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Medicaid Expansion In Opt-Out States Would Produce Consumer Savings And Less Financial Burden Than Exchange Coverage

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ABSTRACT In the twenty-three states that have decided against expanding Medicaid under the Affordable Care Act, uninsured adults who would have been eligible for Medicaid and have incomes at or above the federal poverty guidelines are generally eligible for Marketplace (insurance exchange) premium tax credits and plans with generous benefits. This study compared estimated out-of-pocket spending for care and premiums, as well as the financial burdens they impose, for the families of these adults under two simulation scenarios: obtaining coverage through a silver plan with subsidized cost sharing and enrolling in expanded Medicaid. Compared with Marketplace coverage, Medicaid would more than halve average annual out-of-pocket spending ($938 versus $1,948), while dramatically reducing the percentage of adults in families with out-of-pocket expenses exceeding 10 percent or 20 percent of income (6.0 percent versus 17.1 percent and 0.9 percent versus 3.7 percent, respectively). Larger reductions would be seen for families with smokers, who under Medicaid would no longer be subject to Marketplace tobacco user surcharges. Medicaid expansion may offer a greater opportunity than access to Marketplace insurance to promote the financial well-being of previously uninsured low-income adults.

As of December 2014 twenty-three states had decided against expanding Medicaid to nonelderly adults who have incomes of no more than 138 percent of the federal poverty guidelines and who are not enrolled in Medicare. Poor adults in these states will continue to have very limited access to Medicaid, because generally these states have low income eligibility thresholds, and only two of them offered Medicaid coverage to any childless adults without disabilities in 2014.[1,2] However, those adults with incomes at or above poverty who lack access to affordable insurance elsewhere are now eligible for premium tax credits in the insurance exchanges, or Marketplaces, created by the Affordable Care Act (ACA). Indeed, the availability of subsidized private insurance is a potential rationale for states not to expand Medicaid.

Previously uninsured adults who gain coverage through either the Marketplaces or Medicaid would be able to obtain more care than they had when uninsured, and both the Marketplaces and Medicaid would limit their cost sharing. However, the cost-sharing provisions differ between the programs. For adults with incomes above poverty, federal Medicaid regulations limit copayments for prescription drugs, allow coinsurance rates for services of up to 10 percent, and cap out-of-pocket spending at 5 percent of income ($805 in 2014, for a single person with an income equal to 138 percent of poverty). The Marketplaces subsidize cost sharing for low-income adults who select silver plans, but the

details vary across plans. In 2014, for families with incomes of less than 150 percent of poverty in states not expanding Medicaid, the lowest-premium silver plans for nonsmokers had $250 median deductibles and $500 median out-of-pocket maximums for single coverage; those amounts were double or more for family coverage.[3,4]

In a previous study, Sarah Nowak and colleagues simulated 2016 premiums, plan benefits, and out-of-pocket spending for consumers with incomes of 100–138 percent of poverty in Texas and Florida, two states that are not expanding Medicaid.[5] For the uninsured who were predicted to purchase Marketplace insurance, simulated average annual out-of-pocket spending was much higher for them if they enrolled through exchanges than if they were able to enroll in Medicaid: less than $50 in Medicaid compared with over $1,900 in exchanges. This difference mainly reflected Marketplace premiums (even after accounting for the tax credits), as well as higher out-of-pocket spending on medical care with Marketplace coverage. Among the broader population of all nonelderly adults and children with incomes of 100–138 percent of poverty in these states, the percentage whose out-of-pocket exceeded 10 percent of family income would also be lower if Texas and Florida expanded Medicaid.

The present study used data from the the Medical Expenditure Panel Survey (MEPS) to describe the pre-ACA out-of-pocket spending of uninsured adults who gained eligibility for Marketplace coverage because their states did not expand Medicaid. Then it used MEPS, Marketplace premiums, and Medicaid and Marketplace cost-sharing provisions to simulate out-of-pocket spending on health care and premiums under two scenarios: First, these adults purchased subsidized Marketplace insurance; and second, their states expanded Medicaid eligibility and these adults enrolled in that program. To measure the risk families face for high out-of-pocket spending, financial burdens were simulated as the percentage of previously uninsured adults in families likely to spend more than 10 or 20 percent of family income on health care and premiums. Three comparisons of average out-of-pocket spending and financial burdens were made: first, pre-ACA and if insured by the lowest-cost Marketplace silver plan; second, pre-ACA and if insured by Medicaid; and third, insured by Medicaid versus the Marketplaces.

