Towards Universal Health Coverage:

Expanding Medi-Cal to Low-Income Undocumented Adults

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Summary

- Undocumented adults are mostly left out of California's health insurance system and make up the largest group of uninsured in the state. Low-income undocumented adults have an especially high uninsured rate—90 percent—and are more likely to lack a usual source of care than their counterparts with citizenship or documentation, according to UCLA analysis.

- Expanding Medi-Cal to all low-income adults regardless of immigration status would extend eligibility to approximately 1.15 million undocumented adults in 2020.

- Expanding Medi-Cal to low-income undocumented adults would close one of the biggest remaining coverage gaps in the state's health care system, reducing the state's uninsured population by as much as one-quarter.

- Research has shown the value of health insurance for health, access to care, financial security, and worker productivity.

- Under a scenario in which all restricted-scope enrollees are automatically transitioned to full-scope Medi-Cal coverage and additional eligible individuals newly enroll, approximately 1.05 million undocumented adults would be predicted to enroll, of which 104,000 are estimated to be young adults age 19-25 and 25,000 are estimated to be seniors age 65 and over.

- Proposed changes to federal immigration rules threaten to have a chilling effect on enrollment in public programs, even among those individuals not directly affected by the proposed rule change. If the proposed "public charge" rule is finalized and the disenrollment rate among undocumented adults is relatively high (35 percent), the expansion would extend full Medi-Cal benefits to approximately 680,000 undocumented adults in 2020.

Background

California's approximately 2.2 million undocumented residents[1] are integral to our state's economy, communities, and families. Undocumented Californians are mostly Latino (86 percent) or Asian American (10 percent).[2] In addition, these adults:

- Make up 9 percent of the state's workforce, commonly employed in industries including leisure and hospitality (16 percent of undocumented workers), manufacturing (15 percent), and business services (14 percent);[3]
- Contribute approximately $3 billion in state and local taxes each year;[4]
- Are commonly long-term members of our communities with two-thirds (66 percent) having lived in the United States for a decade or longer[5] and nearly three out of 10 (28 percent) owning their home;[6] and
- Are commonly parents of citizen children—approximately one out of six children in California has an undocumented parent.[7]

Undocumented Californians have a high uninsured rate.

In spite of their integral role in our state, undocumented Californians are, for the most part, left out of our health insurance system. Undocumented residents make up the largest group of Californians who lack insurance—approximately 1.5 million are projected to lack insurance in 2020.[8] The uninsured rate for low-income undocumented adults is particularly high: 90 percent of undocumented California adults with household income at or below 138 percent of the Federal Poverty Level (FPL) lack insurance compared to 10 percent of all other California adults in the same income range in 2015-2016.[9]

The uninsurance rate for undocumented California adults is high for several reasons.

- Undocumented California adults are **excluded from full Medi-Cal benefits** under federal policy. However, using state funds, California has extended eligibility for full Medi-Cal benefits to all Californians with Deferred Action for Childhood Arrivals (DACA) status.
- Under federal policy, undocumented Californians are **not eligible to purchase insurance through Covered California, with or without subsidies**. All Californians can purchase insurance directly from insurers, though most undocumented adults likely have difficulty affording insurance without subsidies due to the high cost of premiums relative to their income.
- Undocumented Californians are **less likely to have employer-sponsored insurance** because they are more likely to work in industries and occupations that do not offer health insurance. Among working-age adults (age 19-64), 21 percent of non-citizens without a green card (including but not limited to undocumented adults) had employer-sponsored insurance, compared to 68 percent of citizens and 38 percent of Californians with a green card in 2014.[10]

County programs improve access to care for undocumented immigrants in some counties but significant gaps remain.

Some California counties provide access to some non-emergency care to uninsured low-income individuals, regardless of immigration status. However, programs vary significantly in terms of services covered and income eligibility standards, and some programs cap enrollment.[11] This variation, in part, reflects both variation in available funding and differences in how counties prioritize resources. These county programs are valuable for those who are eligible. Research has shown that one of the most comprehensive county programs, Healthy San Francisco, has improved access to care, resulted in greater primary care service use, and reduced emergency department visits and potentially avoidable hospitalizations.[12] However, programs that cover a relatively comprehensive set of services are not available to many uninsured undocumented residents in the state.

Many undocumented adults are enrolled in restricted-scope Medi-Cal, but the benefits are limited.

