kaiser commission on medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

ISSUE PAPER

July 2007

Louisiana's Proposed Section 1115 Medicaid Demonstration Project: Estimating the Numbers of Uninsured and Projected Medicaid Costs

by Stephen Zuckerman and Jack Hadley

In October 2006, the Louisiana Health Care Redesign Collaborative submitted a Concept Paper to the Centers for Medicare and Medicaid services that outlined a broad plan for rebuilding the post-Katrina health care system in the New Orleans area under a Medicaid demonstration project.[1] This plan includes, among other redesign proposals, expanded coverage for children, parents, pregnant women, individuals with disabilities and childless adults using direct enrollment in Medicaid and premium assistance for private insurance.[2]

This brief examines two major questions that help inform analysis of cost estimates developed for this proposal. First, how many people in post-Katrina Louisiana are currently uninsured and what are their characteristics? This is important because it provides an estimate of the size of the problem the demonstration is trying to solve. Second, what are the likely costs of each person who might be brought into Medicaid under this demonstration project based on their characteristics and patterns of health spending in the region? The first set of issues is addressed using health insurance coverage data from the recently revised March 2005 and March 2006 Current Population Surveys (CPS) from the U.S. Census Bureau. The second requires estimating the costs of each newly covered individual using data from the 2002-2004 Medical Expenditure Panel Surveys (MEPS) together with methods developed and applied in numerous other national and state-specific analyses.[3]

The results of these analyses suggest that the cost of providing Medicaid coverage to all of Louisiana's uninsured residents would be more than twice the amount of funding currently available through Louisiana's primary funding source for care of the uninsured, the Medicaid Disproportionate Share Hospital (DSH) program.[4] Significant additional federal and/or state funding would be required to expand coverage to reach all of Louisiana's uninsured population.

Estimating the Number of Uninsured in Louisiana

Examining health insurance coverage for non-elderly (under age 65) residents of Louisiana before and after the storms of 2005 is a useful starting point for understanding the scope of the problem the demonstration attempts to address.[5] Comparing a CPS survey that reflects coverage for the state's population during March of the year prior to Hurricane Katrina (2005) and one that reflects coverage during March of the following year (2006) demonstrates how large a reduction in the state's population occurred (according to Census Bureau estimates), and how the distribution of health insurance and the numbers of uninsured changed. These comparisons allow for a more detailed analysis of the change in insurance coverage for the entire non-elderly

population disaggregated between low-income families (incomes below 200 percent of the federal poverty level) and higher-income families for the following subgroups: (1) adults and children; (2) parent and childless adults; (3) white and non-whites; and (4) residents of the New Orleans metropolitan area and residents of the rest of the state.

Table 1 presents data on changes in insurance coverage for all non-elderly Louisiana residents, and separately for adults and children. The top line shows that Louisiana's non-elderly population fell by about 343,000 people between March 2005 and March 2006, with about three-quarters of the reduction occurring among adults. There were no significant changes in the share of adults with various types of insurance, but the numbers of adults with employer coverage dropped significantly as a result of there being fewer adults in the state. For children, the biggest drop in coverage occurred within the Medicaid/SCHIP category – both as a share of children and in terms of absolute numbers. The bottom line is that the numbers of uninsured adults or children changed very little between March 2005 and March 2006. The state had 717,000 uninsured in March 2006, not significantly different than the estimate for March 2005. This suggests that most leaving the state during this period had some type of insurance coverage.

Table 2 focuses on changes in insurance coverage among parents and childless adults. Parents account for about 60 percent of the reduction in the number of non-elderly adults, which is much larger than parents' share of the adult population in March 2005 (38 percent). Among parents, the share of the various types of insurance coverage remained fairly stable, but the number of uninsured low-income parents dropped by over 60,000. Again, this reflects the large reduction in the number of low-income parents. Among childless adults, there was a large enough reduction in the rate of employer coverage so that the rate of uninsurance increased by 4.6 percentage points overall. Disaggregating by income, it appears that these changes in the various *rates* of insurance coverage were concentrated among the low-income childless adults, while the drop in the *numbers* with employer coverage was a higher-income phenomenon. In terms of the overall composition of uninsured adults, there was a shift toward childless adults and away from parents.

Table 3 examines the changing health insurance distribution by race. Although non-whites made up 39 percent of the March 2005 population, they accounted for 60 percent of the reduction on the population that occurred by March 2006. The basic pattern was that reduction in the white population was reflected in fewer people having employer health insurance, while the reduction in the non-white population was reflected in a drop-off in Medicaid/SCHIP coverage. Further analysis indicates that that the reduction in the number of non-whites with Medicaid/SCHIP coverage was largely due to reduction in the number of children being covered (data not shown). By March 2006, Louisiana's uninsured population was split fairly evenly between whites and non-whites.

Table 4 presents data on how changes in insurance coverage among the non-elderly differed in the New Orleans region versus the rest of the state. Not surprisingly, over 80 percent of the estimated reduction in the state's population occurred in the New Orleans metropolitan area. This was associated with significant reductions in the numbers of people who had employer or Medicaid/SCHIP coverage or who were uninsured in New Orleans. In the rest of the state, we observed a significant increase in the rate of uninsurance of 3.2 percentage points, potentially due to intrastate migration from the New Orleans area.