The present study extends and updates the analysis by Nowak and coauthors[5] in a number of ways. First, it examined adults in all states that have no plans to expand Medicaid, not just in the two largest states. Second, actual pre-ACA out-of-pocket spending was measured. Third, 2014 Marketplace premiums and benefits, instead of predicted premiums and benefits, were used. Fourth, more recent regulations on Medicaid cost sharing were used to simulate out-of-pocket spending. Fifth, the analysis included out-of-pocket spending on adult dental care and thus goes beyond covered services that are essential benefits in both private and Medicaid coverage.

Sixth, this study analyzed two subgroups of particular interest, smokers and adult tax dependents, for the following reasons. The tobacco use surcharge on plans in the Marketplaces is an important source of cost variation. All of the states that have not expanded Medicaid allow such surcharges, which are typically about 15 percent above the premiums of adults who do not use tobacco.[6] Premium tax credits do not apply to the surcharges, and the analysis in this article shows that the cost of silver plans can be prohibitively expensive for some smokers.

The ACA directly assists adult tax dependents, such as unemployed adult children and other relatives with no or very low income, through expanded Medicaid eligibility. The act also gives young adults access to a parent's employer-sponsored insurance. Moreover, the Medicaid expansion, like other health care and cash assistance programs, also indirectly benefits taxpayers who might otherwise become impoverished by supporting family members in difficult circumstances. In states that do not expand Medicaid or cover childless adults, however, being claimed as a dependent by a taxpayer is the unemployed adult's only route to subsidized insurance in the Marketplaces, because the unemployed adult's own income is below 100 percent of poverty, the threshold for tax credits. By analyzing the impact of out-of-pocket spending for adult tax dependents on their families' financial well-being—that is, the spending's financial burden—this study assesses the indirect impact on these taxpayers.

Study Data And Methods

MEDICAL EXPENDITURE PANEL SURVEY The sample was drawn from MEPS, a nationally representative household survey conducted by the Agency for Healthcare Research and Quality.[7] MEPS collects household reports of details about family structure, income, sources of insurance, and service use, which are supplemented by payment data from hospitals, physicians, and pharmacies. MEPS also asks each adult sample member, "Do you currently smoke?"

Six years of MEPS data, for the period 2005–10, were pooled to obtain adequate sample sizes to produce estimates for the relatively small pop-

ulation with the program eligibility and state of residence for this study. Expenditures were inflated to 2014 dollars using the Personal Health Care Expenditure Price Index of the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary, trended forward to 2014.

INCOME Modified adjusted gross income was simulated as of the first MEPS interview of the calendar year using detailed information about sources of income and family structure, and the final regulations from CMS and the Internal Revenue Service (IRS).[8,9] Eligibility for Medicaid and premium tax credits are both based on modified adjusted gross income. However, related adults can be in different family units for determining modified adjusted gross income for Medicaid and for tax credits.

In Medicaid, parents are not financially responsible for adult children, and adult family members are not financially responsible for each other except by marriage. Thus, Medicaid eligibility for a related adult is determined based on the relative's income, and Medicaid eligibility can vary within extended families.

In contrast, eligibility for premium tax credits is based on the family unit that includes the taxpayer and all of his or her tax dependents. A co-residing relative who is unemployed or has a very low income can be claimed as a dependent under IRS rules, which reduces taxes through exemptions. In addition, claiming the relative can qualify the family for more generous premium tax credits. (Tax credits are larger for families with lower incomes relative to the federal poverty guidelines, which increase with family size.) Tax filers were assumed to claim co-residing relatives as dependents when doing so would maximize family members' eligibility for affordable coverage and minimize tax burdens.

SAMPLE There were 1,591 adults ages 19–64 who were present at the first MEPS interview and met the following criteria: They responded to the pen-and-paper supplement; resided in one of the twenty-three states that decided against expanding Medicaid; would be eligible for Medicaid if it were expanded; had modified adjusted gross incomes for tax credits that were at least 100 percent of poverty; were uninsured for the full year; and were not offered employer-sponsored insurance through their own, a spouse's, or co-residing parents' employers (if the sample member was younger than age twenty-six). For details about the sample selection and affordable offers of employer-sponsored insurance, see the online Appendix.[10] Almost everyone offered employer-sponsored insurance is ineligible for premium tax credits in the Marketplaces.[11] The study excluded immigrants who were ineligible for either Medicaid or premium tax credits. It focused on people who were uninsured for all of a calendar year to compare simulated spending with actual spending by the uninsured before the ACA.

