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ABSTRACT

The bad economy, the eligibility controls of the Omnibus Budget Reconciliation Act, and state controlled Aid to Families with Dependent Children payment standards had different aggregate effects for different Medicaid eligibility groups between 1979 and 1983. Increases in the number of children and young women covered by Medicaid did not keep pace with increases in the number of children and young women in poverty: the proportion of poor children on Medicaid fell from 49 to 47 percent; the proportion of near-poor children on Medicaid fell from 18 to 10 percent. For young women in poverty the possibility of being on Medicare declined from 46 to 41 percent; for near-poor young women it fell from 19 to 9 percent. The number of elderly Medicare recipients declined sharply, although the likelihood of a noninstitutionalized very elderly women in poverty being enrolled in Medicaid increased slightly. This state of affairs has particular ramifications for the 24 percent of all children living in poverty and for the relatively large poverty population in the South. Data, from the March 1980 and 1984 Current Population Surveys, are presented on six tables. A short list of references is included. (BJV)

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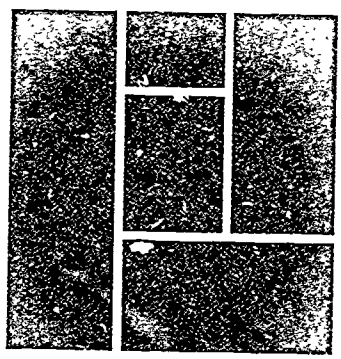

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Project Report

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Commentary: How the Overlap Between the Poverty and Medicaid Populations Changed Between 1979 and 1983

The general public and even researchers of poverty often assume that all poor persons are covered by Medicaid. This is, of course, not true; no more than two out of five people in poverty have been covered by Medicaid since at least 1979. Similarly, many people assume that everyone who is covered by Medicaid is poor--which is also not true. In 1979, 42 percent of the noninstitutionalized Medicaid population had incomes above the poverty level.

Partially because of the high proportion of non-poor Medicaid recipients, the Reagan Administration proposed, and the Congress passed, an amendment to the 1981 Omnibus Budget Reconciliation Act (OBRA) which removed most of the working poor from the Aid to Families with Dependent Children (AFDC) program. Since everyone who qualifies for the AFDC program is also eligible for Medicaid, the OBRA changes in AFDC eligibility criteria affected the 52 percent of the noninstitutionalized Medicaid population who are AFDC-Medicaid recipients.[1]

The OBRA changes were designed to help reduce the Medicaid rolls by targeting AFDC more tightly on low income recipients. At first glance, this did not happen. Between 1979 and 1983, the number of noninstitutionalized Medicaid recipients actually grew slightly from 19,098,000 to 19,307,000. But

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1. The 1981 limits were subsequently relaxed in minor ways. In 1982, Congress passed the Tax Equity and Fiscal Responsibility Act (TEFRA), which made minor changes in the Medicaid eligibility criteria. This was followed by the Deficit Reduction Act of 1984 (DEFRA), which was passed in 1983 and went into effect at the start of the 1984 fiscal year (October 1, 1983). DEFRA repealed some of OBRA by increasing the AFDC gross income eligibility limit to 185 percent of a state's need standard and relaxing the limits placed on income disregards.

these numbers must be placed in context: while the Medicaid rolls were essentially stable, the number of persons in poverty grew by 10 million--37 percent--a result of the simultaneous high inflation and high unemployment of the 1980-82 period. An analysis of the changing role of Medicaid must take account of this fact.

Assessing Medicaid is made more complicated because while the poverty population was growing, it was also changing in its composition. The growing number of poor included many two-parent families whose real earnings had declined. The elderly, on the other hand, received Social Security benefits indexed to the Consumer Price Index and so while the poverty population grew by 37 percent, the number of elderly in poverty grew by only 1 percent.

The simultaneous changes in Medicaid targeting and the target population make it important for policy analysts and resarchers to understand how Medicaid recipients changed between 1979 and 1983. This note reports on a detailed comparative analysis of the noninstitutionalized Medicaid population's demographic and socio-economic composition in 1979 and 1983. The March Current Population Surveys (CPS) of 1980 and 1984 constitute the data source for the comparisons. Medicaid recipiency in each survey is for the previous calendar year. (See technical note.) The CPS gathers data only on the noninstitutionalized population so the Medicaid population described here is the noninstitutionalized portion of all Medicaid recipients. Thus, Medicaid recipients in nursing homes, psychiatric hospitals, and other long term care facilities are excluded from the analysis.

