Executive Summary

As the United States grapples with the long term ramifications of the COVID-19 pandemic and other public health crises like opioid addiction and mental health issues, low-wage workers find themselves in a perverse predicament when it comes to accessing affordable, quality health care.

Though employed, thousands of low-income people cannot afford private insurance, even through their employers, and instead must rely on coverage through programs like Medicaid and the Children's Health Insurance Program. For people living in states that have not approved Medicaid expansion, even a meager hourly wage will make them ineligible for benefits. They truly are stuck between a rock and a hard place - working for employers who do not pay living wages or provide robust benefits, and represented by lawmakers who ignore the needs of their constituents. This peculiar health care crisis is called the "coverage gap" and is the result of a person earning too much to qualify for Medicaid but too little to qualify for ACA marketplace subsidies or to afford the out-of-pocket expenses associated with employer-sponsored plans (premiums, deductibles and copays).[1] The consequence of this coverage gap is that millions of working poor people do not qualify for or cannot afford any health care coverage at all.

Because of systemic racism and systems of oppression, Black, Latinx, and Indigenous people are concentrated in low-wage, largely service occupations and are much more likely than their white counterparts to depend on Medicaid for health coverage.[2] They are also more likely to fall into the health care coverage gap.

Given the clear equity implications of health care access in the United States, it is imperative that our nation's public and private leaders take immediate steps to close these gaps.

Key Findings

- In non-expansion states, there are approximately 2.2 million people who earn too much to qualify for Medicaid and too little to qualify for Affordable Care Act (ACA) marketplace subsidies.
- Six in ten people who fall into this health care coverage gap are Black and brown.[3]
- In non-expansion states the working poor either forgo care or accrue medical debt for relying on Emergency Room (ER) care for their basic health care needs.
- In states that have expanded eligibility, income thresholds require people to purchase coverage from the state or federal health insurance exchanges or to obtain coverage through their employer but out-of-pocket costs (premiums, co-pays, and deductibles) may prohibit low-wage workers from accessing coverage.
- Out-of-pocket costs associated with employer-sponsored plans are prohibitively expensive for low-wage workers which forces them to purchase insufficient coverage or from participating in these plans altogether.

[1] https://www.bls.gov/opub/reports/working-poor/2019/home.htm
[2] https://www.kff.org/medicaid/issue-brief/medicaid-and-racial-health-equity/
[3] https://www.cbpp.org/research/health/closing-medicaid-coverage-gap-would-help-diverse-group-and-narrow-racial

Policy Recommendations

Action by both federal and state policymakers and private employers is required if we have any chance of closing the coverage gaps impacting millions of low-wage workers and their families, particularly given the end of the COVID-19 Public Health Emergency. Now is the time for state and federal policymakers to ensure states use every option available to avoid massive coverage losses when the continuous coverage requirement ends.

An effective multi-pronged approach to mitigate these gaps would, at minimum, include:

1. Lawmakers expanding medicaid eligibility in the states that have not yet done so.
2. Policymakers working with insurance companies to lower the cost of ACA marketplace plans.
3. Large corporate employers like Amazon and Walmart must increase eligibility and participation in employer-sponsored plans while leveraging their market power to lower costs and improve the quality of those plans.