SIMULATION METHODS Two components of out-of-pocket spending in the Marketplaces—premiums and spending on care—were simulated. Consistent with the most popular Marketplace choice,[12] every uninsured adult was assumed to enroll in the silver plan with the lowest premium for his or her state, county, age, and smoking status. Premium and subsidized cost-sharing provisions came from CMS.[3] Out-of-pocket premiums were premiums less tax credits, calculated based on each family's modified adjusted gross income and the second-lowest-cost silver plan in the county (excluding the tobacco use surcharge). The study assumed that these low-income families did not purchase dental coverage.[13]

Three steps were taken to simulate out-of-pocket spending on care. First, regression methods were used to predict service use and total spending on care. Second, cost-sharing parameters, such as drug copayments, were applied to these predictions. Third, out-of-pocket maximums were imposed. For example, in plans where inpatient and emergency department services were the patient's full responsibility before the deductible, out-of-pocket spending included predicted spending on these services below the deductible and spending above the deductible multiplied by the coinsurance rate, up to the out-of-pocket maximum.

An upper bound on out-of-pocket spending in Medicaid was simulated using the maximum cost sharing allowed in regulations and assuming that adult dental care would not be covered. Out-of-pocket spending in Medicaid was simulated using the same methods as for Marketplace spending. The simulation accounted for the ACA's elimination of cost sharing for certain preventive services for both Medicaid and Marketplace coverage.

The analysis included family members of the study population, because families typically share financial resources. Furthermore, both Medicaid and the Marketplaces cap out-of-pocket spending for all covered family members at the family level. In the simulations, uninsured adult family members and those who had nongroup coverage before the ACA would obtain Medicaid or Marketplace coverage, and children without access to a family member's employer-sponsored insurance would obtain Medicaid. Actual out-of-pocket spending was used for other family members. (For details about the simulation methods, see the Appendix.)[10]

FINANCIAL BURDEN To assess the risk families

face for high out-of-pocket spending, the ratio of family spending to family income was calculated. *High financial burdens* were defined as spending more than 10 or 20 percent of gross family income on health care and premiums. These thresholds, which were used in the previous literature,[14,15] represent two points on the upper tail of the distribution of spending that are likely to be financially burdensome. (For details on the simulation of the risk for high financial burdens, see the Appendix.)[10]

Measuring financial burden at the family level was important, because when family members had different sources of insurance, program parameters designed to cap out-of-pocket spending had less impact. For example, out-of-pocket spending for family members with employer-sponsored insurance was part of family out-of-pocket spending, but the out-of-pocket limit for an adult tax dependent in Medicaid or the Marketplaces did not apply to his or her family members who had employer-sponsored insurance.

STATISTICAL METHODS Estimates were weighted to represent the average annual civilian noninstitutionalized US population in the study period, 2005–10. Tests for difference in means were used for three comparisons of out-of-pocket spending and financial burdens: first, pre-ACA and if insured by the lowest-cost Marketplace silver plan; second, pre-ACA and if insured by Medicaid; and third, insured by Medicaid versus the Marketplaces. These tests were conducted for the overall sample and for these subpopulations: adults in families with no smokers eligible for the Marketplace tax credits, adults in families with at least one family member eligible for the Marketplace tax credits, and adults who were and were not tax dependents. Statistical tests accounted for the complex sample design of MEPS, but not for the variation associated with the simulation methods. All comparisons discussed in the text are significant ($p \leq 0.05$).

LIMITATIONS There were several limitations to this study. First, eligibility was measured at a single point in time, and eligibility for Medicaid and the level of premium tax credits may fluctuate during a given year. Second, the estimates might be sensitive to macroeconomic and demographic trends, which were not projected. Third, pent-up demand for care by the uninsured was not modeled.

Fourth, spending was simulated as if all eligible adults enrolled for coverage under the two alternative post-ACA scenarios. The simulation did not assess which adults would enroll in Marketplace plans, including bronze plans, or which would enroll in Medicaid if it were available.