Table 1

Health Insurance Coverage in Louisiana, March 2005 and March 2006
Nonelderly by Age and Health Insurance Unit Income

	NONELDERLY						ADULTS						CHILDREN					
		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People
	2005		2006			2005-06	2005		2006			2005-06	2005		2006			2005-06
All Incomes (thousands of people)	**3858.1**		**3515.2**			**-342.9** [a]	**2643.8**		**2393.6**			**-250.2** [a]	**1214.3**		**1121.6**			**-92.7**
Employer	59.1%	2278.4	58.5%	2056.5	-0.6%	-222.0 [a]	61.5%	1626.6	58.5%	1401.2	-3.0%	-225.5 [a]	53.7%	651.8	58.4%	655.3	4.8%	3.5
Medicaid and State	15.0%	579.8	12.9%	452.7	-2.1%	-127.0 [a]	6.3%	166.9	6.9%	165.6	0.6%	-1.2	34.0%	412.9	25.6%	287.1	-8.4% *	-125.8 [a]
CHAMPUS/Medicare	2.8%	106.8	2.2%	75.7	-0.6%	-31.1	3.7%	98.1	2.8%	66.3	-0.9%	-31.8	0.7%	8.7	0.8%	9.4	0.1%	0.7
Private Nongroup	5.0%	191.5	6.1%	213.6	1.1%	22.1	5.3%	139.5	6.1%	145.0	0.8%	5.5	4.3%	52.0	6.1%	68.6	1.8%	16.6
Uninsured	18.2%	701.6	20.4%	716.7	2.2%	15.1	23.2%	612.7	25.7%	615.4	2.5%	2.7	7.3%	88.9	9.0%	101.3	1.7%	12.3
Less than 200% of FPL	**1704.8**		**1567.9**			**-136.9** [b]	**1060.4**		**1023.3**			**-37.0**	**644.5**		**544.6**			**-99.9** [b]
Employer	28.8%	491.4	28.8%	451.3	0.0%	-40.1	29.3%	310.7	25.5%	261.0	-3.8%	-49.7	28.0%	180.7	34.9%	190.3	6.9%	9.6
Medicaid and State	30.7%	523.0	25.9%	406.7	-4.7% #	-116.3 [a]	14.3%	151.4	15.1%	155.0	0.9%	3.6	57.7%	371.6	46.2%	251.7	-11.4% *	-119.9 [a]
CHAMPUS/Medicare	3.5%	59.8	4.0%	62.3	0.5%	2.4	5.4%	56.9	5.2%	52.9	-0.2%	-4.0	0.5%	2.9	1.7%	9.4	1.3%	6.5
Private Nongroup	4.7%	80.5	6.7%	104.9	2.0%	24.3	6.2%	66.1	7.7%	78.8	1.5%	12.7	2.2%	14.4	4.8%	26.1	2.5%	11.6
Uninsured	32.3%	550.1	34.6%	542.7	2.3%	-7.4	44.8%	475.2	46.5%	475.5	1.7%	0.3	11.6%	74.9	12.3%	67.1	0.7%	-7.7
200% of FPL and above	**2153.2**		**1947.3**			**-206.0** [a]	**1583.4**		**1370.2**			**-213.2** [a]	**569.8**		**577.0**			**7.2**
Employer	83.0%	1787.0	82.4%	1605.2	-0.6%	-181.9 [a]	83.1%	1316.0	83.2%	1140.2	0.1%	-175.8 [a]	82.7%	471.1	80.6%	465.0	-2.1%	-6.1
Medicaid and State	2.6%	56.8	2.4%	46.0	-0.3%	-10.8	1.0%	15.4	0.8%	10.6	-0.2%	-4.8	7.3%	41.3	6.1%	35.4	-1.1%	-5.9
CHAMPUS/Medicare	2.2%	47.0	0.7%	13.4	-1.5% *	-33.6 [a]	2.6%	41.2	1.0%	13.4	-1.6% *	-27.8 [a]	1.0%	5.8	0.0%	0.0	-1.0%	-5.8
Private Nongroup	5.2%	111.0	5.6%	108.7	0.4%	-2.3	4.6%	73.4	4.8%	66.2	0.2%	-7.2	6.6%	37.6	7.4%	42.5	0.8%	4.9
Uninsured	7.0%	151.5	8.9%	174.0	1.9%	22.5	8.7%	137.4	10.2%	139.9	1.5%	2.4	2.5%	14.1	5.9%	34.1	3.4% #	20.1 [b]

Source: Urban Institute, 2007. Based on data from the 2005 and 2006 ASEC to the CPS, revised as of April 2007.
Note: Excludes persons aged 65 and older and those in the Armed Forces and living in institutions.

* Indicates change in percent of people is statistically significant (at the 95% confidence level).
# Indicates change in percent of people is statistically significant (at the 90% confidence level).
[a] Indicates change in numbers of people is statistically significant (at the 95% confidence level).
[b] Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Table 2

Health Insurance Coverage in Louisiana, March 2005 and March 2006
Adults by Parent Status and Health Insurance Unit Income

