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Rural Implications of Medicaid Expansion under the Affordable Care Act

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Introduction

In order for the Affordable Care Act (ACA) Medicaid expansion to effectively meet the needs of rural populations, implementation will need to be based on the underlying differences in rural and urban populations and on the unique needs of rural residents and health systems. Missing information that is critical to informing ACA implementation includes: the extent to which prior public health insurance expansions have covered rural populations; whether rural residents who are expected to be newly eligible for Medicaid in 2014 differ from their urban counterparts; the extent to which rural individuals might differentially benefit from the ACA Medicaid expansion in light of the expansion becoming optional; and whether rural enrollees are likely to have adequate access to primary care. This study addresses these knowledge gaps using the 2007-2011 panels of the Medical Expenditure Panel Survey (MEPS), linked with state-level Medicaid policy data and county-level primary care provider data.

Background

In the years preceding ACA implementation, state Medicaid and/or Children’s Health Insurance Programs (CHIP) varied in the extent to which they included parents, the income levels at which parents were eligible, and the extent to which eligible parents enrolled. By 2011, 24 states covered parents through a combination of CHIP, Section 1115 Research & Demonstration waivers, and state-funded programs. More than 20 states also used waivers or state funds to cover non-disabled childless adults, although benefits varied among states, ranging from full Medicaid benefits to limited benefits to premium assistance programs for adults who met narrow criteria (Kaiser Commission on Medicaid and the Uninsured 2014). Among states without coverage expansions, access to Medicaid was often restricted to working parents with extremely low incomes (as little as 20% FPL) and typically excluded childless adults altogether (Rosenbaum 2009).

Shortly after passage of the ACA, policy experts began to help states plan for Medicaid expansion by estimating the likely cost of adding new adult enrollees. These studies were somewhat limited because they used current Medicaid enrollees to project costs (e.g., Natoli, Chech, & Verghese 2011) instead of using individuals who were eligible but not enrolled or individuals who would be newly
eligible under the ACA eligibility expansions—two
groups that could differ substantially from those who
were already enrolled in Medicaid. Some experts have
argued that the uninsured are generally healthier
than Medicaid enrollees, so new enrollees’ service
use should be lower than for current Medicaid
participants (Ku 2010). More recent studies
confirmed the notion that potential eligibles are
healthier than current Medicaid enrollees, yet rural-
urban differences remain unknown (Chang & Davis

Previous studies have also not fully assessed the
extent to which rural individuals might differentially
benefit from the ACA Medicaid expansion in light
of the expansion becoming optional. When the ACA
was passed, rural health policy experts suggested
that individuals living in rural areas were most likely
to benefit from expansion given their generally
lower incomes and higher uninsured rates (Coburn,
Lundblad, MacKinney, McBride, & Mueller 2010;
Lenardson, Ziller, Coburn, & Anderson 2009).
However, with the Medicaid expansion becoming
a state option, the impact on rural access to health
insurance coverage is unclear.

Finally, while researchers have begun assessing state-
level provider capacity to serve new enrollees, the
adequacy of the rural provider supply has not been
evaluated. Ku et al., document large differences in
primary care capacity across states and speculate
that inner cities and rural areas may be at high risk
of poor provider availability (2011). However, the
authors did not empirically test this assumption and,
while they note that states with high uninsurance
rates also have a lower primary care supply, they did
not assess the extent to which rural communities
may be affected.

Methods
This study examines the characteristics of low-
income rural and urban adults potentially eligible
for Medicaid under the ACA (i.e., those who were
previously eligible but not enrolled and those
who are newly eligible under the ACA Medicaid
expansion) by linking data from the 2007-2011
Medical Expenditure Panel Survey (MEPS) with
state-level Medicaid policy data from the Kaiser
Commission on Medicaid and the Uninsured and
data on county-level primary care provider supply
and safety net programs from the Area Resource
File (ARF). The analysis was limited to non-elderly
adults (ages 19 to 64) with incomes below 138
percent FPL who were U.S. born and did not have
private insurance or Medicare. The resulting sample
consisted of nearly 11,000 individuals, of whom
roughly 2,200 (22%) lived in a rural area.

The analysis sought to (1) differentiate between
current and potential Medicaid enrollees; (2)
establish which potential enrollees lived in expansion
versus non-expansion states; and (3) describe the
characteristics of each enrollee group. Findings are
based on bivariate statistical analyses, which assessed
the differences between current and potential
Medicaid enrollees by residence and between rural
potential enrollees living in expansion versus non-
expansion states.

Findings
Assuming Full Participation, Rural Residents
Would Benefit More than Urban Residents
from Medicaid Expansion
Prior to ACA implementation, rural adults with
incomes below 138 percent FPL were somewhat
more likely than their urban counterparts to be
uninsured (45% versus 43%). As shown in Figure 1,
this small difference was driven primarily by lower
rates of Medicaid coverage among rural adults (21%
versus 25% urban), since rural adults in this income
group were slightly more likely than urban adults to
have private insurance or Medicare.

These rural-urban differences in Medicaid coverage
and uninsurance rates among low-income adults
likely reflect state differences in Medicaid policy
prior to the ACA. For example, during the study
period we found that only 18 percent of low-
income rural adults lived in states that had expanded
Medicaid to parents living at or above the poverty level, compared to 26 percent of low-income adults in urban areas. Among childless adults, there was no rural-urban difference in eligibility for Medicaid.

In addition to having slightly higher uninsurance rates among low-income adults, rural areas have a higher concentration of the uninsured living in the income range targeted by Medicaid expansion: 40 percent of uninsured adults in rural areas have incomes below 138 percent FPL compared to only 34 percent of those in urban areas. Thus, if all states expanded Medicaid and all eligible adults enrolled, the reduction in uninsurance rates would be greater in rural than urban areas.

