Medicaid eligibility & wages

A CCLP issue brief

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Introduction

Colorado, like other states across the country, has seen increases in the state minimum wage since the start of the COVID-19 pandemic. Colorado has also seen high rates of disenrollment from Medicaid, particularly since the end of the COVID-19 Public Health Emergency (a process known as the PHE Unwind.) The increase in the state minimum wage has been proposed as an explanation for the high rate of disenrollment. However, our analysis leads us to believe that there are other, more significant factors that explain why Colorado's disenrollment rate is so high compared to other states in the country.

In theory, the proposed mechanism makes sense: as wages increase at the lower end of the wage distribution (as a result of a minimum wage increase), some workers wages might increase such that they would no longer be eligible for Medicaid. But if our state's higher minimum wage is driving our state's Medicaid disenrollment rate, we would expect to see similar patterns when we look to other states which have also seen their minimum wage increases. We would also expect to see *lower* rates of disenrollment among states with no changes to their minimum wages.

While the claim made by the Colorado Department of Health Care Policy & Financing (HCPF) is that our state's higher minimum wage is the cause of our higher disenrollment rates, for our analysis we instead looked at changes in the 10^{th} percentile wage, or the wage paid to the lowest paid 10% in our state. We use this wage level rather than the minimum because it is a better reflection of the wages paid to low-wage workers. It also allows us to examine wage changes in states that have not seen their minimum wages increase. Indeed, many states who did not see an increase to their minimum wages (whether at the federal level or not) nevertheless saw wage growth among the bottom 10% of workers. Additionally, the 10^{th} percentile wage is influenced by the minimum wage — as the minimum wage increases, it typically pushes up the wages of workers higher up in the wage distribution.

Using data from the Bureau of Labor Statistics and KFF (who collected their data from the Centers for Medicare and Medicaid Services), we examine how wage increases since 2019 might have influenced a low-wage workers' eligibility for Medicaid, and how wages changes in other states compared to their disenrollment rates in order to better understand the relationship between wages and Medicaid enrollment across the country. Using statistics, we can quantify the relationship between wages and disenrollment rates to determine how changes in wages explain — or don't explain — the variation we see in states' Medicaid disenrollment rates.

While this approach allows us to determine a correlation, we are not able to determine a causative relationship between these variables. However, we would expect to see a strong correlation between these variables if they have a causative relationship to one another.

Wages & eligibility in Colorado

The 10th percentile wage[1] in 2023 was $15.07/hour (i.e., 10% of Coloradans earned less than this wage rate).[2] Assuming a single adult earned this wage in 2023 working 35 hours per week they would have an annual income of close to $31,830 putting them at 218% FPL—far above the 138% of FPL to be eligible for Medicaid in Colorado as a single adult.

If two adults in a household were both earning $15.07 per hour working 35 hours per week, we assume their annual income would be approximately $63,660. At this annual income, a household with two earners would only be eligible for Medicaid with eight or more people in the household.

The 10% wage in 2019 in Colorado was $11.88 per hour, a 26.9% increase between then and 2023.[3] Despite being significantly lower than the wage rate in 2023, a single-adult in Colorado earning this wage would have had an annual income equivalent to 201% FPL. Note this wage rate is $0.78 per hour more than the statewide minimum wage of $11.10 per hour in 2019. Thus, even a household with one earner but two people would have earned too much to qualify for Medicaid in 2019.

Based on income, there would be no difference in which households would be eligible for Medicaid between 2019 and 2023, except for a 7-person household with two full time earners making the 10th percentile wage would have been eligible in 2019 but not in 2023.

Figure 1. Eligibility at 10th percentile wage, 2019 & 2023

Household size	2019 FPL at 10th percentile wage		2023 FPL at 10th percentile wage	
	Single earner	Two earners	Single earner	Two earners
1-person	201%	---	215%	---
2-person	148%	297%	159%	323%
3-person	118%	235%	126%	256%
4-person	97%	195%	105%	212%
5-person	83%	166%	89%	181%
6-person	73%	145%	78%	158%
7-person	64%	129%	69%	140%
8-person	58%	116%	62%	126%