	All Adults						Non-Parents						Parents					
	Coverage Distribution within Income Category					Change in Thousands of People	Coverage Distribution within Income Category					Change in Thousands of People	Coverage Distribution within Income Category					Change in Thousands of People
	2005		2006			2005-06	2005		2006			2005-06	2005		2006			2005-06
All Incomes (thousands of people)	**2643.8**		**2393.6**			**-250.2** [a]	**1632.0**		**1535.4**			**-96.6**	**1011.8**		**858.2**			**-153.6** [a]
Employer	61.5%	1626.6	58.5%	1401.2	-3.0%	-225.5 [a]	58.7%	957.3	53.0%	814.4	-5.6% #	-142.9 [a]	66.2%	669.3	68.4%	586.8	2.2%	-82.5
Medicaid and State	6.3%	166.9	6.9%	165.6	0.6%	-1.2	6.5%	106.5	8.1%	123.7	1.5%	17.2	6.0%	60.4	4.9%	42.0	-1.1%	-18.4
CHAMPUS/Medicare	3.7%	98.1	2.8%	66.3	-0.9%	-31.8	5.3%	85.9	4.0%	61.3	-1.3%	-24.6	1.2%	12.2	0.6%	5.0	-0.6%	-7.2
Private Nongroup	5.3%	139.5	6.1%	145.0	0.8%	5.5	5.7%	93.5	6.5%	100.2	0.8%	6.8	4.5%	46.0	5.2%	44.8	0.7%	-1.2
Uninsured	23.2%	612.7	25.7%	615.4	2.5%	2.7	23.8%	388.8	28.4%	435.8	4.6% #	47.0	22.1%	223.9	20.9%	179.7	-1.2%	-44.2
Less than 200% of FPL	**1060.4**		**1023.3**			**-37.0**	**664.3**		**724.7**			**60.4**	**396.0**		**298.6**			**-97.5** [a]
Employer	29.3%	310.7	25.5%	261.0	-3.8%	-49.7	27.1%	179.9	20.9%	151.3	-6.2%	-28.6	33.0%	130.7	36.7%	109.7	3.7%	-21.0
Medicaid and State	14.3%	151.4	15.1%	155.0	0.9%	3.6	14.5%	96.4	15.6%	113.1	1.1%	16.7	13.9%	55.0	14.1%	42.0	0.2%	-13.1
CHAMPUS/Medicare	5.4%	56.9	5.2%	52.9	-0.2%	-4.0	6.7%	44.8	6.8%	49.5	0.1%	4.7	3.1%	12.2	1.2%	3.5	-1.9%	-8.7
Private Nongroup	6.2%	66.1	7.7%	78.8	1.5%	12.7	8.0%	53.5	8.1%	59.0	0.1%	5.5	3.2%	12.6	6.7%	19.9	3.5%	7.2
Uninsured	44.8%	475.2	46.5%	475.5	1.7%	0.3	43.6%	289.8	48.6%	352.0	4.9%	62.2	46.8%	185.5	41.4%	123.6	-5.4%	-61.9 [a]
200% of FPL and above	**1583.4**		**1370.2**			**-213.2** [a]	**967.7**		**810.6**			**-157.0** [a]	**615.7**		**559.6**			**-56.1**
Employer	83.1%	1316.0	83.2%	1140.2	0.1%	-175.8 [a]	80.3%	777.4	81.8%	663.1	1.5%	-114.3 [a]	87.5%	538.6	85.2%	477.1	-2.2%	-61.5
Medicaid and State	1.0%	15.4	0.8%	10.6	-0.2%	-4.8	1.0%	10.1	1.3%	10.6	0.3%	0.5	0.9%	5.3	0.3%	1.5	-0.6%	-3.8
CHAMPUS/Medicare	2.6%	41.2	1.0%	13.4	-1.6% *	-27.8 [a]	4.3%	41.2	1.5%	11.9	-2.8% *	-29.3 [a]	0.0%	0.0	0.0%	0.0	0.0% ####	0.0 ###
Private Nongroup	4.6%	73.4	4.8%	66.2	0.2%	-7.2	4.1%	40.0	5.1%	41.3	1.0%	1.3	5.4%	33.4	4.5%	24.9	-1.0%	-8.5
Uninsured	8.7%	137.4	10.2%	139.9	1.5%	2.4	10.2%	99.0	10.3%	83.8	0.1%	-15.2	6.2%	38.4	10.0%	56.1	3.8%	17.7

Source: Urban Institute, 2007. Based on data from the 2005 and 2006 ASEC to the CPS, revised as of April 2007.
Note: Excludes persons aged 65 and older and those in the Armed Forces and living in institutions.

* Indicates change in percent of people is statistically significant (at the 95% confidence level).
# Indicates change in percent of people is statistically significant (at the 90% confidence level).
[a] Indicates change in numbers of people is statistically significant (at the 95% confidence level).
[b] Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Table 3

Health Insurance Coverage in Louisiana, March 2005 and March 2006
Nonelderly by Race and Health Insurance Unit Income