Under a federal policy that has been in place since the 1980s, individuals who would otherwise be eligible for Medicaid but for immigration status are eligible for coverage of emergency and pregnancy-related services using state and federal funds. Restricted-scope Medi-Cal also provides state-funded long-term care, dialysis, total parenteral nutrition, anti-rejection medication, and breast and cervical cancer treatment.[13] Doctor visits, hospital care, prescription drugs, and other basic health services are not covered by restricted-scope Medi-Cal, unless they are necessary for the treatment of an emergency medical condition or the enrollee is pregnant. Covered services do not include, for example, most of the care needed by someone with cancer or the care necessary to manage asthma, diabetes, or high blood pressure.[14]

As of June 2018, a total of 955,000 undocumented California adults were enrolled in restricted-scope Medi-Cal,[15] or approximately 80 percent of those eligible.[16] State enrollment data from 2013 indicates that undocumented individuals enrolled in restricted-scope Medi-Cal were enrolled for an average of 41 continuous months.[17] Some adults enroll in restricted-scope Medi-Cal when they seek care at a hospital or clinic. Others may enroll themselves when they are enrolling eligible family members (such as citizen children) in full-scope coverage, even when they have no need for emergency or pregnancy-related services at the time. Like full-scope enrollees, restricted-scope enrollees must renew their coverage annually.

The take-up rate for restricted-scope Medi-Cal is approaching California's overall projected Medi-Cal enrollment rate of close to 90 percent in 2020 and beyond.[18] This finding may appear to run counter to national research that has suggested that undocumented immigrants and their family members are less likely to enroll in public programs due to fear of negative immigration enforcement action for themselves or their families, concern about ability to adjust immigration status in the future, and a general fear and mistrust of public programs.[19] Furthermore, in the last couple of years, fear among immigrant families has increased in response to increased anti-immigrant policies and practices at the federal level. During this time period, California health care providers have reported that they have increasingly observed immigrant families being more likely to skip scheduled health care

appointments or avoid seeking care and showing more concern about enrolling in public programs.[20] Enrollment in restricted-scope Medi-Cal fell by 3.6 percent between November 2016 and June 2018, compared to a 2.5 percent decline in enrollment among all other enrollees.[21] It is unclear how much of the decline in enrollment among both groups was due to economic and demographic factors, such as the increase in the minimum wage and the overall decline in the undocumented population size, and how much is due to immigrants' fear of enrolling in public programs.

California's strong enrollment in restricted-scope Medi-Cal may be due in part to the strong investment in outreach and enrollment assistance in the state, including efforts to communicate to applicants that information they provide in a Medi-Cal application can only be used to determine Medi-Cal eligibility and cannot be used for immigration enforcement.[22] Many Medi-Cal renewals now occur automatically or via pre-populated forms.[23] Additionally, many undocumented Californians have shown a willingness to provide information to the state in certain circumstances, as more than one million undocumented Californians obtained driver's licenses as of March 2018[24] under a state law that has been implemented for several years.[25]

Safety net providers are an important source of care for undocumented Californians.

Undocumented Californians often rely on safety net providers that primarily serve the uninsured and public program enrollees; these include public hospitals, community clinics, and Federally Qualified Health Centers (FQHCs). Such providers generally offer care on a sliding scale basis based on a patient's income, and serve all patients regardless of immigration status. While a variety of public funding sources help to support care provided to the uninsured patients by safety net providers, resources are limited and past research has indicated that demand for care exceeds supply in certain regions and for certain services.[26]

Undocumented Californians generally have worse access to care.

Even with the patchwork system of programs and providers that offer care to low-income undocumented California adults under certain circumstances, undocumented adults generally have more limited access to care than their citizen and documented counterparts. Several studies have analyzed access to care for undocumented Californians using data from the California Health Interview Survey. Findings include:

- Low-income undocumented adults were more likely (44 percent) to lack a usual source of care than their citizen and documented counterparts (24 percent) in 2015-2016.[27]
- A study focused on undocumented California Latinos, who make up more than 80 percent of undocumented Californians, found that undocumented working-age adults were less likely to have a usual source of care than their Latino counterparts with citizenship or a green card in 2011-2015.[28]
- The same study found that among California Latinos who needed help for an emotional or mental issue or needed an alcohol or drug program in the last year, undocumented Latinos were the most likely to not get help due to concern about the cost of treatment.

