PPIC PUBLIC POLICY INSTITUTE OF CALIFORNIA

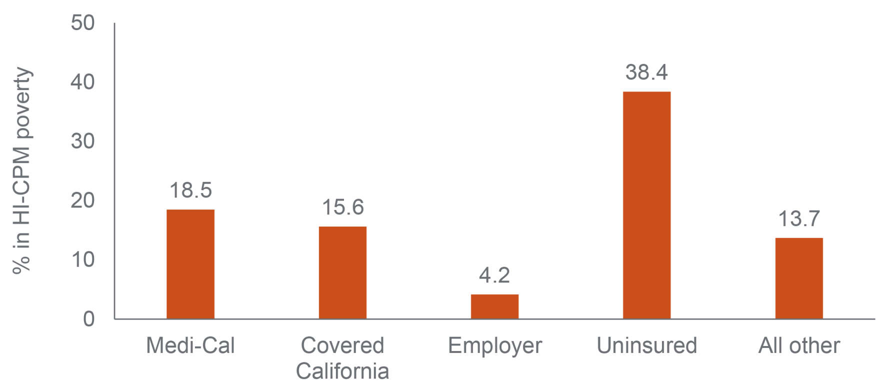
The Impact of Health Insurance on Poverty in California

The Affordable Care Act (ACA) has significantly expanded publicly funded health coverage over the past decade. Millions of Californians have gained health insurance through Medi-Cal, the state's Medicaid program, and through subsidies of coverage purchased from Covered California, the statewide insurance marketplace. The ACA has been linked to improved financial well-being—including reduced debt, fewer bankruptcies, higher credit ratings, and access to credit. To highlight the impact of health coverage (or lack thereof) on poverty across California's geographic regions and demographic groups, we developed a health-inclusive poverty measure.

Health insurance makes critical contributions to family resources

Building on the California Poverty Measure, our metric treats health insurance as a basic need, along with food and shelter. When insurance coverage is factored in, the resources families require to remain out of poverty increase by nearly 60 percent overall (the increase varies by age and region). As a result, poverty rates are substantially higher for Californians without insurance: 38.4 percent are living in poverty, compared to 18.5 percent of those covered by Medi-Cal and only 4.2 percent of those with employer-based coverage.

Health-inclusive poverty rates are at least twice as high among Californians who are uninsured