	NONELDERLY						NON-WHITE						WHITE					
		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People
	2005		2006			2005-06	2005		2006			2005-06	2005		2006			2005-06
All Incomes (thousands of people)	**3858.1**		**3515.2**			**-342.9** [a]	**1523.8**		**1318.9**			**-204.9** [a]	**2334.3**		**2196.3**			**-138.0** [b]
Employer	59.1%	2278.4	58.5%	2056.5	-0.6%	-222.0 [a]	43.7%	666.6	45.0%	593.2	1.2%	-73.5	69.0%	1611.8	66.6%	1463.3	-2.4%	-148.5 [a]
Medicaid and State	15.0%	579.8	12.9%	452.7	-2.1%	-127.0 [a]	25.2%	383.4	20.5%	270.1	-4.7% #	-113.3 [a]	8.4%	196.4	8.3%	182.6	-0.1%	-13.7
CHAMPUS/Medicare	2.8%	106.8	2.2%	75.7	-0.6%	-31.1	3.0%	45.1	2.9%	38.2	-0.1%	-7.0	2.6%	61.7	1.7%	37.5	-0.9%	-24.1
Private Nongroup	5.0%	191.5	6.1%	213.6	1.1%	22.1	3.5%	53.8	4.4%	57.8	0.8%	4.0	5.9%	137.7	7.1%	155.9	1.2%	18.1
Uninsured	18.2%	701.6	20.4%	716.7	2.2%	15.1	24.6%	374.8	27.3%	359.7	2.7%	-15.1	14.0%	326.8	16.3%	356.9	2.3%	30.1
Less than 200% of FPL	**1704.8**		**1567.9**			**-136.9** [b]	**974.0**		**831.7**			**-142.3** [a]	**730.8**		**736.2**			**5.4**
Employer	28.8%	491.4	28.8%	451.3	0.0%	-40.1	22.5%	218.9	22.5%	187.2	0.0%	-31.7	37.3%	272.5	35.9%	264.2	-1.4%	-8.3
Medicaid and State	30.7%	523.0	25.9%	406.7	-4.7% #	-116.3 [a]	36.2%	352.5	31.9%	265.6	-4.3%	-86.9 [a]	23.3%	170.5	19.2%	141.1	-4.2%	-29.3
CHAMPUS/Medicare	3.5%	59.8	4.0%	62.3	0.5%	2.4	3.7%	36.1	3.9%	32.2	0.2%	-3.9	3.2%	23.7	4.1%	30.1	0.8%	6.4
Private Nongroup	4.7%	80.5	6.7%	104.9	2.0%	24.3	3.9%	38.0	4.2%	35.1	0.3%	-2.9	5.8%	42.5	9.5%	69.7	3.7%	27.2
Uninsured	32.3%	550.1	34.6%	542.7	2.3%	-7.4	33.7%	328.5	37.5%	311.6	3.7%	-16.9	30.3%	221.6	31.4%	231.1	1.1%	9.5
200% of FPL and above	**2153.2**		**1947.3**			**-206.0** [a]	**549.7**		**487.2**			**-62.6**	**1603.5**		**1460.1**			**-143.4** [b]
Employer	83.0%	1787.0	82.4%	1605.2	-0.6%	-181.9 [a]	81.5%	447.8	83.3%	406.0	1.9%	-41.7	83.5%	1339.3	82.1%	1199.1	-1.4%	-140.2 [a]
Medicaid and State	2.6%	56.8	2.4%	46.0	-0.3%	-10.8	5.6%	30.9	0.9%	4.5	-4.7% *	-26.4 [a]	1.6%	25.9	2.8%	41.5	1.2%	15.6
CHAMPUS/Medicare	2.2%	47.0	0.7%	13.4	-1.5% *	-33.6 [a]	1.6%	9.0	1.2%	6.0	-0.4%	-3.1	2.4%	37.9	0.5%	7.4	-1.9% *	-30.5 [a]
Private Nongroup	5.2%	111.0	5.6%	108.7	0.4%	-2.3	2.9%	15.8	4.6%	22.6	1.8%	6.8	5.9%	95.2	5.9%	86.1	0.0%	-9.1
Uninsured	7.0%	151.5	8.9%	174.0	1.9%	22.5	8.4%	46.3	9.9%	48.1	1.5%	1.8	6.6%	105.2	8.6%	125.9	2.1%	20.7

Source: Urban Institute, 2007. Based on data from the 2005 and 2006 ASEC to the CPS, revised as of April 2007.
Note: Excludes persons aged 65 and older and those in the Armed Forces and living in institutions.

* Indicates change in percent of people is statistically significant (at the 95% confidence level).
# Indicates change in percent of people is statistically significant (at the 90% confidence level).
[a] Indicates change in numbers of people is statistically significant (at the 95% confidence level).
[b] Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Table 4

Health Insurance Coverage in Louisiana, March 2005 and March 2006
Nonelderly by Metropolitan Area and Health Insurance Unit Income