- Another study found that undocumented California adults were less likely to have received age- and sex-appropriate mammograms and colorectal cancer screenings, compared to their citizen and documented counterparts in 2009.[29]

Compared to their U.S.-born counterparts, undocumented California youth and young adults who appeared to meet the eligibility criteria for DACA were more likely to report not having had a usual source of care in 2007 and 2009, prior to the DACA program being created.[30] In focus groups with DACA-eligible young adults, many reported barriers to care, including cost. The focus groups indicated that mental health care was the greatest unmet need. These focus groups took place in 2013, when many low-income Californians with DACA were not yet aware of their eligibility for Medi-Cal.[31]

Undocumented Californians' greater likelihood of lacking insurance contributes to these access-to-care trends, though it is not the only driver.

Expanding Medi-Cal to Low-Income Undocumented Adults

Beginning in 2016, California took an important initial step towards reducing the coverage gaps for undocumented Californians by expanding Medi-Cal eligibility to all low-income children using state funds.[32] Children who were enrolled in restricted-scope Medi-Cal were automatically transitioned to full-scope benefits, and thousands more undocumented children were newly enrolled. By 2018, more than 250,000 undocumented California children had full Medi-Cal benefits.[33]

California could extend a similar policy to low-income undocumented adults and utilize a similar automatic transition process. Enacting such a policy would not require any federal approval.

Research has shown the value of health insurance for health, access to care, financial security, and worker productivity.

Numerous studies have shown that health insurance improves access to health care and intermediate health outcomes.[34] Expansions of comprehensive Medicaid coverage that occurred prior to the Affordable Care Act (ACA) were associated with increased use of preventive care, reduced death rates, and overall better general health status.[35] Research on state health reform efforts in Massachusetts, which expanded Medicaid and private health insurance, found that increased coverage resulted in reduced preventable hospital admissions[36] and lower death rates.[37]

Research has also shown that ACA coverage expansions increased the percentage of low- and moderate-income adults who reported having a usual source of care and having had a routine check-up in the last 12 months, while the percentage of adults reporting problems obtaining health care or unmet need for care due to cost declined.[38] Another study found an association between ACA Medicaid expansions and improved access to primary care, fewer skipped medications due to cost,

increased screening for diabetes, increased glucose testing among patients with diabetes, increased regular care for chronic conditions, and improved self-reported health status.[39] The ACA Medicaid expansions improved prescription drug use, especially for diabetes medications, contraceptives, and cardiovascular drugs.[40] One study found an association between ACA Medicaid expansions and improvements in perceived and realized access to mental health or substance use disorder treatment.[41]

With regard to the financial repercussions of having insurance, research on the expansion of Medicaid to adults in Oregon found that Medicaid improved financial security for recipients.[42] In Massachusetts, health reform reduced the amount of debt that was past due, improved credit scores, reduced personal bankruptcies, and reduced third-party collections.[43] One study found that the ACA Medicaid expansions were associated with a reduction in unpaid bills and in the amount of debt sent to third-party collection agencies.[44] Another study found that the ACA coverage expansions reduced the share of adults reporting problems paying medical bills.[45]

Having health insurance is also associated with greater worker productivity. Research has found that workers with health coverage miss fewer work days compared to those who are uninsured.[46] An analysis of manufacturing plants found that workers offered health insurance had greater productivity.[47]

High rates of uninsurance in a community can even affect those with insurance. A 2009 study by the Institute of Medicine concluded that when communities have high rates of uninsurance, "insured adults in those communities are more likely to have difficulties obtaining needed health care and to be less satisfied with the care they receive."[48] The mechanisms by which high uninsurance rates in a particular community affect those who are insured are not well-established, but the Institute of Medicine study suggested that financial pressures on health care delivery systems in such communities could lead to lower investment in local health care systems as well as lower concentrations of providers, both of which could have spillover effects on insured residents.

An estimated 1.15 million California low-income undocumented adults would be eligible if full-scope Medi-Cal were expanded in 2020.

Today, parents and childless adults who are citizens or lawful permanent residents are eligible for Medi-Cal if they are in households with income at or below 138 percent of the Federal Poverty Level (FPL), approximately $16,750 for a single person or $34,640 for a family of four. Income eligibility standards for seniors and disabled individuals vary depending on their individual circumstances.

