buettgens, Matthew, Austin Nichols, and Stan Dorn, (June 2012) *Churning Under the ACA and State Policy Options for Mitigation*, The Urban Institute

Medicaid expansion is an investment in working Coloradans and their employers. Expanding Medicaid and providing 122,000 workers with health care will help to ensure a more healthy and productive workforce. It will particularly benefit the entertainment, service, and tourism industries where there is a high number of working uninsured today. Numerous studies have found that insurance is the best indicator of health status.<sup>6</sup> In addition, there are often significant financial consequences of being uninsured, including bankruptcy.<sup>7</sup>

**Medicaid expansion would give the entertainment industry the greatest coverage gains.<sup>8</sup>**

Many workers across Colorado would benefit from the Medicaid expansion, especially in the entertainment, retail, services, and professional services industries. The expansion would ensure these workers have access to health coverage.

Population gaining Medicaid coverage by industry		
	Workers	Percentage
Entertainment	30,953	25%
Finances and professional services	18,283	15%
Retail	17,209	14%
Construction	16,338	13%
Services	12,098	10%
Medical	7,564	6%
Education and human services	4,440	4%
Agriculture/extraction	4,220	3%
Manufacturing	3,998	3%
Transportation/utilities	3,964	3%
Wholesale	1,536	1%
Information/administrative	1,317	1%
<b>Total</b>	<b>121,920</b>	<b>100%</b>

*CCLP's analysis of 2011 ACS PUMS*

<sup>5</sup> CCLP's analysis of 2011 American Community Survey data

<sup>6</sup> Committee on Health Insurance Status and Its Consequences, Board on Health Care Services. (2009). *America's Uninsured Crisis: Consequences for Health and Health Care*, Institute of Medicine.

<sup>7</sup> David U. Himmelstein, M.D. (2009). Medical Bankruptcy in the United States, 2007: Results of a national Study. *The American Journal of Medicine*. Retrieved from [http://www.pnhp.org/new\\_bankruptcy\\_study/Bankruptcy-2009.pdf](http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf)

Anna Sommers and Peter J. Cunningham (December 2011), *Medical Bill Problems Steady for U.S. Families, 2007-2010*, Center for Studying Health Systems Change. Retrieved from <http://hschange.org/CONTENT/1268/1268.pdf>

<sup>8</sup> The analysis uses Public Use Microdata Sample (PUMS) from the 2011 American Community Survey from the U.S. Census Bureau. The report illustrates what the effect of the Medicaid expansion would be if it had been implemented in 2011. The analysis slices the data by people under 138% of FPL, then by health insurance, then by employment. The eligible population was only counted if they have been in the country for 5 years, as only permanent residents for five years are Medicaid eligible.

The entertainment and service industry is one of Colorado’s most important sectors, employing about a fifth of the Colorado workforce.<sup>9</sup> These workers don’t typically work the normal 9-5 shifts; instead, service industry workers tend to work variable shifts and often have physically demanding jobs. Thirty percent of all workers in entertainment and service sectors in Colorado have no health insurance, about 160,000 workers. Of that total, nearly 43,000 low-wage workers without health insurance today, including hotel employees, food service workers, musicians, and resort staff, would gain coverage due to the Medicaid expansion.

The finance and professional sector is second on the list of industries that will gain the most from the expansion. Approximately 18,000 working Coloradans in this sector would gain coverage. The professional sector covers a wide range of occupations including workers like administrative assistants, landscapers, business support technicians, security guards, bank tellers, travel agents and accountants.

**“The Medicaid expansion population includes working Coloradans we encounter and depend upon every day; they are the nursing home employees, waiters and waitresses, bus drivers, and school staff.”**

More than 17,000 Coloradans working in retail would gain coverage. This includes employees like sales clerks, grocery store workers and gas attendants. Many others who are without insurance work in the medical profession. They care for others even though they don’t have insurance themselves. More than 7,500 people who work in the medical field would benefit from extending Medicaid coverage, including home-health aides, hospital workers and nursing home staff.