	Louisiana						Louisiana, Excluding New Orleans						New Orleans[1]					
		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People		Coverage Distribution within Income Category				Change in Thousands of People
	2005		2006			2005-06	2005		2006			2005-06	2005		2006			2005-06
All Incomes (thousands of people)	**3858.1**		**3515.2**			**-342.9** [a]	**2803.8**		**2743.5**			**-60.3**	**1054.3**		**771.7**			**-282.6** [a]
Employer	59.1%	2278.4	58.5%	2056.5	-0.6%	-222.0 [a]	58.2%	1631.4	56.6%	1551.8	-1.6%	-79.6	61.4%	647.0	65.4%	504.7	4.0%	-142.3 [a]
Medicaid and State	15.0%	579.8	12.9%	452.7	-2.1%	-127.0 [a]	16.3%	456.8	14.3%	393.1	-2.0%	-63.6	11.7%	123.0	7.7%	59.6	-3.9% #	-63.4 [a]
CHAMPUS/Medicare	2.8%	106.8	2.2%	75.7	-0.6%	-31.1	2.3%	64.8	2.2%	61.6	-0.1%	-3.2	4.0%	42.0	1.8%	14.1	-2.2% #	-27.9 [a]
Private Nongroup	5.0%	191.5	6.1%	213.6	1.1%	22.1	5.2%	146.8	5.7%	156.0	0.4%	9.2	4.2%	44.7	7.5%	57.6	3.2% #	12.9
Uninsured	18.2%	701.6	20.4%	716.7	2.2%	15.1	18.0%	504.0	21.2%	581.0	3.2% #	77.0	18.7%	197.6	17.6%	135.7	-1.2%	-61.9 [a]
Less than 200% of FPL	**1704.8**		**1567.9**			**-136.9** [b]	**1266.9**		**1269.2**			**2.3**	**438.0**		**298.7**			**-139.3** [a]
Employer	28.8%	491.4	28.8%	451.3	0.0%	-40.1	29.0%	367.1	28.4%	360.3	-0.6%	-6.7	28.4%	124.3	30.5%	91.0	2.1%	-33.3
Medicaid and State	30.7%	523.0	25.9%	406.7	-4.7% #	-116.3 [a]	33.0%	418.6	27.5%	348.9	-5.6% #	-69.7	23.8%	104.4	19.4%	57.9	-4.5%	-46.6 [a]
CHAMPUS/Medicare	3.5%	59.8	4.0%	62.3	0.5%	2.4	2.6%	33.5	3.9%	49.6	1.3%	16.0	6.0%	26.3	4.3%	12.7	-1.7%	-13.6
Private Nongroup	4.7%	80.5	6.7%	104.9	2.0%	24.3	5.3%	67.1	5.5%	69.9	0.2%	2.9	3.1%	13.5	11.7%	34.9	8.6% *	21.5 [b]
Uninsured	32.3%	550.1	34.6%	542.7	2.3%	-7.4	30.0%	380.6	34.7%	440.5	4.7%	59.9	38.7%	169.5	34.2%	102.2	-4.5%	-67.3 [a]
200% of FPL and above	**2153.2**		**1947.3**			**-206.0** [a]	**1536.9**		**1474.3**			**-62.6**	**616.3**		**473.0**			**-143.3** [a]
Employer	83.0%	1787.0	82.4%	1605.2	-0.6%	-181.9 [a]	82.3%	1264.3	80.8%	1191.5	-1.4%	-72.9	84.8%	522.7	87.5%	413.7	2.6%	-109.0 [a]
Medicaid and State	2.6%	56.8	2.4%	46.0	-0.3%	-10.8	2.5%	38.2	3.0%	44.3	0.5%	6.0	3.0%	18.6	0.4%	1.8	-2.6% *	-16.8 [a]
CHAMPUS/Medicare	2.2%	47.0	0.7%	13.4	-1.5% *	-33.6 [a]	2.0%	31.3	0.8%	12.0	-1.2% #	-19.2 [b]	2.5%	15.7	0.3%	1.4	-2.3% *	-14.3 [a]
Private Nongroup	5.2%	111.0	5.6%	108.7	0.4%	-2.3	5.2%	79.7	5.8%	86.0	0.6%	6.3	5.1%	31.3	4.8%	22.7	-0.3%	-8.6
Uninsured	7.0%	151.5	8.9%	174.0	1.9%	22.5	8.0%	123.4	9.5%	140.5	1.5%	17.1	4.6%	28.1	7.1%	33.5	2.5%	5.4

Source: Urban Institute, 2007. Based on data from the 2005 and 2006 ASEC to the CPS, revised as of April 2007.
Note: Excludes persons aged 65 and older and those in the Armed Forces and living in institutions.
[1] Metropolitan areas including New Orleans-Metairie-Kenner, LA
* Indicates change in percent of people is statistically significant (at the 95% confidence level).
# Indicates change in percent of people is statistically significant (at the 90% confidence level).
[a] Indicates change in numbers of people is statistically significant (at the 95% confidence level).
[b] Indicates change in numbers of people is statistically significant (at the 90% confidence level).

Table 5 shows selected characteristics of Louisiana's uninsured in March 2006. These data demonstrate that the uninsured are predominantly adults, members of low-income families, and member of families with full- or part-time workers. The uninsurance rates for residents in poor families and families with only part-time workers were roughly twice the overall state rate of 20 percent. The population loss in New Orleans is reflected in the fact that only 19 percent of the state's overall uninsured population in 2006 were from that metropolitan area. The share of Louisiana's uninsured that lived in the New Orleans area had been 28 percent in March 2005 (data not shown).

Table 5

Characteristics of the Nonelderly Uninsured in Louisiana, March 2006

	Nonelderly (thousands)	Percent of Nonelderly	Uninsured Nonelderly (thousands)	Percent of Nonelderly Uninsured	Uninsured Rate of Nonelderly
Total - Nonelderly	**3515**	**100.0%**	**717**	**100.0%**	**20.4%**
Age					
Children - Total	**1122**	**31.9%**	**101**	**14.1%**	**9.0%**
Adults - Total	**2394**	**68.1%**	**615**	**85.9%**	**25.7%**
19-26	499	14.2%	188	26.2%	37.6%
27-44	921	26.2%	242	33.8%	26.3%
45-64	973	27.7%	186	25.9%	19.1%
Annual Family Income					
<$20,000	1160	33.0%	470	65.6%	40.5%
$20,000 - $39,999	695	19.8%	127	17.7%	18.3%
$40,000 +	1661	47.2%	119	16.7%	7.2%
Family Poverty Level					
<100%	888	25.3%	354	49.3%	39.8%
100-199%	679	19.3%	189	26.4%	27.8%
200-399%	981	27.9%	122	17.0%	12.4%
400%+	966	27.5%	52	7.2%	5.4%
Household Type					
Single Adults without Children	641	18.2%	212	29.6%	33.1%
Married Adults without Children	637	18.1%	116	16.1%	18.1%
Parents with Children	1857	52.8%	253	35.3%	13.6%
Multigenerational/Other with children[e]	379	10.8%	136	19.0%	35.9%
Family Work Status					
Full-time	2763	78.6%	442	61.7%	16.0%
Only Part-time	189	5.4%	75	10.5%	39.8%
Non-Workers	562	16.0%	199	27.8%	35.4%
Race/Ethnicity					
White only (non-Hispanic)	2196	62.5%	357	49.8%	16.3%
Non-white	1319	37.5%	360	50.2%	27.3%
Health Status					
Excellent/Very Good	2272	64.6%	363	50.6%	16.0%
Good	824	23.4%	232	32.4%	28.2%
Fair/Poor	419	11.9%	121	16.9%	29.0%
Substate					
Louisiana, Excluding New Orleans	2743	78.0%	581	81.1%	21.2%
New Orleans[1]	772	22.0%	136	18.9%	17.6%