Our conclusions can be summarized as follows. The noninstitutionalized Medicaid population became poorer and younger while regional disparities in terms of proportions of the poverty population covered by Medicaid were

exacerbated. Medicaid also covered a smaller proportion of the poverty population in 1983 than in 1979. While OBRA and the growth in the poverty population are responsible for much of these compositional changes in the Medicaid population, there is a third factor that must not be overlooked. Between 1979 and 1983 almost all of the states did not counter the inflation eroded AFDC payment standards--i.e., they did not increase the income eligibility limits, which severely restricted who among the newly poor was eligible for AFDC and Medicaid.

As is clear from Table 1, the overall lack of change in the total number of Medicaid recipients masks major changes among different age and income groups. With respect to age, the number of children under 18 covered by Medicaid increased by 3.7 percent. In the context of the 35 percent growth in the number of children in poverty over the period, however, this represents a relative loss for poor children. For adults aged 18-44 the number covered by Medicaid increased by almost 7 percent. However, this masks a reduction in coverage for the 18-24 year old group, and is dwarfed by a 60 percent increase in the number of adults aged 18-40 in poverty. The number of elderly with Medicaid coverage fell, while numbers of elderly in poverty remained essentially steady.

The pattern of change by income group shows clearly that the objective of OBRA to reduce AFDC and Medicaid coverage for the working poor and near-poor was realized. The number of persons with family income below 50 percent of poverty who were covered by Medicaid increased by over two-thirds, almost the same order of magnitude as the increase in this poverty cohort. The coverage of those between 50 percent of poverty and the poverty line increased by 7 percent, much less than the 21 percent increase in this poverty cohort. For

Table 1

Noninstitutionalized Medicaid Population
1979 and 1983
(Numbers in Thousands)

	1979	1983	Percent Change 1979-1983
Total Medicaid Population	19,098	19,307	1.1
By Age:			
17 or younger	7,933	8,229	3.7
18-24	2,381	2,180	-9.2
25-34	2,235	2,592	16.0
35-44	1,197	1,438	20.1
45-54	977	919	-9.4
55-64	1,026	1,066	3.9
65-74	1,973	1,561	-20.9
75 or older	1,376	1,321	-4.0
Total	19,098	19,307	1.1
By Family Income Relative To Poverty:			
Below 50%	3,819	6,442	68.7
50-99%	7,153	7,653	7.0
100-124%	2,149	1,658	-22.8
125-149%	1,418	916	-35.4
150-199%	1,558	1,054	-32.3
200-299%	1,660	938	-43.5
300% and above	1,336	646	-51.7
Total	19,098	19,307	1.1

Source: March Current Population Surveys of 1980 and 1984. Medicaid recipiency is for the previous calendar year.

all the cohorts above poverty, the numbers covered by Medicaid were consistently reduced, with percent reductions increasing with distance from the poverty line.

These changes had the expected effects on the incidence of Medicaid coverage by age and income (see the first two panels of Table 2). The proportion of children under 18 covered by Medicaid increased slightly, from 12.5 to 13.2 percent. The proportion of the elderly covered by Medicaid fell from 13.8 to 11 percent. The proportion of the very poor increased slightly (from 40.6 to 41.3 percent). The proportions of all the other income groups fell, particularly for those between 50 and 150 percent of poverty--mainly the working poor and near-poor.

What about changes within the Medicaid population between 1979 and 1983? The last two panels of Table 2 tell the story. The proportion of the Medicaid population under 18 increased slightly (from 41.5 to 42.6 percent). At the other end of the age spectrum, the proportion of the Medicaid population aged 65 and older fell. Given the AFDC eligibility changes in OBRA and the fact that wage growth did not keep pace with inflation, it is not surprising that the proportion of the Medicaid population with incomes below 50 percent of poverty increased dramatically, from 20.0 to 33.4 percent. The proportion with incomes between 50 and 100 percent of poverty increased modestly, from 37.5 to 39.6 percent. The proportions with incomes above poverty uniformly fell.