Uninsured Low-Income Adults Are Generally Healthier than their Medicaid-Covered Counterparts, but with Rural-Urban Differences

Recent studies examining differences between individuals enrolled in Medicaid and other low-income adults who are uninsured have found the uninsured to be generally healthier than those with Medicaid coverage (Chang & Davis 2013; Hill, Abdus, Hudson, & Selden 2014). The results of this analysis support these findings for both rural and urban adults. Generally speaking, the health status of potentially eligible individuals differs from that of currently Medicaid enrollees in several key ways. In both rural and urban areas, potential enrollees (1) report themselves to be in fair or poor health less often than current enrollees; (2) report fewer chronic health conditions than current enrollees; and (3) are less likely to be obese than current enrollees. Rural potential enrollees are less likely to smoke than current enrollees (47% versus 54%), but in urban areas smoking rates are the same for both current and potential enrollees (approximately 42%).

Although our analysis indicates that potential Medicaid enrollees are in better health than current enrollees, potential enrollees living in rural areas are older (23% are aged 50 years or older in rural areas versus 19% in urban areas) and are more likely to have health problems than their urban counterparts. For example, 21 percent of rural potential enrollees report

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**Table 1: Health Insurance Coverage Among Rural and Urban Non-Elderly Adults Below 138% FPL (2007-2011)**

<table>
<thead>
<tr>
<th></th>
<th>Rural %</th>
<th>Urban %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Insurance</td>
<td>26.3</td>
<td>25.4</td>
</tr>
<tr>
<td>Medicaid</td>
<td>20.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Medicare</td>
<td>8.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Uninsured</td>
<td>45.3</td>
<td>43.2</td>
</tr>
</tbody>
</table>

Source: 2007-2011 Medical Expenditure Panel Survey (MEPS). Rural-urban difference significant at p < .05.

**Figure 2: Health Status of Potential Medicaid Enrollees**

- **Rural**
  - Fair/Poor Health: 21.4%
  - 2+ Conditions: 22.5%
  - Obese*: 34.0%

- **Urban**
  - Fair/Poor Health: 17.6%
  - 2+ Conditions: 29.7%
  - Obese*: 30.3%


*Rural-urban differences in obesity rate significant at p < 0.10; other differences significant at p < 0.05.

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The Affordable Care Act

Rural Implications of Medicaid Expansion under the Affordable Care Act
Rural residents are less likely to live in states that are expanding Medicaid

Although our findings suggest that low-income rural adults are more likely than their urban counterparts to benefit from full Medicaid expansion, our findings also suggest that the potential impact of the ACA is limited by the Supreme Court decision making the law’s Medicaid expansion optional for states. While 50 percent of urban low-income adults live in a state that is expanding its Medicaid program (as of January 2014), only 38 percent of rural low-income adults do (Figure 3). About 44 percent of all low-income rural adults live in a state with no plans to expand coverage in any form, compared to 35 percent of low-income adults in urban areas. However, four percent of low-income adults in rural areas live in a state that has opted to expand coverage through an alternative to Medicaid (e.g., Indiana has a waiver to enroll its low-income uninsured in a program akin to a health savings plan), compared to 2 percent of low-income adults in urban areas.

Rural uninsured in non-expansion states have lower access to safety net providers

Rural potential Medicaid enrollees have access to a smaller number of primary care providers per capita, irrespective of their state’s decision to expand Medicaid. In expansion states, the average number of primary care providers per 100,000 rural residents is 49.6, compared to 79.9 for urban residents. In non-expansion states, there are 58.1 providers per 100,000 people in rural areas and 70.0 providers in urban areas. This finding suggests that rural uninsured individuals who gain Medicaid under the ACA might still have lower access to primary care than their urban counterparts.

Access to health care is likely to be an even greater problem for potential enrollees
who live in rural areas in non-expansion states. Compared to their urban counterparts, the rural low-income uninsured are far less likely to live in a county with a formal safety net provider (Figure 4). These safety net providers have a mission to serve low-income populations regardless of their ability to pay and are a critical part of the health care infrastructure for both the uninsured and Medicaid enrollees. However, just 51 percent of individuals in rural areas have a federally qualified health center (FQHC) in their county, compared to 88 percent of individuals in urban areas. Similarly, only 12 percent of rural potential enrollees in non-expansion states have access to a community mental health center (CMHC), compared to 52 percent of their urban counterparts.

Conclusion

The findings from this study confirm that rural communities have much to gain from full Medicaid expansion under the ACA. Since their uninsured rates are higher than those in urban areas, and a greater concentration of their uninsured population falls within the ACA’s targeted income range, rural communities stand to see disproportionate coverage gains under Medicaid expansion. However, as of January 2014, low-income rural adults are less likely than their urban counterparts to live in a state that is expanding Medicaid (Kaiser Family Foundation 2014). As a result, the opportunity to eliminate the rural-urban gap in insurance coverage is unlikely to be realized unless additional states choose to participate in the future.

At the same time, primary care resources are more limited for rural potential Medicaid enrollees, in both expansion and non-expansion states. This suggests the need for high-level health resource planning to ensure that rural communities can better meet the primary care needs of their populations. This is particularly true for rural communities in non-expansion states, where a large portion of the low-income uninsured lack access to providers such as FQHCs and CMHCs that have a formal mission to serve underserved populations. Taken together, these findings suggest that the decision by some states to not expand Medicaid may increase disparities in access and uncompensated care burden for some rural populations and providers.

Suggested Citation

REFERENCES