[+] Metropolitan areas including New Orleans-Metairie-Kenner, LA

Costs of the Uninsured and Projected Spending Under Medicaid

The second half of this analysis attempts to estimate the 2006 health spending of Louisiana's uninsured population and to project what their spending would be if they were enrolled in Medicaid. The methodology for constructing state-specific estimates of the cost of medical care received by the uninsured uses data from the Medical Expenditure Panel Survey (MEPS) in conjunction with the Current Population Survey (CPS).

The MEPS, a nationally representative survey of individuals and households conducted by the Agency for Healthcare Research and Quality, is the most detailed source of health care spending information available for this estimate. Spending data for this analysis come from the MEPS Household Component for the years 2002 through 2004. The MEPS collects information on health care use and expenditures, insurance coverage, health status, sources of payment, income, employment, and other sociodemographic characteristics for the U.S. civilian non-institutionalized population. Respondents' information is also adjusted and supplemented with data from medical providers, pharmacies, and insurance providers. The analysis sample for this report is limited to non-elderly people who live in the South census region. Newborns, people who die during the year, and those who are institutionalized for part of the year are included for the portion of the year that they satisfied the MEPS' criteria for inclusion. The final MEPS sample includes 13,624 non-elderly people.[6]

CPS data are from the 2005 and 2006 March Supplement surveys, but insurance status refers to coverage during the previous calendar year as opposed to the year of interview. The CPS uses information from over 50,000 households to provide estimates for the U.S. civilian non-institutionalized population and is state-representative. Because MEPS is not designed to produce state-level spending estimates—the only geographic variables are the Census-defined regions (Northeast, Midwest, South, and West) and a metropolitan statistical area indicator—spending in Louisiana cannot be determined using the MEPS alone. Therefore, characteristics of the Louisiana population from the CPS are used to re-weight MEPS observations for the South census region so that their socio-demographic characteristics are similar to those of the CPS respondents in Louisiana.

The basic approach projects what health spending would be for the current uninsured in Louisiana if they were to gain Medicaid coverage. This projection relies on multivariate models to estimate the relationship between health care spending and private or public insurance coverage. These models control for various personal characteristics including several measures of health status and are limited to people in the South region with incomes below 400 percent of the federal poverty level. To predict what spending might be for the uninsured if they had Medicaid coverage, their personal characteristics are combined with the parameters of the multivariate models, setting the insurance coverage variable to assume that they had Medicaid for the entire year. To better project spending for the broad subgroups of beneficiaries that the program covers, we estimate these models separately for children, non-disabled adults and disabled adults.[7] Prior to estimating these models, MEPS data from the 2002-2004 surveys are adjusted to 2006 using the medical care CPI.[8]

The results from this analysis are reported in Table 6, which presents separate estimates for annual and monthly spending by the uninsured for each of the three groups of individuals and by income group. Results are also shown separately by income groups to examine how spending might vary in relation to alternative Medicaid eligibility cutoffs. For brevity, only the monthly spending results are discussed in this brief.

Uninsured, non-disabled adults with incomes below the poverty level in Louisiana received an average of $166 per month in medical care, while uninsured children in this income group received only $54 in care. The most expensive group by far within the poor were uninsured disabled adults, who received an estimated $594 in care per month. For non-disabled adults and children, the value of care received did not vary much across income groups. However, for disabled adults, spending appears to drop off for those with incomes above 200 percent of the FPL. This could reflect a lower degree of disability in these groups at somewhat higher incomes.

Table 6

Total Spending Estimates and Medicaid Projections for the Uninsured in Louisianna in 2006

	Income as a Percent of the Federal Poverty Level (FPL)			
	< 100% FPL	100-200% FPL	200-400% FPL	Total < 400% FPL
Adults, non-disabled				
Annual				
Estimated Spending	$1,995	$1,939	$1,794	$1,834
Projected Medicaid	$4,614	$4,544	$4,232	$4,273
Monthly				
Estimated Spending	$166	$162	$150	$153
Projected Medicaid	$384	$379	$353	$356
Adults, disabled				
Annual				
Estimated Spending	$7,132	$6,744	$4,107	$6,825
Projected Medicaid	$8,940	$8,489	$5,196	$8,565
Monthly				
Estimated Spending	$594	$562	$342	$569
Projected Medicaid	$745	$707	$433	$714
Children, non-disabled				
Annual				
Estimated Spending	$646	$615	$680	$674
Projected Medicaid	$1,074	$1,026	$1,165	$1,124
Monthly				
Estimated Spending	$54	$51	$57	$56
Projected Medicaid	$89	$85	$97	$94

Source: Author's estimates based on analysis of the 2002-2004 Medical Expenditure Panel Surveys and March 2005 and 2006 Curent Population Surveys, 2007.