Fifth, the MEPS measure of smoking does not align perfectly with the definition of tobacco use for the surcharge, which includes both smoking and using smokeless tobacco. However, the use of smokeless tobacco is much less prevalent than smoking.[16]

Sixth, the simulations of out-of-pocket spending in the Marketplace were based on service use and total spending for low-income people with employer-sponsored insurance from large employers. Differences between Marketplace plans with subsidized cost sharing and employer-sponsored plans may be important. (For a detailed discussion of this limitation, see the Appendix.)[10] Seventh, the simulation of out-of-pocket spending in Medicaid expansions could not anticipate states' decisions, if they were to expand, on cost sharing, premiums, and demonstration waivers.

Study Results

POPULATION CHARACTERISTICS On average, in 2005–10, 1.9 million uninsured adults (95% confidence interval: 1.7, 2.1) resided in states that did not expand Medicaid, would be eligible for Medicaid if it were expanded, and gained access to Marketplace coverage because their states did not expand Medicaid. Specifically, they were eligible for Marketplace coverage because they lacked access to employer-sponsored insurance. To facilitate comparisons with pre-ACA out-of-pocket spending, the rest of the analysis focused on adults who were uninsured for all of a given year and were not offered employer-sponsored insurance.

Many of these uninsured adults had health problems. More than half had at least one chronic condition (Exhibit 1). It is not surprising that 37.1 percent reported smoking, because smoking is more prevalent among lower-income populations than among others.[17]

Many of these uninsured adults had family members with insurance or had family members who would not be eligible for Medicaid if eligibility were expanded. Of the adults, 18.1 percent had a family member with employer-sponsored insurance or Medicare (Exhibit 1). The simulation estimated that 28.9 percent were dependents of a taxpayer who was not a spouse. Tax dependents' Medicaid modified adjusted gross incomes were very low, averaging 17 percent of poverty (data not shown). Despite these low income levels, the dependents were not eligible for Medicaid before the ACA because they did not have minor children. In contrast, dependents' modified gross income levels for determining eligibility for tax credits could be high, because they were based on the taxpayers' incomes: 41.3 percent had incomes of 150–250 percent of poverty, and 32.4 percent had incomes of

more than 250 percent of poverty (data not shown).

Nonetheless, average annual family income was low—just $25,600—among this population (Exhibit 1). Other characteristics are shown in the Appendix.[10]

OVERALL SAMPLE Before the ACA these uninsured adults' families spent, on average, $1,068 annually for the adults and other uninsured family members' medical care and drugs and for uninsured children's dental care (Exhibit 2). The adults also had dental care, and some had other family members with private insurance or Medicare. Total family out-of-pocket spending averaged $1,651. Out-of-pocket spending exceeded 10 percent of family income for 17.3 percent of these adults, and it exceeded 20 percent of family income for 9.3 percent.

If these families enrolled in Marketplace silver plans with the lowest premiums, they would use more care. In that case, their average cost sharing for care covered by the plans would be $569, but their annual premiums would average $1,081 (Exhibit 2). Annual spending on family members with other insurance would decline, because those with nongroup coverage before the ACA would purchase Marketplace plans and children without access to a parent's employer-sponsored insurance would obtain Medicaid. Average total out-of-pocket spending would be greater than before the ACA, but financial burdens would be similar or decline. Before the ACA the uninsured were responsible for paying for all of their care, putting them at risk for financial burdens. Marketplace plans, however, cap out-of-pocket spending on care. Thus, out-of-pocket spending on health care and premiums would exceed 20 percent of family income for 3.7 per-

EXHIBIT 1

Characteristics Of Uninsured Adults Gaining Eligibility For Marketplace Coverage Because Their States Did Not Expand Medicaid, 2005–10

Characteristic	Average annual estimate
Percent with chronic conditions	
Active asthma	3.7
Arthritis	27.6
Diabetes	6.2
Heart disease	8.4
High blood pressure	19.3
High cholesterol	16.3
Obesity	29.6
Emphysema or stroke	4.1
At least one chronic condition	55.2
Smoker (%)	37.1
Family includes a smoker eligible for Marketplace subsidies (%)	42.6
Has family member with ESI or Medicare (%)	18.1
Is a dependent of a taxpayer other than a spouse (%)	28.9
Family income (mean, thousands)	$25.6

SOURCE Author's analysis of data from the Medical Expenditure Panel Survey, 2005–10. **NOTES** There were 1,466 sample members. Obesity is based on body mass index, calculated from reported height and weight. The presence of other conditions is based on whether a doctor ever told the sample member that she or he had the condition. ESI is employer-sponsored insurance.