An estimated 1.15 million undocumented adults would be projected to newly qualify[49] for full-scope Medi-Cal coverage in 2020 if eligibility were expanded to all low-income individuals, regardless of immigration status. This estimate uses the latest available estimates of California's undocumented population[50] and its demographics,[51] with a 5-percent estimated reduction in the eligible population based on changes in eligibility projected in 2020 [52]due to wage increases under California and local minimum wage laws.[53] Eligibility could decline even further—by an additional 10 percent—as the minimum wage reaches $15 in 2023 for all California workers, in 2022 for workers in large firms, and earlier in some cities and counties that have local minimum wage laws, such as Los Angeles and San Francisco.[54]

Estimates of the size of the overall California undocumented population vary substantially at any point in time and are subject to significant uncertainty because surveys generally do not ask respondents directly whether they are undocumented.[55] For the same reason, income and age distribution estimates for undocumented Californians are also subject to uncertainty. Additionally, the number of undocumented California adults could change over time due to other factors not modeled in this analysis. For example, this eligibility estimate assumes no change in the overall size of the undocumented population between 2016 and 2020 because projections are not available. However, the Pew Research Center estimates that the undocumented population in California has declined over time, from 2.8 million in 2007 to 2.2 million in 2016.[56] The Pew Research Center primarily attributes the net decline in the number of undocumented immigrants nationally to a significant decline in the number of new undocumented immigrants, particularly among Mexican immigrants.[57] If the decline in the number of undocumented immigrants continues, the number eligible for Medi-Cal could also decline. Additionally, the number of low-income undocumented adults could change as a result of broader economic trends, such as a recession.

Between 680,000 and 1.05 million undocumented adults could enroll, depending on the extent to which federal immigration policy dampens enrollment.

In this analysis, enrollment in 2020 is estimated under two scenarios in which a Medi-Cal eligibility expansion to undocumented adults could occur:

- **Scenario 1** assumes that total enrollment in Medi-Cal among undocumented adults increases beyond current levels. Specifically, this scenario assumes that enrollment in restricted-scope Medi-Cal continues at similar levels, falling only slightly by 2020 due to reduced eligibility associated with increases in the minimum wage, and that all enrolled adults are automatically transitioned to full-scope Medi-Cal under an expansion. Under Scenario 1, half of those who would be eligible for Medi-Cal under an expansion but not already enrolled in restricted-scope Medi-Cal are assumed to newly enroll.
- **Scenario 2** assumes that the U.S. Department of Homeland Security finalizes its recent proposal that would expand and toughen the "public charge" test applied when people apply for a green card or to enter the county. Even though the proposed rule would not directly apply to Medi-Cal-covered emergency services or state-funded benefits, the rule is complex and, if finalized, is anticipated to cause fear and confusion that will ultimately have a "chilling effect" on enrollment in Medi-Cal, decreasing enrollment by as much as 35 percent, including by many who are not legally subject to the rule. Scenario 2 reflects estimated enrollment if this proposed rule is finalized and if 35 percent fewer individuals enroll than under Scenario 1.

These are two of many possible scenarios for enrollment. Take-up rates are subject to significant uncertainty and will depend on factors such as trends in immigration policy and enforcement and the extent to which an expansion in eligibility is coupled with culturally and linguistically appropriate outreach and enrollment assistance, as well as larger economic and demographic trends that affect the number of eligible undocumented immigrants, including minimum wage increases and employment trends.

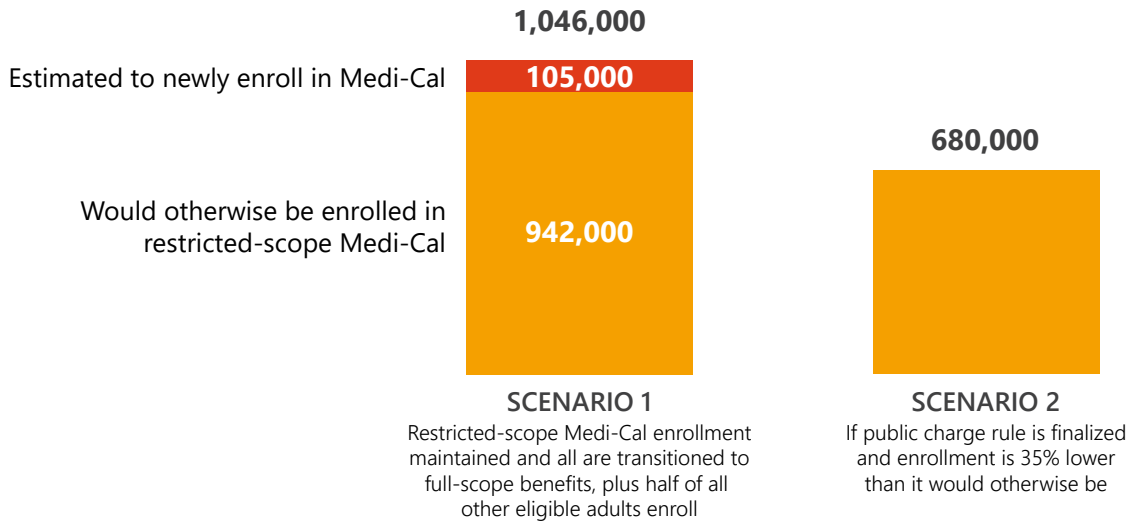
Scenario 1 – Enrollment Grows Beyond Current Levels