These estimates suggest that spending would be higher for each of these three groups of the uninsured if they were to be covered by Medicaid. Spending for non-disabled, poor adults would more that double from $166 to $384 per month. For poor children, the increase would be about 60 percent (from $54 to $89). The increase in spending that could result from extending Medicaid coverage to disabled, poor adults who are currently uninsured was smaller (about 25

percent) than it was for the other two groups, but this group still had the highest projected level of spending under Medicaid ($745 per month). The incremental increase in spending for new Medicaid enrollees does not vary much across income groups, however.

Discussion

The estimates of the numbers of uninsured in Louisiana presented in this brief are comparable to those used in recent state simulations of the costs of the proposed demonstration project. Those simulations have explored the impact of expanding Medicaid eligibility to parents and childless adults in families with incomes up to 200% of the FPL. The analysis of the March 2006 CPS dated presented here shows approximately 67,000 uninsured children in the state living in families with incomes under 200% of the FPL. In comparison, the state's estimates assume that there are roughly 60,000 children in this category. Similarly, these CPS estimates suggest that there are 476,000 uninsured adults in low-income families, not too dissimilar from the state's estimate of 504,000.

Of the 476,000 uninsured adults in the CPS analysis, 124,000 are parents and 352,000 are childless adults. If all children and adults in families with incomes up 200% of the FPL were made eligible for Medicaid or SCHIP under a demonstration, the estimates in this brief suggest that 75 percent of the state's uninsured would have the opportunity to gain coverage.

It is somewhat more difficult to compare the MEPS-based estimates of spending for new Medicaid eligibles to simulations of the costs of the proposed demonstration project because they do not necessarily reflect the same concepts. There are several reasons why the MEPS-based projected spending for these three groups of Louisiana's uninsured might not necessarily represent the per member per month (PMPM) payment that Medicaid would provide to a private health plan.

These MEPS-based projections do not build in any allowances for plan administrative costs, which would likely translate to higher PMPM payments than the cost of medical care used by the uninsured once covered by Medicaid. However, other factors could result in PMPM payments somewhat below the MEPS-based estimates. First, these estimates assume that Medicaid would cover all of the health spending by the currently uninsured. If there were still uncovered services and spending paid for by the uninsured out of pocket, the spending incorporated into the PMPM payment prior to administrative costs considerations might be lower. Second, health plans might be allowed to impose some copayments on beneficiaries that might lead to reduced utilization or, at least, shift some additional costs to the beneficiary and out of the PMPM payment from Medicaid. Finally, methods employed here implicitly assume that the increased spending that results from giving an uninsured person Medicaid is the "average" impact of Medicaid on spending in the entire South. However, if the "medical home" model or the "aggressiveness" of care management employed by Medicaid managed care plans proposed in the Louisiana demonstration projects leads to less of an increase in costs than occurs elsewhere in the South, then the PMPM payment might be lower than the MEPS-based projected Medicaid spending.

Nevertheless, the MEPS-based estimates do represent an additional external estimate of health care spending by uninsured individuals who receive Medicaid coverage and have proven a useful comparison in other states where they have been employed. In order to compare the MEPS-based estimates directly with Louisiana's current assumptions of costs under moderate managed care and Medicaid rates, each state estimate must be deflated back to 2006 using the growth rates applied by the state since the methodology employed here only supports spending estimates through 2006.[9]

The results of this exercise yield different conclusions for different subgroups of potential new eligibles.[10] Among children, the MEPS-based estimate of $87 in monthly spending in 2006 is quite comparable to the adjusted state assumption of $94 PMPM.[11] For adults, there is a greater divergence between the MEPS-based estimates and the state assumptions, with the disabled seeming to be somewhat less costly using MEPS and the non-disabled being considerably more costly. The MEPS-based estimate suggests that uninsured disabled adults might spend about $725 per month, while the state estimates a PMPM payment about $100 dollars higher.[12] For non-disabled adults, the MEPS-based estimate suggests spending of $380 per month if enrolled in Medicaid in comparison to the state's estimate of $175 PMPM.[13]

Assuming that these MEPS-based estimates serve as an approximation of the costs Medicaid would incur if it were to cover the uninsured, it is possible to combine the estimates of the number and characteristics of the uninsured and the costs of covering them presented previously to derive an estimate of the total costs of expanding Medicaid coverage to Louisiana's low-income uninsured population. For this exercise, all uninsured children and adults are assumed to enroll (100% participation). The goal is solely to put the per capita estimates from MEPS into context. These estimates should not be viewed as a careful projection of the demonstration's costs, but rather as an additional benchmark against which other cost estimates may be evaluated. For example, we are not considering potential Medicaid enrollees who might be drawn from the ranks of the privately insured if eligibility standards were expanded (i.e., crowd out of private coverage).

Setting aside additional costs that would have to be incurred for health plan administration and crowd out, the methodology employed here is likely to yield an upper bound of what the total incremental Medicaid costs for the uninsured would have been as of 2006 since other factors outlined previously function to reduce the PMPM payment from the MEPS-based estimate.