For the population of children on Medicaid, the changes in eligibility by family income are particularly apparent (see Table 3). The proportion of Medicaid children with family incomes below half the poverty line increased from 30.1 to 45.2 percent. The proportion of Medicaid children with family

Table 2

Incidence of Medicaid Coverage, and Distribution of Medicaid Population by Age and Income, 1979 and 1983

	1979	1983
Incidence of Medicaid Coverage by Age Group (percent of U.S. population):		
Overall	8.6%	8.3%
Younger than 18	12.5%	13.2%
18-24	8.2	7.6
25-34	6.1	6.5
35-44	4.7	4.8
45-54	4.3	4.1
55-64	4.8	4.8
65 or older	13.8	11.0
Incidence of Medicaid Coverage by Income Relative to Poverty (percent of U.S. Population):		
Overall	8.6%	8.3%
Below 50%	40.6%	41.3%
50-99%	40.2	35.4
100-124%	20.6	14.1
125-149%	13.8	7.5
150-199%	6.8	4.4
299-299%	3.5	2.0
300% and above	1.3	0.6
Distribution of Medicaid Population by Age (percent):		
Total	100.0%	100.0%
Younger than 18	41.5%	42.6%
18-24	12.5	11.3
25-34	11.2	13.4
35-44	6.5	7.5
45-54	5.3	4.8
55-64	5.5	5.5
65-74	10.8	8.1
75 or older	7.4	6.8
Distribution of Medicaid Population by Income Relative to Poverty (percent):		
Total	100.0%	100.0%
Below 50%	20.0%	33.4%
50-99%	37.5%	39.6%
100-124%	11.3%	8.6%
125-149%	7.4%	4.7%
150-199%	8.2%	5.5%
200-299%	8.7%	4.9%
300% and above	7.0%	3.3%

Source: March 1980 and 1984 Current Population Surveys. Income and Medicaid recipiency are for the previous calendar year.

Table 3

Noninstitutionalized Children Receiving Medicaid by Family Income Relative to Poverty, 1979 and 1983
(Numbers in Thousands)

	1979		1983	
	Number	Percent	Number	Percent
By Family Income Relative to Poverty:				
Below 50%	2,440	30.1%	3,716	45.2%
50-99%	3,260	40.2%	3,291	40.0%
100-124%	765	9.4%	484	5.9%
125-149%	482	5.9%	252	3.1%
150-199%	483	6.0%	251	3.1%
200-299%	455	5.6%	172	2.1%
300% and above	232	2.9%	64	0.8%
Total	8,117	100.0%	8,229	100.0%

Source: March 1980 and 1984 Current Population Surveys. Income and Medicaid recipiency is for the previous calendar year.

incomes between 50 and 100 percent of poverty remained steady. The proportion of Medicaid children just above the poverty line fell from 9.4 to 5.9 percent.

Despite tighter targeting, the regional disparities in the likelihood of someone receiving Medicaid did not diminish. The East North Central states' Medicaid population grew the most (by about 300,000) between 1979 and 1983, and the Pacific states' Medicaid population grew by about 250,000. This pattern reflects the growth in the poverty populations in each region. In contrast, the South Atlantic states' Medicaid population decreased by 300,000 between 1979 and 1983. This occurred in spite of the fact that the proportion of the South Atlantic's population in poverty grew during this time. Similarly the West South Central states' Medicaid population declined in spite of an increase in its proportion of the population in poverty between 1979 and 1983.

The proportions of the poor covered by Medicaid reflect these regional disparities (see Table 4). For all except two of the nine regions the proportion of the poor covered by Medicaid fell between 1979 and 1983. It is noteworthy that the two regions where the proportion did not fall were East North Central and Pacific--regions which experienced large increases in the number of people in poverty on top of already large poverty populations. Thus, proposals aimed at equalizing the chances of identical people in different states receiving Medicaid have to contend with what are still very great differences in eligibility criteria.

Table 4

Noninstitutionalized Medicaid Recipients with Incomes Below the Poverty Level as a Proportion of All People with Incomes Below the Poverty Level by Census Division, 1979 and 1983

	1979	1983
New England	50.7%	47.9%
Middle Atlantic	54.7%	52.0%
East North Central	47.7%	47.4%
West North Central	32.6%	28.7%
South Atlantic	33.6%	28.4%
East South Central	37.0%	34.6%
West South Central	32.3%	27.8%
Mountain	20.9%	17.3%
Pacific	42.4%	43.4%
TOTAL	40.3%	37.8%

Source: March 1980 and 1984 Current Population Surveys Medicaid recipiency is for the previous calendar year.

