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A Healthier Labor Market for Iowa Report: Medicaid Expansion Would Produce Gains

IOWA CITY, Iowa (June 10, 2009) — Increasing health-coverage access by expanding Medicaid eligibility can expand workers' options for employment while improving income and long-term economic opportunity for low-income families.

Beth Pearson, co-author of a new report on impacts of Medicaid expansion for the nonpartisan Iowa Policy Project (IPP), said it is well-known that health insurance is critical to a family's health and economic security.

“What might be less obvious is that increasing access to health insurance can actually lead to higher incomes and employment, but that's exactly what we find in this report,” said Pearson, an IPP research associate.

“Low-income workers have very few options when it comes to health insurance in Iowa. This group has been hit hardest by the big declines in employer-provided coverage that we've seen since the peak of the last business cycle, and public policy hasn't kept up with these changes in the economy,” Pearson said.

The report found that by raising income eligibility limits for Medicaid, recipients could see increased income of between \$791 and \$1,050 a year in Iowa — as much as \$95.4 million additional income statewide, and additional tax revenue of as much as \$5.8 million.

Specifically, Pearson and IPP colleagues Lily French and Peter S. Fisher urged policymakers to:

- Expand Iowa's Medicaid program to cover all adults with incomes below 150 percent of the federal poverty level.
- Provide federal matching funds for states to expand eligibility beyond current federal minimums, particularly with regard to low-income adults.
- Remove categorical eligibility criteria for Medicaid and set minimum federal eligibility standards based on income alone.

IPP researchers noted that 70 percent of the uninsured in Iowa worked all or part of the year in 2007 — about half in full-time, year-round jobs, the other half part time jobs or for part of the year. Due to income-eligibility restrictions and other rules, that work may hinder their ability to get health coverage through Medicaid. Low-income, working adults who have lost their employer-provided coverage or who cannot afford health coverage are frequently ineligible.

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While the report found that research is inconclusive on the extent to which low-income workers avoid slightly better-paying jobs that may block eligibility for public health benefits, researchers said that threat is one disincentive for advancement, along with child care access, education and transportation issues.

The economic security of Iowa families is closely related to access to health care, and raising income eligibility limits for adults can mean that more Iowans are able to go to work and earn more when they are not constrained by the limits of the current health care system, the report stated.

“Our current failure to deal with some of these gaps in health coverage for low-income Iowans is leading to distortions in the labor market and straining government budgets. Our report suggests some solutions, focusing on working adults, who are most disadvantaged by the status quo,” Pearson said.

The Iowa Policy Project is a nonpartisan, nonprofit policy research and analysis organization in Iowa City. IPP reports on economic opportunity, tax and budget policy, and energy and environmental issues are available at www.IowaPolicyProject.org.

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