[1] We use the 10th percentile wage in our analysis instead of the minimum wage. The minimum wage is a wage floor and is not reflective of the actual wages paid to workers at the lower end of the wage distribution. In addition, states that did not experience an increase in their minimum wage between 2019 and 2023 did see increases in the 10th percentile wage over this period. That said, as a wage floor, the minimum wage influences the 10th percentile wage, so we can still see the impact of an increasing minimum wage reflected in that wage level.
[2] Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata
[3] *Ibid.*

Colorado's low-wage workforce

According to our analysis of the 2023 Current Population Survey, workers earning $15.00 per hour or less worked an average of 25.1 hours per week in Colorado.[4] If we re-run our analysis above with the assumption that a household works similar hours as the average low-wage worker in Colorado, then the single-adult household's annual income would be approximately $19,670 or 135% FPL.

This analysis suggests that it is possible that some Coloradans who were disenrolled from Medicaid during the public health emergency unwind were disenrolled because of increases to their incomes. However, it seems unlikely to have contributed to a significant share of the 750,000 or so Coloradans who were disenrolled for a number of reasons.

First, despite Colorado's minimum wage pushing wages at the low-end of the wage distribution higher, it likely did not make a significant difference in Medicaid eligibility given the 10th percentile wage in 2019 and 2023 for full-time workers resulted in similar eligibility levels. For instance, a single-adult household earning the 10th percentile wage in 2019 would not have been eligible for Medicaid if working full-time. As such, the change in wages between 2019 and 2023 is irrelevant to this household since they were not eligible to begin with. 10% of Colorado's workforce in 2023 would be equivalent to 283,200 workers[5]—even if all of the state's workers earning below the 10th percentile wage in 2023 lost eligibility due to higher wages, it would account for a fraction of the total number of Coloradans who lost Medicaid coverage as of June 14, 2024.

Second, we know that lower wage workers on average work fewer than 35 hours a week. In 2023, the average worker earning $15.00 per hour or less worked 25.1 hours.[6] All households working this many hours for this wage would likely be eligible for Medicaid, further reducing the impact higher wages might have had on who is eligible in Colorado. Note this wage is approximately $1.35 per hour more than the statewide minimum wage of $13.65 in 2023.

Third, the 2022 American Community Survey found a non-statistically significant difference in the number of Coloradans at or below 150% FPL from 2019 (15.3% vs 15.5%).[7] This further

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[4] CCLP analysis of Current Population Survey Outgoing Rotation Group microdata accessed from IPUMS CPS, University of Minnesota, www.ipums.org.
[5] The 10th percentile wage is the wage level where 10% of workers earn less and 90% earn more. As such, we can estimate how many workers fall into the 10th percentile based on the total number of employed Coloradans—2,832,010 workers in 2023.
[6] Wage data in the Current Population Survey Outgoing Rotation Group is rounded to the nearest dollar amount starting in 2023. Therefore, we had to use a wage of $15.00 per hour and not the exact 10th percentile wage of $15.07 per hour in calculating the average hours worked by those with wages under that amount.
[7] US Census Bureau, 2022 1-year American Community Survey Summary Tables

suggests that even though they were higher in 2023 than in 2019, wages did not necessarily increase fast enough to have a significant impact on the number of people experiencing poverty in our state. While the overall poverty rate does not take into account the impact of things like SNAP or the EITC that likely lifted Coloradans out of poverty in 2022, most of these programs that led to a reduction in poverty ran out, were cut back, or expired in 2023, such as the temporary expansion of the federal Child Tax Credit under ARPA.

Wages & eligibility across the U.S.

There also does not seem to be any relationship between the amount the 10th percentile wage increased between 2019 and 2023 and disenrollment from Medicaid, at least at the aggregate level when we look at all 50 states and the District of Columbia.[8] When we compare the absolute and percentage change in the 10th percentile wage[9] to the number and share of people disenrolled, there is a very weak, not significant correlation.[10] According to KFF, Utah, Montana, Idaho, Oklahoma, South Dakota, and Georgia had the six highest disenrollment rates in the country as of June 14, 2024. Four of these states (Utah, Idaho, Oklahoma and Georgia) have a minimum wage of $7.25 per hour. Given these states all had the federal minimum wage and did not see an increase in their minimum wage, we would have expected them to not have disenrolled so many people if there was a relationship between the minimum wage (or wages more generally) and disenrollment rates.