EXHIBIT 2

Actual And Simulated Out-Of-Pocket Spending By Families Of Uninsured Adults Gaining Eligibility For Marketplace Coverage Because Their States Did Not Expand Medicaid, 2005–10

	Average annual estimate			
		Simulations		
	Actual pre-ACA (uninsured)	Insured with lowest-cost Marketplace silver plan	Insured under Medicaid expansion	Significance of Marketplace-Medicaid differences
Average out-of-pocket spending on:				
Care for adult and family members with the same insurance status[a]	$1,068	$ 569***	$234***	***
Silver plan premium	—[b]	1,081	—[b]	
Family members with other insurance	481	196***	602**	***
Adult dental	101	101	101	
Total	1,651	1,948**	938***	***
Percent whose spending exceeds:				
10% of family income	17.3	17.1	6.0***	***
20% of family income	9.3	3.7***	0.9***	***

SOURCE Author's analysis of data from the Medical Expenditure Panel Survey, 2005–10. **NOTES** There were 1,466 sample members. The Marketplace simulation assumed that all newly eligible adults enrolled in the silver plan with the lowest premium in their county. Out-of-pocket spending was inflated to 2014 dollars using the Personal Health Care Expenditure Price Index of the Office of the Actuary at the Centers for Medicare and Medicaid Services, trended forward to 2014. Spending categories may not sum to total because of rounding. In the first two columns under Simulations, significance indicated by asterisks denotes the simulation compared with pre–Affordable Care Act (ACA). [a]Medical care, prescription medications, and pediatric dental care for the sample member and his or her family members with the same actual or simulated insurance status. [b]Not applicable. **$p < 0.05$ ***$p < 0.01$

cent of adults, in contrast to 9.3 percent before the ACA (Exhibit 2).

If these states expanded Medicaid—even if they imposed the highest cost sharing allowed—these families' cost sharing for Medicaid services would be $234 per year, on average (Exhibit 2). Total annual out-of-pocket spending would average $938, 57 percent of the average spending before the ACA. Compared with silver plans, expanding Medicaid would more than halve both out-of-pocket spending and the risk for high burdens, and premiums are a key reason for higher spending in the Marketplaces.

The risk for spending more than 10 percent of income on premiums and care would be 6.0 percent in Medicaid, in contrast to 17.3 percent when uninsured before the ACA. Although Medicaid caps out-of-pocket spending on covered services at 5 percent of income, adult dental care and family members with other sources of insurance account for out-of-pocket spending above the Medicaid cap. Subgroup analyses illuminate additional factors behind these patterns.

SUBSAMPLES BY SMOKING STATUS Exhibit 3 shows actual and simulated family out-of-pocket spending according to whether or not the family includes a smoker who is eligible for Marketplace subsidies. As noted above, premiums are higher for smokers than for nonsmokers, and tax credits do not reduce the tobacco user surcharge. Thus, adults with one or more family members who smoke face much higher average out-of-pocket premiums for lowest-cost Marketplace silver plans: $1,599 annually, compared with $698 for adults whose families do not include a smoker. For adults in families without smokers, Marketplace premiums would roughly equal savings in other areas. That is, such families would have total annual out-of-pocket spending of $1,447, compared with $1,455 before the ACA.

Because of variation in tobacco use surcharges across plans, smokers and nonsmokers sometimes have different lowest-cost silver plans.