In total, an estimated 1.05 million undocumented adults would enroll in full-scope Medi-Cal coverage in 2020 under Scenario 1, or 91 percent of those eligible (see **Exhibit 1**).

- The vast majority of eligible adults are projected to be enrolled in restricted-scope Medi-Cal coverage in 2020: 942,000 or 82 percent, which is slightly lower than the number enrolled as of 2018 due to a reduction in eligibility as wages increase. If the state expanded full-scope Medi-Cal to all low-income residents, regardless of immigration status, these 942,000 adults could be automatically transitioned to full-scope coverage, as was done under the eligibility expansion for undocumented children.
- Of the remaining 210,000 adults estimated to be eligible, it is assumed in this scenario that 50 percent, or 105,000, would enroll in Medi-Cal. This take-up rate, which was also assumed in an analysis by the California Legislative Analyst's Office,[58] is conservative because this group of eligible adults includes some low-income adults who have employer-sponsored insurance and would not switch to Medi-Cal coverage. In this analysis, it is assumed that all new enrollees are non-disabled individuals under age 65 because individuals with disabilities or seniors are more likely to have already enrolled in restricted-scope Medi-Cal.

Given that the vast majority of enrollees would have previously been uninsured, this level of enrollment would reduce the state's uninsured population by approximately one-quarter in 2020.[59]

Exhibit 1: Estimated enrollment if Medi-Cal eligibility were expanded to low-income undocumented adults, 2020

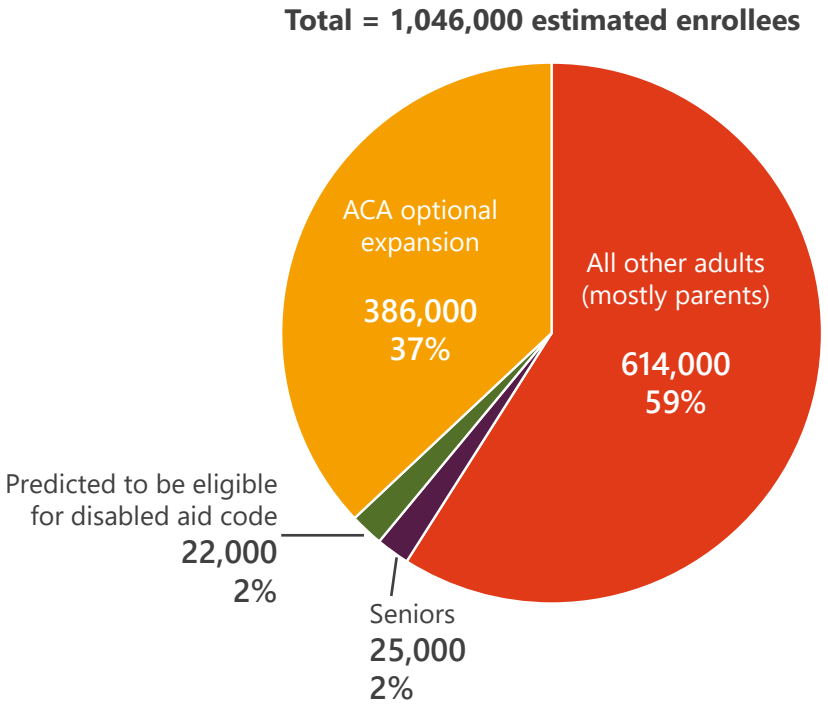


Note: Estimates may not sum to totals due to rounding.