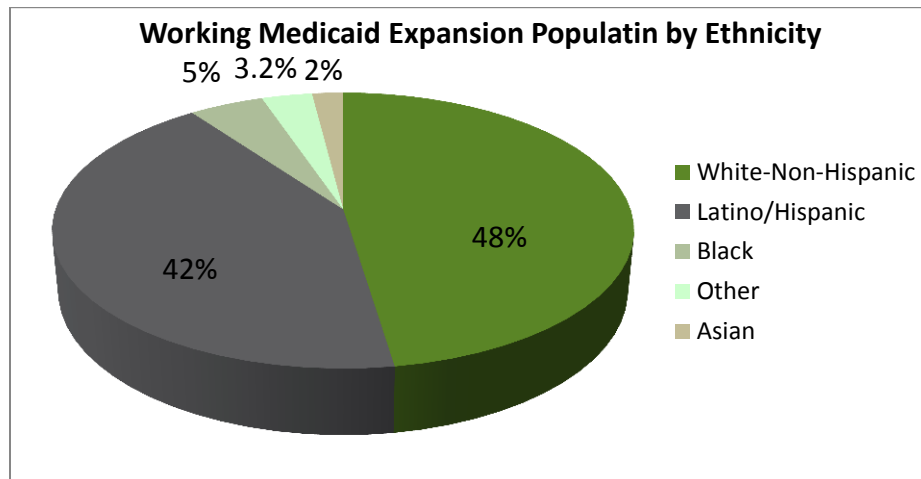
<b>Jobs held by the Medicaid expansion population</b>	
	Number of workers
Restaurant Staff	23,420
Traveler Accommodation Employees	3,950
Grocery Store Employees	3,172
Nursing Home and Home Health Workers	3,142
Elementary and Secondary School Teachers and Staff	1,504
Child Day Care Workers	1,036
Bus Drivers and Urban Transit Workers	420
<i>CCLP’s analysis of 2011 ACS PUMS</i>	

<sup>9</sup> CCLP’s analysis of U.S. Census Bureau’s Fact Finder data.

## The working population that would gain coverage

More working men than working women would gain health coverage through Medicaid expansion. Of the 122,000 working Coloradans who would gain health insurance from the Medicaid expansion, 69,800, or 57 percent, are male; and 52,080, or 43 percent, are female.

Breaking the working Medicaid expansion population down by race and ethnicity reveals that mostly non-Hispanic whites and Hispanics will gain coverage. Forty-eight percent of the working expansion population is white-non-Hispanic. Forty-two percent is Hispanic.



## Many important, but overlooked, occupations would qualify for Medicaid under expansion.

Medicaid coverage is the best option for families that would qualify for the Medicaid expansion—those with incomes below \$31,810 for a family of four and \$26,344 for a family of three—because private insurance would likely be unaffordable. The average annual health insurance premium for a family in the individual market in Colorado is approximately \$5,939,<sup>10</sup> making the out-of-pocket expense for these families around 19 percent and 23 percent of their yearly salary, respectively. Beginning in 2014, some people below 133 percent of FPL will be eligible for premium tax credits through the Colorado Health Benefit Exchange; families and individuals with incomes below 100 percent FPL will not qualify for those tax credits.

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<sup>10</sup> Christelle Chen, J. J. (2011, September). *2011 Health Insurance: Overview and Economic Impact in the States*. AHIP Center for Policy and Reserach.

Examples of workers eligible for Medicaid expansion		
Occupation	Average Hourly Wage	Average Annual Salary
Childcare Worker	\$11.77	\$24,470
Waiter/Waitress	\$10.04	\$20,880
Personal Care Worker	\$11.10	\$23,100
Manicurists/Pedicurists	\$10.46	\$21,760
Cooks	\$11.99	\$24,930
Lifeguard or Ski Patrol	\$10.02	\$20,850
Home Health Aide	\$10.49	\$21,820
Taxi Driver	\$12.03	\$25,020

*Source: Bureau of Labor Statistics, Data for 2011. This chart assumes a single income family of three.*

### Medicaid improves health and well-being.

A recent study<sup>11</sup> from Oregon found that Medicaid enrollees are more likely than people without insurance to receive preventative healthcare, are less depressed, are more likely to take necessary prescription drugs, and more likely to attend regular primary care doctor’s appointments.<sup>12</sup> Furthermore, a new study published in the *New England Journal of Medicine* indicates Medicaid coverage accounts for lower death rates, improved coverage, better access to care, and improved self-reported health status.<sup>13</sup> The study compared states that expanded Medicaid against states that did not. Controlling for other factors, a state Medicaid expansion was associated with a significant reduction in mortality, preventing 19.6 deaths per 100,000 adults.