On the other hand, Connecticut, New Hampshire, New Jersey, Illinois, Wisconsin, and North Dakota saw their 10th percentile wages increase by $3.93 per hour or more between 2019 and 2023. All saw larger increases than Colorado between 2019 and 2023, yet all had lower disenrollment rates. Again, if there was a causal relationship between wages and disenrollment rates, we would have expected these states to experience some of the highest disenrollment rates in the country.

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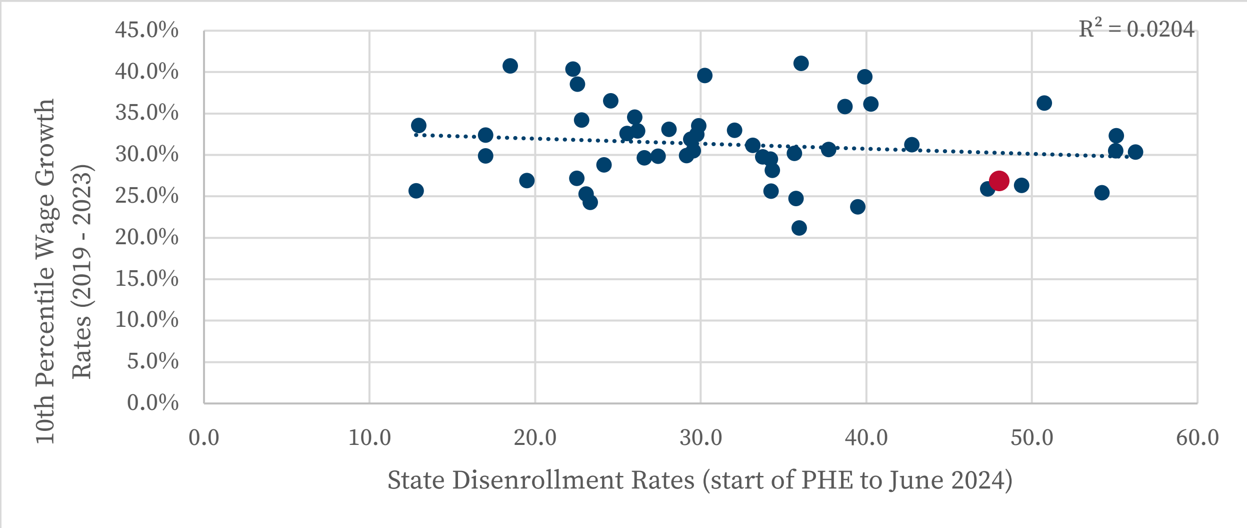
[8] KFF Medicaid Enrollment and Unwinding Tracker: https://www.kff.org/report-section/medicaid-enrollment-and-unwinding-tracker-overview/. The data do not cover similar periods, which could explain the lack of correlation found; that said, it seems unlikely that wage growth would accelerate substantially in the first six months of 2024 from where it was in 2023 (we see no indication that is happening).

[9] Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

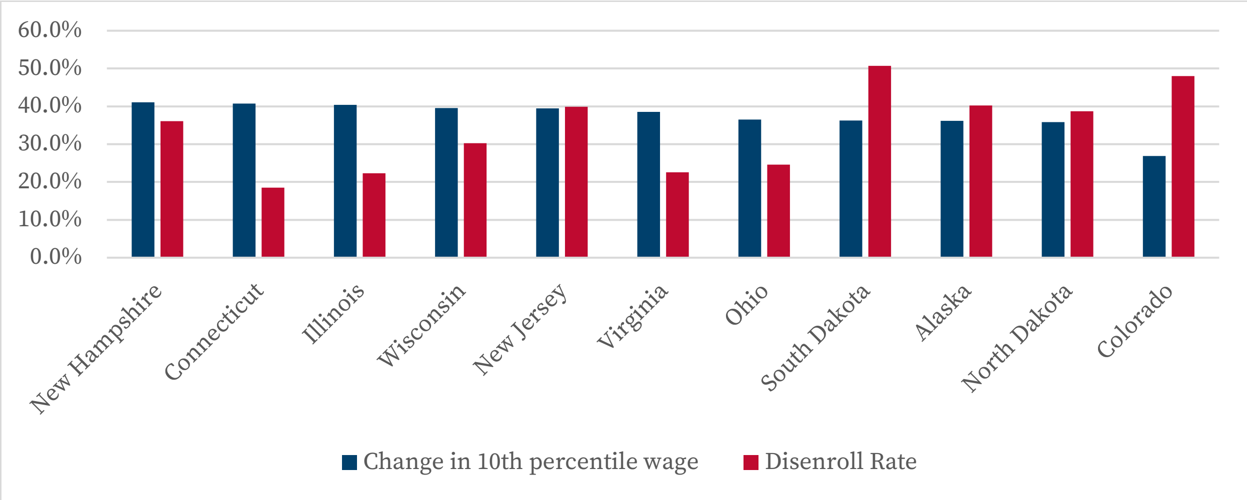
[10] For example, comparing the percent change in 10th percentile wages across all 50 states and the District of Columbia between 2019 and 2023 to the 2024 disenrollment rate exhibited a negative correlation, which means that the disenrollment rate increased as the percent change in wages decreased. With a correlation coefficient of -0.147, this relationship exhibited a very weak correlation. Rather than try to explain why we see a negative correlation rather than a positive one (i.e., where disenrollment rates increase as the difference in wages increases), this result suggests that there are other variables aside from wages that do a far better job of explaining the variation we see in states' disenrollment rates.

