

RESEARCH SUMMARY

How Did the ACA Affect Health Insurance Coverage in Kentucky?

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This research suggests that the integrity of the Kentucky Medicaid program is at risk. Following the Affordable Care Act expansion, Kentucky's Medicaid program exceeded new enrollment expectations. However, it appears the program exceeded expectations because of people who were not actually allowed to be on Medicaid—38 percent of new enrollees were not eligible for the program, according to American Community Survey data. ACA rules funneled ineligible people on to Medicaid by requiring them to estimate their future income—they evidently underestimated.

The 2014 ACS data leave many questions:

- Were ineligible new enrollees purposefully underestimating their future income?
- Are the ineligible new enrollees just a symptom of Medicaid expansion growing pains?
- Since 2014, has Kentucky improved enrollment to weed out ineligible enrollees?

To answer these questions and fully understand how Kentucky's Medicaid program is operating, deeper analysis of administrative data is needed. And then, if necessary, legislators have a number of policy tools to address underreporting of future income, including more vigilant real-time enforcement throughout the year or repayment of subsidies at the end of the year.

BACKGROUND

The 2014 rollout of the Affordable Care Act had several features to encourage health insurance coverage, including:

- The individual mandate, which requires everyone to have health insurance or pay a fine;
- Requirements for insurance companies to allow anyone to sign-up for a plan and pay the same price as everyone else regardless of health status;

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- The creation of the Health Insurance Marketplace (Exchange), which is aimed at helping people shop for and enroll in health insurance;
- Insurance subsidies for people with incomes between 100 and 400 percent of the Federal Poverty Level (use through the Exchange); and
- The Medicaid expansion for adults under age 65 with incomes below 138 percent of FPL.

Kentucky stands out for 1) being one of two southern states to expand Medicaid and 2) experiencing one of the largest increases in health insurance coverage. Using the American Community Survey, this exploratory study analyzes the sources of insurance coverage in Kentucky.

FINDINGS

From 2013 to 2014 the health insurance coverage of the Kentucky population increased by 5.7 percentage points (from 85.1% to 90.8%). Among the roughly 268,000 people who gained coverage, the overwhelming majority (85%) were adults aged 19–64. Both children and the elderly had only small increases in coverage.

Among adults, roughly 80 percent of the increase in insurance coverage came from Medicaid. Individual coverage accounted for most of the other sources. Using 2014 income reported in the American Community Survey, this exploratory study found:

- In Kentucky, 38 percent of new adult Medicaid recipients (73,000 people) had incomes exceeding the eligibility threshold (roughly \$33,000 for a family of four).
- Of those, 13,000 had incomes above 250 percent of the Federal Poverty Level (or nearly twice the income limit for Medicaid).
- Almost all ineligible, new participants qualify for private, non-group coverage and insurance subsidies.
- West Virginia also expanded Medicaid and had a large proportion (44%) of ineligible new enrollees.