In addition to personal negative health effects of being uninsured, the cost of caring for uninsured individuals who cannot pay gets passed along to hospitals or providers and insured Coloradans in the form of higher premiums. It is estimated that in Colorado between 2007 and 2009, the average rate of growth in private insurance

**“The Medicaid Expansion benefits everyone with private health insurance because the costs of caring for uninsured individuals won’t get passed along to providers in the form of higher premiums for everyone.”**

<sup>11</sup> Finkelstein et al. “The Oregon Health Insurance Experiment: Evidence from the First Year (NBER Working Paper No. 17190).” National Bureau of Economic Research. July 2011. <http://www.nber.org/papers/w17190>; Kolata, Gina. “First Study of Its Kind Shows Benefits of Providing Medical Insurance to Poor,” *New York Times*. July 7, 2011. [http://www.nytimes.com/2011/07/07/health/policy/07medicaid.html?\\_r=1&emc=tnt&tntemail0=y](http://www.nytimes.com/2011/07/07/health/policy/07medicaid.html?_r=1&emc=tnt&tntemail0=y)

<sup>12</sup> Comparing people with health insurance to people without insurance creates disputes over the efficacy of insurance for the poor because people with insurance tend to be different from the population without it. The Oregon study is ground breaking because it eliminated this problem by randomly selecting people who would receive Medicaid and comparing their results against people who weren’t selected for Medicaid.

<sup>13</sup> Sommers et al. (2012) “Mortality and Access to Care among Adults after State Medicaid Expansions.” *New England Journal of Medicine*. Available at <http://www.nejm.org/doi/pdf/10.1056/NEJMSa1202099>

overcompensation to account for this cost-shifting was 18 percent.<sup>14</sup> That cost shift resulted in higher premiums in the private insurance market. According to one study, the average annual family premium increased by more than \$1,000 due to this cost-shifting.<sup>15</sup>

## Conclusion

Expanding Medicaid fills one of the gaps in health care coverage that the Affordable Care Act is designed to eliminate. The various pieces of health reform – tax credits, the health insurance exchange, the individual mandate, and Medicaid expansion – are designed to work together to create a health care system that greatly reduces the number of uninsured while also lowering the cost of health insurance. The sum of those programs is greater than the individual pieces. The reforms work best, by far, if all aspects are implemented. And Medicaid expansion is a key part of the overall reform.

This report shows that a majority of the people who would benefit from Medicaid expansion are people who work but don't earn enough money to buy private sector insurance.<sup>16</sup> Providing access to health care to 122,000 working Coloradans by expanding Medicaid will have widespread benefits throughout Colorado's economy. Not only will it provide those low-wage workers the peace of mind and physical well-being that most higher-income Coloradans already enjoy, but expanding Medicaid will also bolster some of the primary economic engines in Colorado because many of the people who benefit directly are employed in restaurants, ski resorts and key industries throughout the state. Failing to expand Medicaid to capture this critical population would undermine health care reform in Colorado.

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<sup>14</sup> Colorado Department of Health Care Policy and Financing. Hospital Provider Fee Oversight and Advisory Board. *Colorado Health Care Affordability Act, Annual Report*. N.p., 17 Jan. 2012. Web.

<sup>15</sup> *Hidden Health Tax: Americans Pay a Premium*. Rep. Families USA, May 2009. Web.

<sup>16</sup> The ACA requires states to extend Medicaid coverage to all those under 138% FPL, but the U.S. Supreme Court ruled that states may not be penalized for failing to do so. It is because the ACA assumed Medicaid expansion that premium tax credits for the purchase of private insurance are not available to those under 100% FPL.