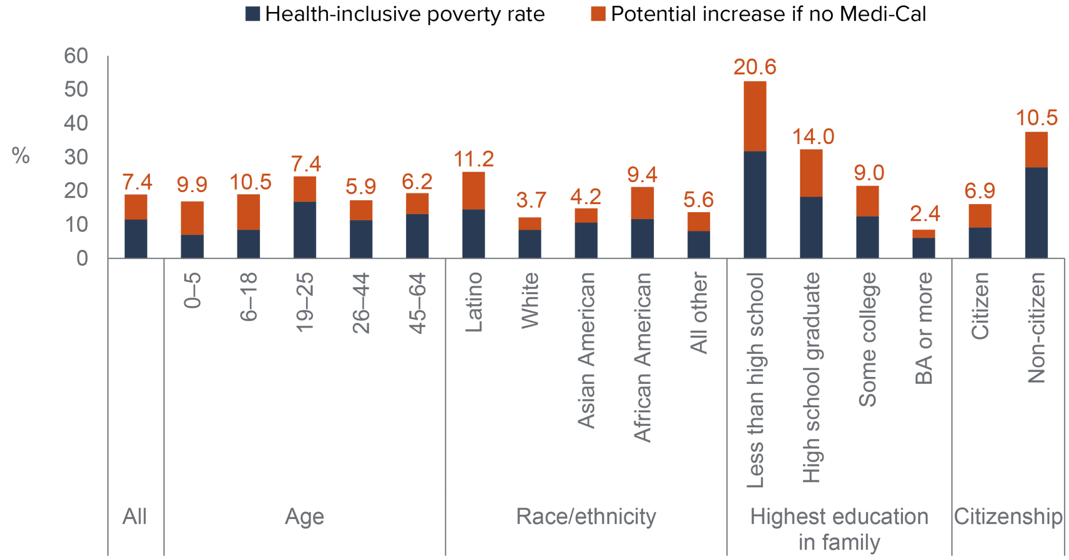


Source: Author calculations from the health-inclusive CPM (fall 2021).
Notes: Estimates do not include Californians age 65 and older because this group is mostly covered by Medicare. Medi-Cal counts are corrected for survey underreporting. All those who report "direct purchase" insurance are categorized as enrolled through Covered California. "Employer" is employer-based. "All other" includes access to the Indian Health Service, Veteran's insurance, and Medicare.

Our metric also shows that the poverty-mitigating effect of publicly funded health coverage—particularly Medi-Cal—outstrips the impact of large safety net programs such as CalFresh and the 2021 federal Child Tax Credit. This is not surprising, given the high cost of health care and the wide reach of Medi-Cal, the state's largest program expenditure. In the absence of Medi-Cal, poverty among young children could rise from 7 percent to as much as 16.9 percent. For adults age 45 to 64, poverty could increase from 13.1 percent to 19.3 percent.

Medi-Cal enrollment swelled during the pandemic, and California's uninsured rate dropped, even amid historic levels of economic disruption. This increase was driven at least in part by the temporary suspension of annual eligibility redeterminations—a bureaucratic process that can cause people to lose coverage even if they remain income eligible. We estimate that in 2021, the program kept up to 2.4 million Californians under 65 out of poverty (assuming that all participants would be uninsured if they did not have Medi-Cal coverage).

Without Medi-Cal, poverty would be much higher—especially for children



Source: Author calculations from the health-inclusive CPM (fall 2021).
Notes: Estimates include Californians under age 65. The orange bar segments and corresponding orange numbers indicate the percentage point increase in health-inclusive poverty after zeroing out Medi-Cal from family resources (i.e., all Medi-Cal enrollees become uninsured). Education level refers to the adult with the highest level of education in the household.

Covered California mitigates poverty by subsidizing premiums for low- and middle-income Californians. Without these subsidies—which were enhanced during the pandemic—poverty would be a percentage point higher overall, and nearly 2 percentage points higher for adults aged 45–64 and Asian Americans—groups that are especially likely to purchase coverage.

Poverty rates are highest among demographic groups that are more likely to lack health coverage—non-citizens (27%) and those in families without at least one high school graduate (31.8%), in particular. The state plans to expand Medi-Cal to all income-eligible Californians, regardless of immigration status, in January 2024; we estimate that this will reduce poverty among non-citizens by 2.9 percentage points. It should have a substantial impact on undocumented immigrants and families with mixed immigration statuses.

The changing health insurance landscape could affect family finances

A health-inclusive poverty measure can help policymakers assess the impact of changes to insurance coverage over the next few years. The January 2024 Medi-Cal expansion could improve the economic circumstances of 1.6 million Californians and their families. However, now that the public health emergency is ending and Medi-Cal is resuming eligibility determinations, millions are expected to lose Medi-Cal coverage—though many could transition to other insurance. Monitoring the extent to which eligibility determinations cause Californians to become uninsured should be a high priority.

Covered California's enhanced premium subsidies are federally funded through 2025. With enrollment through Covered California higher than it has ever been—nearly 2 million Californians purchased plans in 2022—it will be important to track both coverage and poverty rates after these enhanced subsidies expire.

Ultimately, this work helps policymakers understand the effect of public health insurance on household finances. It underscores the Medi-Cal program's critical contribution to basic resources and yields a new appreciation of the way public spending on health insurance enhances economic well-being across the state.

Supported with funding from Sunlight Giving.
Adapted by Mary Severance from *The Impact of Health Insurance on Poverty in California*, by Caroline Danielson, Patricia Malagon, and Shannon McConville.