EXHIBIT 3

Actual And Simulated Out-Of-Pocket Spending By Families Of Uninsured Adults Gaining Eligibility For Marketplace Coverage Because Their States Did Not Expand Medicaid, By Smoking Status, 2005–10

	Average annual estimate			
		Simulations		
	Actual pre-ACA (uninsured)	Insured with lowest-cost Marketplace silver plan	Insured under Medicaid expansion	Significance of Marketplace-Medicaid differences
FAMILY HAS NO SMOKERS ELIGIBLE FOR THE MARKETPLACE TAX CREDITS				
Average out-of-pocket spending on:				
Care for adult and family members with the same insurance status[a]	$ 938	$ 497***	$234***	***
Silver plan premium	—[b]	698	—[b]	
Family members with other insurance	438	173***	453	***
Adult dental	79	79	79	
Total	1,455	1,447	766***	***
Percent whose spending exceeds:				
10% of family income	15.4	8.4***	3.7***	***
20% of family income	7.1	1.2***	0.5***	**
FAMILY HAS AT LEAST ONE MEMBER WHO IS A SMOKER ELIGIBLE FOR THE MARKETPLACE TAX CREDITS				
Average out-of-pocket spending on:				
Care for adult and family members with the same insurance status[a]	$1,243	$ 666***	$ 233***	***
Silver plan premium	—[b]	1,599	—[b]	
Family members with other insurance	539	228***	804**	***
Adult dental	133	133	133	
Total	1,915	2,625***	1,169***	***
Percent whose spending exceeds:				
10% of family income	19.8	28.9**	8.9***	***
20% of family income	12.3	7.2*	1.4***	***

SOURCE Author's analysis of data from the Medical Expenditure Panel Survey, 2005–10. **NOTES** For families with no smokers, $n = 951$. For families with at least one smoker, $n = 515$. The Marketplace simulation assumed that all newly eligible adults enrolled in the silver plan with the lowest premium in their county. Out-of-pocket spending was inflated to 2014 dollars using the Personal Health Care Expenditure Price Index of the Office of the Actuary at the Centers for Medicare and Medicaid Services, trended forward to 2014. Spending categories may not sum to total because of rounding. In the first two columns under Simulations, significance indicated by asterisks denotes the simulation compared with pre–Affordable Care Act (ACA). [a]Medical care, prescription medications, and pediatric dental care for the sample member and his or her family members with the same actual or simulated insurance status. [b]Not applicable. *$p < 0.10$ **$p < 0.05$ ***$p < 0.01$

The lowest-premium plans for smokers tend to have higher deductibles and out-of-pocket maximums. If families with smokers enroll in silver plans, then their premiums would exceed the reduction in out-of-pocket spending for care. Therefore, average total family out-of-pocket spending would rise to $2,625 from $1,915 before the ACA (Exhibit 3).

The difference in premiums and benefits by smoking status has a large impact on financial burdens. For families without smokers, enrolling in the Marketplaces would have little impact on average total out-of-pocket spending but would reduce the risk of spending more than 10 percent of family income on health care and premiums (Exhibit 3). For families with smokers, enrolling in the Marketplaces would increase the risk of spending more than 10 percent of family income on health care and premiums. For both groups, enrolling in the Marketplaces would decrease the risk for spending more than 20 percent of family income on health care and premiums.

Both groups would experience reduced out-of-pocket spending and financial burdens if their states expanded Medicaid. For adults in families with smokers, 28.9 percent would spend more than 10 percent of family income on health care and premiums in Marketplace silver plans, compared with 8.9 percent in Medicaid (Exhibit 3), a 69 percent decrease.

SUBSAMPLES BY TAX DEPENDENCY Adult tax dependents would have high spending and burdens in the Marketplaces, because often their modified adjusted gross incomes for tax credits were too high to qualify for cost sharing subsidies (Exhibit 4). Out-of-pocket premiums for silver plans would average $2,376, cost sharing for care would average $1,101, and total family out-of-pocket spending would be higher than before the ACA. In contrast, out-of-pocket spending would not rise for adults who were not tax dependents.

Options for reducing burdens are limited. En-

EXHIBIT 4

Actual And Simulated Out-Of-Pocket Spending By Families Of Uninsured Adults Gaining Eligibility For Marketplace Coverage Because Their States Did Not Expand Medicaid, By Whether The Adult Is A Tax Dependent, 2005–10