Figure 2. Comparison of Changes in 10th Percentile Wages and Medicaid Disenrollment Rates (as of June 2024)



Note: Colorado is shown on the chart by the orange point. R squared is a statistical measure of how well the variation we see in state disenrollment rates is explained by changes in low-wage worker wages—0.0204 indicates that approximately 2% of the variation we see in state disenrollment rates is due to changes in wages. The remaining 98% of the variation we see is explained by other factors. Finally, these variables have a weak negative correlation, which suggests that disenrollment rates were higher in states that saw slower wage growth between 2019 and 2023, not what we would expect to see if wage growth led to higher disenrollment rates in states' Medicaid programs.

Figure 3. Comparison of Changes in 10th Percentile Wages and Medicaid Disenrollment Rates (as of June 2024)



Note: Change in the 10th percentile wage covers changes between 2019 and 2023; disenroll rates cover from the start of the PHE unwind to June 2024.

Conclusion

In conclusion, our analysis leads us to believe that there are other, more significant factors that explain why Colorado's disenrollment rate is so high compared to other states in the country. Low wage workers' wages and the minimum wage do not appear to have had an influence, as states that have higher minimum wages or who have seen greater wage growth between 2023 and 2019 did not experience higher disenrollment rates than Colorado. On the other hand, many of the states with the highest disenrollment rates in June 2024 did not have a minimum wage higher than the federal minimum.

Looking at eligibility at different wage levels for different households provides some insight into why there is no strong correlation between wages and Medicaid disenrollments—as we show for Colorado, Medicaid's income eligibility threshold is set too low for single-adult and two-adult households working full time to qualify. Looking back, this has been the case since Medicaid eligibility was expanded under the Affordable Care Act—each year the 10^{th} percentile wage exceeds what a full-time wage would need to be for a worker to earn an annual income of approximately 138% FPL. 1-adult and 2-adult households account for a significant share of Colorado's households.

As CCLP has argued since the end of the COVID-19 Public Health Emergency, there are likely more proximate causes for the extraordinary rates of disenrollment experienced by Medicaid beneficiaries in Colorado. Notably, the glitch-ridden enrollment system has resulted in terminations for many members even when they had no change in income, household, or disability status.

In February of 2024, CCLP and partner National Health Law Program filed a complaint with the US Dept of Health & Human Services Office of Civil Rights alleging discrimination against people with disabilities in the renewal process. In response to the problems identified, HCPF in May took the necessary step of pausing all terminations for the 80,000 or so people enrolled in HCBS waivers and in the Buy-In programs.

While many Coloradans experiencing interruptions in their Medicaid access have successfully re-applied or appealed their termination, many patients and families have been unable to reestablish their eligibility. Loss of coverage results in denial of access to necessary services for patients, denial of reimbursement for medical providers, and significant added workload and expenses for the county employees who must reexamine eligibility. Focusing on wage increases, a factor which does not appear to play a significant role in eligibility, is ultimately a distraction from the systemic and technical changes which could be advanced to ensure that Coloradans retain access to the medical services and resources they so urgently need.