Changes in the Likelihood of Medicaid Coverage

It is useful to see how the chances of different types of people being covered by Medicaid changed between 1979 and 1983. To do this we compare the simple probabilities of having Medicaid coverage in the two years for six prototypical people. As can be seen in Table 5, these examples cover the whole age span and are divided into the poor and near-poor, which allows us also to compare probabilities by income level.[2]

Changes in the probabilities of Medicaid coverage for typical persons in poverty are shown in the first two columns of Table 5. In 1979 a poor child had the best chance of being covered by Medicaid--with a probability of almost 50 percent. A poor woman aged 18-40 came a close second--with a coverage probability of over 46 percent. A middle-aged woman and an elderly woman had substantially lower probabilities, and the adult men had the lowest probabilities of all.

The events between 1979 and 1983 did not change the rank ordering of these probabilities, but they compressed them considerably. The probability of receiving Medicaid coverage was reduced for two groups in poverty:

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2. It should be kept in mind that men aged 18-40 who met the financial criteria would be eligible for Medicaid only if they were blind or disabled (and thus on SSI), an unemployed parent in those states with AFDC-UP programs, or medically needy in one of the states with Medically Needy Medicaid programs. The recession could be expected to increase the probability of coverage for all three groups, other things equal, whereas the OBRA restrictions would only affect the AFDC-UP eligibles in the states with UP programs. For the vast majority of men and women aged 41-64, Medicaid eligibility depends on SSI or medically needy recipiency. Thus, a priori we should not expect the OBRA restrictions to affect this group, although the recession might well affect them (the number of 41-64 year old adults in poverty increased by 26 percent between 1979 and 1983). Given that the major OBRA restrictions applied to AFDC eligibles, we should expect young women and children to face the most drastic reductions in the probability of receiving Medicaid coverage.

Table 5

Probability of Medicaid Coverage, by Poverty Status and Selected Demographic Characteristics

	Family Income Below Poverty		Family Income 100%-149% of Poverty	
	1979	1983	1979	1983
Child Under 18 years of Age	49.5	46.7	18.5	9.8
Woman 18-40	46.3	40.9	19.0	9.3
Man 18-40	21.6	21.2	10.8	7.4
Woman 41-64	32.5	32.7	17.5	12.9
Man 41-64	20.6	21.5	11.1	9.9
Woman 75 and Over	31.5	33.4	17.1	16.9

Source: March 1980 and 1984 Current Population Survey. Medicaid recipiency is for the previous calendar year.

children under 18 and women aged 18-40. The probability of poor adult men aged 18-40 and adult women aged 41-64 receiving Medicaid coverage remained about the same. Thus, for men aged 18-40, the OBRA restrictions on AFDC-UP eligibility and the effects of the recession cancelled out. The only noninstitutionalized group in poverty for which the probability of being covered by Medicaid improved consisted of women aged 75 and over.

Changes in the probabilities of receiving Medicaid coverage for persons with incomes just above poverty are shown in the last two columns of Table 5. For the near-poor people, the events between 1979 and 1983 not only compressed the range of probabilities; they also changed the rank ordering of probabilities. In 1979 a young woman had the best chance of the near-poor examples of receiving Medicaid coverage, followed closely by the child and the middle-aged woman. By 1983, the middle-aged and elderly near-poor women had higher probabilities of being covered by Medicaid than did the near-poor child and younger woman.

Conclusion

Policy analysts and researchers concerned with targeting Medicaid to the poor or reducing the disparities in the chances of being covered by Medicaid for identical people in different states need to understand how the Medicaid population changed in response to events in the early 1980s. The bad economy, the eligibility controls of OBRA, and state controlled AFDC payment standards had different aggregate effects for different Medicaid eligibility groups between 1979 and 1983.

Although the number of children on Medicaid grew by 3.7 percent, for example, the number of children in poverty grew by 35 percent. The relatively small growth in the number of children enrolled in Medicaid reflects program

cutbacks, which particularly affected children in families with incomes above the poverty line. Even so, the proportion of poor children on Medicaid fell from 49 to 47 percent. The proportion of near-poor children on Medicaid almost halved, from 18 to 10 percent.

The number of young women on Medicaid increased at rates close to 20 percent. But this increase was far outstripped by an increase of over 60 percent in the number of young women in poverty during this period. For young women in poverty, the probability of being on Medicaid declined from 46 percent in 1979 to 41 percent in 1983; for the near-poor, it more than halved, declining from 19 percent to 9 percent for women.