	Average annual estimate			
		Simulations		
	Actual pre-ACA (uninsured)	Insured with lowest-cost Marketplace silver plan	Insured under Medicaid expansion	Significance of Marketplace-Medicaid differences
ADULT IS NOT A TAX DEPENDENT				
Average out-of-pocket spending on:				
Care for adult and family members with the same insurance status[a]	$1,006	$ 352***	$307***	***
Silver plan premium	—[b]	554	—[b]	
Family members with other insurance	180	81***	76***	
Adult dental	77	77	77	
Total	1,263	1,065	460***	***
Percent whose spending exceeds:				
10% of family income	16.4	11.6**	2.7***	***
20% of family income	9.4	2.4***	0.2***	***
ADULT IS A TAX DEPENDENT				
Average out-of-pocket spending on:				
Care for adult and family members with the same insurance status[a]	$1,220	$1,101	$ 53***	***
Silver plan premium	—[b]	2,376	—[b]	
Family members with other insurance	1,221	479***	1,895***	***
Adult dental	161	161	161	
Total	2,602	4,117***	2,109*	***
Percent whose spending exceeds:				
10% of family income	19.5	30.6**	14.0*	***
20% of family income	9.2	7.1	2.7***	***

SOURCE Author's analysis of data from the Medical Expenditure Panel Survey, 2005–10. **NOTES** For adults who are not tax dependents, $n = 1,112$. For adults who are tax dependents, $n = 354$. The Marketplace simulation assumed that all newly eligible adults enrolled in the silver plan with the lowest premium in their county. Out-of-pocket spending was inflated to 2014 dollars using the Personal Health Care Expenditure Price Index of the Office of the Actuary at the Centers for Medicare and Medicaid Services, trended forward to 2014. Spending categories may not sum to total because of rounding. In the first two columns under Simulations, significance indicated by asterisks denotes the simulation compared with pre–Affordable Care Act (ACA). [a]Medical care, prescription medications, and pediatric dental care for the sample member and his or her family members with the same actual or simulated insurance status. [b]Not applicable. *$p < 0.10$ **$p < 0.05$ ***$p < 0.01$

rolling in bronze plans with the lowest premiums would reduce average out-of-pocket premiums to $1,450 for adult tax dependents. However, cost sharing is not subsidized in bronze plans, and deductibles averaged $5,952 for individuals (data not shown). A second option would be not to claim the adult as a dependent, but there are two drawbacks. First, the adult would be ineligible for both Medicaid and Marketplace coverage. Second, the families in this analysis increased their premium tax credits by claiming the adult as a dependent.

If states expanded Medicaid eligibility, then adult tax dependents could enroll in Medicaid. Cost sharing for Medicaid services would be especially low, averaging $53 (Exhibit 4). This is because federal regulations limit cost sharing even more for adults with incomes below poverty, compared with adults with incomes above poverty, and because the cap on out-of-pocket spending would be based on the dependent's low income. Other family members would not be eligible for Medicaid, and their out-of-pocket costs would fall in the category of "family members with other insurance" ($1,895). In contrast, in the Marketplace scenario, many family members also had Marketplace coverage ($1,101). Compared with the Marketplace scenario, total family out-of-pocket spending would decrease from $4,117 to $2,109, on average, for tax dependents if states expanded Medicaid. The risk of spending more than 10 percent of income would also decrease, from 30.6 percent to 14.0 percent.

Discussion

This study simulated potential differences in out-of-pocket spending for uninsured adults gaining eligibility for Marketplace coverage because their states have not used the provisions of the ACA to expand Medicaid. Compared with being uninsured and with having a Marketplace silver plan, being able to take advantage of expanded Medicaid would reduce average out-of-pocket spending for these adults and their families. In addition, expanding Medicaid would greatly reduce financial burdens by removing Marketplace premiums and capping out-of-pocket spending at 5 percent of income for all enrolled family members.

Recent trends suggest potential reductions in financial burdens for low-income populations. Between January and December 2014, three additional states (Michigan, New Hampshire, and Pennsylvania) decided to expand Medicaid under the ACA, and Medicaid enrollment has increased, especially in states that expanded Medicaid.[18] There is no deadline for states to decide whether to expand Medicaid. If additional states opt to expand Medicaid in the future, then consumers' risk of financial burdens may be reduced.