Approximately 104,000 enrollees, or 10 percent, of the 1.05 million enrollees would be young adults age 19-25.

The vast majority of undocumented adults who would be enrolled under an eligibility expansion would be in aid categories for parents (59 percent) or the ACA optional expansion, which is mostly made up of childless adults (37 percent), while few enrollees would be in aid categories for seniors (2 percent) or individuals with disabilities (2 percent, see **Exhibit 2**). Seniors age 65 or older make up an estimated 2 percent of undocumented Californians, compared to 14 percent of Californians who are citizens or have documentation.[60] The estimate that 2 percent of undocumented enrollees would be assigned to a disabled aid category primarily reflects that undocumented Californians are less likely than other California adults to be disabled.[61] The rate at which undocumented working-age California adults reported being out of the labor force due to a disability was approximately one-third of the rate for citizens and lawfully present immigrants in 2004.[62]

Exhibit 2: Estimated enrollment by aid category if Medi-Cal eligibility were expanded to low-income undocumented adults, Scenario 1, 2020



Scenario 2 – Chilling Effect on Enrollment Due to Changes in Immigration Policy

Potential changes in immigration policy, such as the proposed "public charge" rule currently being considered by the U.S. Department of Homeland Security, could hamper enrollment.[63] If finalized as drafted, the proposed rule would allow the government to consider enrollment in full-scope Medicaid benefits, among other public programs, as a negative factor that counts against individuals in their application for lawful permanent residence. A similar test would be applied to those seeking to extend or change their non-immigrant status. Participation in certain public programs is one of a number of circumstances considered in the proposed "public charge" test. The government would weigh public program participation and other negative factors, such as limited English proficiency, certain health conditions, or poor credit scores, against positive factors, such as education, skills, job prospects, or family members who can provide support.

The proposed rule would not consider Medicaid coverage for emergency services or state and local programs (other than cash assistance programs or government-funded long-term care) in a public charge determination. Although many immigrants are exempt from the public charge test or do not currently have a pathway to lawful permanent residence, the proposed rule is likely to deter many immigrants and their U.S. citizen family members from enrolling in public programs, including restricted-scope Medi-Cal, due to fear of or confusion about the consequences that enrolling could have for themselves or family members in the future.

Research on the effects of welfare reform in 1996 found that after legal immigrants' access to public benefits was restricted under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), many immigrant families disenrolled from public programs, even when they continued to be eligible.[64] This chilling effect on enrollment was in part due to fear and confusion about the consequences that enrolling would have for their own immigration status or that of a family member.

Based on this research, reasonable scenarios for the projected decline in enrollment among immigrants and their citizen family members due to a chilling effect under the proposed public charge rule could be between 15 and 35 percent. This range of disenrollment rate scenarios has been used in a number of other analyses examining the impact of the proposed public charge rule.[65]

Scenario 2 focuses on the 35-percent disenrollment scenario as an outer bound. An estimated 680,000 undocumented adults would enroll in Medi-Cal in 2020 if enrollment were 35 percent lower than estimated in Scenario 1 (see **Exhibit 1**). The extent to which enrollment would be affected by a final public charge rule and the time period over which that change would occur is subject to significant uncertainty. This estimate assumes that the chilling effect on enrollment would occur by 2020, but the chilling effect could occur more slowly depending on a number of factors, such as the implementation date of a final rule and how long it takes for individuals' Medi-Cal enrollment and renewal decisions to change in response to the perceived risks.

Conclusion

Expanding Medi-Cal to all adults would reduce the number of uninsured in the state by up to one-quarter, potentially newly insuring more than one million Californians. This expansion could improve access to preventive and routine care and improve financial security for those who enroll, in addition to potentially improving worker productivity for those who become newly insured.

California has been a leader in recent years in adopting policies that recognize the important contributions that undocumented immigrants make to the state and its economy. For example, California has passed laws that provide access to driver's licenses, protect from deportation, and help to ensure rights for undocumented workers. California has also been a leader among states in getting closer to universal health coverage by adopting the optional Medicaid expansion under the ACA, creating a state-based health insurance exchange, making strong investments in outreach and enrollment efforts, and adopting more inclusive Medi-Cal eligibility policies than required under federal law. Expanding Medi-Cal to all low-income residents, regardless of immigration status, would further enhance the state's model role in establishing policies that are inclusive of immigrants and value universal health coverage.

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