The number of elderly Medicaid recipients (particularly those aged 65-74) declined sharply. This occurred despite the fact that the number of elderly people in poverty did not change during this time. However, the likelihood of a noninstitutionalized very elderly woman in poverty being enrolled in Medicaid increased slightly.

Thus, while the noninstitutionalized Medicaid population did not grow between 1979 and 1983, it became poorer and younger. Simultaneously, Medicaid covered a smaller proportion of the poor. This state of affairs has particular ramifications for the 24 percent of all children living in poverty, and for the relatively large poverty population in the South.

TECHNICAL NOTE

The chief advantage of using the CPS for looking at demographic and socioeconomic changes in the Medicaid population is its sample size of just over 160,000 people. Since fewer than 10 percent of the U.S. population are Medicaid recipients, a random sample of the population has to be of this magnitude to obtain a representative set of Medicaid recipients. Interested readers are referred to Swartz (1987 and October 1986) for further comments on the strengths and weaknesses of the CPS for looking at health insurance coverage in the U.S., but one problem and the method used to deal with it for this analysis should be noted here.

The Bureau of the Census realized in 1981 that they had not been identifying subfamilies headed by unmarried women who lived with their parents. Instead, such women were coded as unmarried adult children, and their children were coded as "other relative"--making them appear ineligible for AFDC and related benefits, unless they volunteered the fact that they were receiving benefits. Since the Census imputes receipt of program benefits based on family structure and income level in 13 percent of cases, the coding error led to a substantial undercount of women and children receiving AFDC benefits. Cross-tabulations from The Urban Institute's microsimulation TRIM model imply that 373,000 AFDC-eligible subfamilies headed by unmarried women were missed in 1980. The error was corrected in the 1982 CPS. However, the undercount for 1979 must be adjusted for if the estimates of change between 1979 and subsequent years is to be unbiased.

Our method for estimating the undercount of children and adult females in such subfamilies in the 1979 data is as follows. The AFDC participation rate among presumptively eligible families was about 82 percent in 1979. Since the

families we are interested in did not admit to receiving benefits, the participation rate for this group could well have been below average. We, therefore, assume a conservative participation rate of 50 percent. The average AFDC family size is between 2.9 and 3.0. Since the subfamilies are younger than average, we assume a family size at the lower end of this range--2.9. Applying these assumptions to the TRIM estimate of missing subfamilies yields an estimated undercount of 541,000 people on AFDC and therefore Medicaid--nearly two-thirds of them children and the rest presumably women in the 18-35 year old age group.

Further support for the plausibility of these corrected estimates is provided by a comparison of the trends in the uncorrected CPS data and the average monthly counts of AFDC recipients obtained independently from the Office of Family Assistance and the Office of Family Resources, within the Social Security Administration (SSA). (See Table 6.) The SSA recipient counts show a decline of about 170,000 between FY 1980 and FY 1982, and then an increase of about 440,000 between FY 1982 and FY 1984. If we increase the CPS based estimate of AFDC recipients in 1979 by 541,000 people, the pattern becomes quite comparable to that of SSA.[1]

In this study, we have added 541,000 people to the March 1980 CPS-based estimate of AFDC Medicaid recipients in 1979. We assume that 357,000 of these people are children and the rest are women in the 18-35 year old age group. Since the income eligibility ceiling for AFDC in most states is at or below half of the poverty level, the subfamilies are also assumed to have incomes below half of the poverty level.

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1. The remaining differences in the CPS and SSA estimates of AFDC recipients are consistent with the CPS's historical underreporting of AFDC receipt (Swartz, October 1986).

Table 6

Comparison of SSA and CPS Trends in AFDC Enrollments

Fiscal Year/ Calendar Year	SSA Average Monthly Number of Recipients (in 000s)[a]	CPS Based Estimate of Number of Recipients (in 000)[b]
1980/1979	10,597	9,602
1982/1981	10,431	10,035
1984/1983	10,868	10,225

a. From the Committee on Ways and Means, U.S. House of Representatives: "Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means," Table 18, page 391, 1986.

b. From Urban Institute computer analyses of the public use data tapes for the March 1980, 1982, and 1984 Current Population Surveys. Medicaid recipiency is for the previous calendar year.

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