This study reached the same conclusions as Nowak and colleagues:[5] If states that previously decided not to expand Medicaid changed that decision, low-income consumers eligible for subsidized Marketplace coverage would have lower out-of-pocket spending, and there would be reductions in financial burden for low-income consumers. Estimated out-of-pocket spending in Medicaid was, as expected, higher than previously simulated, because this study used the maximum Medicaid cost sharing allowed. Estimated premiums were lower in this study, because actual 2014 premiums were used, instead of the simulated premiums in 2016 used by Nowak and colleagues.[5]

TOBACCO USER SURCHARGE Tobacco user surcharges make Marketplaces less attractive for low-income smokers. Among adults who smoked or had a smoker in the family who was eligible for a premium tax credit, 28.9 percent would spend more than 10 percent of family income if they selected the lowest-cost silver plan (Exhibit 3). Savings from subsidized cost sharing and premium tax credits can be overwhelmed by tobacco use surcharges. Families including a smoker might consider bronze plans as a way of reducing costs, but cost sharing is not subsidized in those plans.

Encouraging people to obtain insurance coverage may facilitate reducing tobacco use. Both Medicaid expansions and the Marketplaces cover tobacco cessation as a preventive service.[19] Marketplace premiums, without subsidies to offset tobacco user surcharges, may discourage enrollment by the low-income population in this study in insurance that provides cessation services. Medicaid expansions, which limit out-of-pocket premiums and cost sharing to 5 percent of income, are likely to be more attractive for this population and may thereby improve access to cessation services.

Prohibiting or constraining tobacco surcharges could also encourage Marketplace enrollment and improve smokers' access to services. Ten states have imposed limits on tobacco surcharges, and all ten have expanded Medicaid—thus, adults in those states were excluded from this study.[20] However, prohibiting or constraining tobacco surcharges would raise premiums for nonsmoking enrollees.[21]

TAX DEPENDENTS AND FAMILY MEMBERS WITH DIFFERENT SOURCES OF INSURANCE Financial burdens are also affected by having family members in different programs, because each program's cap on spending covers only some family

members. A substantial minority of adults in this study had family members who had employer-sponsored insurance or other coverage.

Some taxpayers provide financial support for adults with little or no income—such as unemployed adult children, unmarried partners, and other relatives—and the dependent adult is often eligible for insurance through the Marketplace. The Marketplace is an option when an adult child has aged out of eligibility for coverage through the taxpayer's employer or if the taxpayer is not offered affordable employer-sponsored insurance.

In states without Medicaid expansions and not covering childless adults, claiming the adult as a tax dependent is the adult's only route to subsidized insurance in the Marketplace, because the adult's own income is below 100 percent of poverty—the threshold for tax credits. The taxpayer's income, on the other hand, can be high, resulting in low tax credits and high out-of-pocket premiums in the Marketplace. Expanding Medicaid eligibility can reduce these families' risks of financial burdens.

MEDICAID DEMONSTRATION WAIVERS Some states have used demonstration waiver programs in their Medicaid expansions, and some states that opt to expand coverage in the future may also do so. Arkansas and Iowa used waivers to enroll beneficiaries with modified adjusted gross incomes above poverty in Marketplace plans.[22] Iowa, Michigan, and Pennsylvania have programs that charge or will charge premiums for beneficiaries with modified adjusted gross incomes above poverty, and these states reduce premiums or cost sharing for beneficiaries who undertake health improvement activities.[22–24] This study did not assess financial well-being when states use waiver programs to expand Medicaid, but in all fifty states, spending on premiums and cost sharing is capped at 5 percent of income, which greatly reduces the risk of financial burdens. While financial impacts will likely vary by beneficiaries' willingness to engage in healthy behaviors and other activities, overall burdens may be low because of the cap.

UNANSWERED QUESTIONS Additional research is needed not only on out-of-pocket cost differences between the Marketplaces and Medicaid, but also on differences in access to care and health impacts. Some physicians do not accept new Medicaid patients,[25] but some Marketplace plans have narrow networks of providers. Furthermore, there have been anecdotes about access being reduced by high cost sharing in Marketplace plans.[26] However, information is lacking on the experiences of low-income adults enrolled in plans with subsidized cost sharing.

Conclusion

The Affordable Care Act's Marketplaces offer generous benefits to low-income uninsured adults who gain eligibility for Marketplace coverage because their states have not exercised the ACA provision to expand Medicaid. Nevertheless, these adults would likely have lower out-of-pocket spending if states' decisions not to expand were reversed. Compared with making silver plans with subsidized cost sharing available to newly eligible uninsured adults, expanding Medicaid would also dramatically reduce the risk of their having to devote more than 10 percent of their income to out-of-pocket spending for care and premiums. Medicaid expansion may therefore offer the greater opportunity to promote their financial well-being. ■

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NOTES

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