At $87 PMPM, the 67,000 low-income uninsured children would cost roughly $70 million dollars in 2006. Of the 476,000 low-income uninsured adults, 5.6 percent are estimated to be disabled when enrolled in Medicaid, with projected costs of $725 PMPM. This group of 26,656 adults with disabilities could be included in Medicaid at an annual cost of approximately $232 million. The remaining 449,344 non-disabled adults would cost $380 PMPM, or roughly $2.0 billion annually. Therefore, an expansion that made all three of these groups Medicaid-eligible and was able to enroll virtually the entire uninsured population would have an estimated total annual cost of approximately $2.3 billion in additional Medicaid program spending.

To put this $2.3 billion rough estimate in context, the total amount of Medicaid DSH spending in Louisiana that could be redirected to cover the costs of new eligibles is $1.0 billion. This implies

that less that one-half of the costs of an eligibility expansion that enrolled all new eligibles could be paid for using Medicaid DSH funds. The remainder would have to be derived from additional state or federal spending. Moreover, if all Medicaid DSH funds were used to cover the costs of an expansion and, as is likely, not everyone signed up for coverage, the state could have a substantial uninsured population with no available Medicaid DSH payments to offsets their costs. These estimates suggest that it is simply not likely to be feasible to expand coverage to Louisiana's low-income uninsured population without coming up with funding beyond those represented by the state's current Medicaid DSH spending.

This brief was prepared by Stephen Zuckerman, Ph.D., of the Urban Institute and Jack Hadley, Ph.D., of George Mason University. The authors thank Allison Cook and Joel Ruhter for their excellent programming assistance. This research was commissioned by the Henry J. Kaiser Family Foundation. Conclusions or opinions expressed in this report are those of the authors and do not necessarily reflect the views of the Foundation, the Urban Institute, or George Mason University.

Notes

[1] Louisiana Health Care Redesign Collaborative, 2006. Available at http://www.dhh.louisiana.gov/offices/publications.asp?ID=288&Detail=1417.

[2] The proposal also emphasized the need to change the way health care is delivered by requiring that plans available to each new eligible embody the concept of the "medical home" so that "all primary care, specialty care, hospital care, after care and community-based services will be effectively coordinated and patient-centered." This medical home concept is seen as a central element in the approach to improving health care quality, and can affect the costs of care.

[3] J. Hadley and J. Holahan, "How Much Medical Care Do the Uninsured Use and Who Pays for It?" *Health Affairs Web Exclusive* (12 Feb 2003): w366-w381; J. Holahan, R. Bovbjerg, and J. Hadley, "Caring for the Uninsured in Massachusetts: What Does It Cost, Who Pays and What Would Full Coverage Add to Medical Spending?" Report for the Blue Cross Blue Shield of Massachusetts Foundation, November 2004.; Zuckerman, Stephen, Bovbjerg, Randall R., Hadley, Jack, Cravens, Matthew and Clemans-Cope, Lisa, "The Cost of Care for Missouri's Uninsured," Missouri Foundation for Health Report, October 2006.; Zuckerman, Stephen, Bovbjerg, Randall R., Hadley, Jack, and Dawn Miller, "Costs Of Caring For The Uninsured In Maine," Maine Healthcare Access Foundation, March 2007.

[4] DSH payments are made by a state's Medicaid program to hospitals that the state designates as serving a "disproportionate share" of low-income or uninsured patients. Such payments are in addition to the regular payments these hospitals receive for providing care to Medicaid patients. These payments are a critical element in Louisiana's financing of the state's Charity hospital system. The amount of federal matching funds that are available to a state for DSH payments in a given year is capped by federal law. In Federal Fiscal Year 2007, Louisiana's federal DSH allotment is $731,960,000. Including the state share of spending required to draw down this allotment, the total available DSH program spending in 2007 is Louisiana is approximately $1.05 billion.

[5] Because Medicare coverage for residents age 65+ is nearly universal, this brief focuses exclusively on the non-elderly.

[6] Some people appear in the sample twice because interviews are conducted over multiple years. The person-level weight is different for each year's record. Because of MEPS' sample design, and to increase the number of observations, we leave in all persons who appear in multiple years' data files.

[7] Adults were designated as "disabled" if they reported having some limitations in their ability to work or any ADL or IADL. This designation is approximate and does not necessarily coincide with a programmatic designation of disability.

[8] The result of this adjustment is that the 2002 MEPS spending is inflated by 13.2%, 2003 MEPS spending by 8.4%, and 2004 spending by 4.0% to arrive at spending that reflects 2006.

[9] These growth rates are 6.2% for children, 5.6% for non-disabled adults, and 4.9% for disabled adults.

[10] We also compared the MEPS-based estimates to data on spending per enrollee in Louisiana reported in the 2004 Medicaid Statistical Information System (MSIS) by inflating the MSIS estimates to 2006. These MSIS estimates were close to the MEPS estimates for non-disabled adults and slightly above for children and disabled adults. This suggests that children and disabled adults already enrolled in Medicaid have greater health care needs than the uninsured who would be made eligible as a result of a program expansion.

[11] The MSIS estimate of spending per enrollee for children in Louisiana in 2006 is $105.

[12] The MSIS estimate of spending per enrollee for disabled adults in Louisiana in 2006 is $981.

[13] The MSIS estimate of spending per enrollee for non-disabled adults in Louisiana in 2006 is $374.

1330 G Street NW, Washington, DC 20005
Phone: (202) 347-5270, *Fax:* (202) 347-5274
Website: www.kff.org/KCMU

Additional copies of this report (#7669) are available on the Kaiser Family Foundation's website at www.kff.org.

THE HENRY J. KAISER FAMILY FOUNDATION

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bi-partisan group of national leaders and experts in health care and public policy.