

CURRENT AND FUTURE SOURCES OF HEALTH INSURANCE COVERAGE FOR ALABAMA RESIDENTS

ALABAMA DEPARTMENT OF INSURANCE

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Deborah Chollet, Mathematica Policy Research

Allison Barrett, Mathematica Policy Research

Thomas Bell, Mathematica Policy Research

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Policy Research

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Current and Future Sources of Health Insurance Coverage for Alabama Residents: Alabama Department of Insurance

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Executive Summary

This report was prepared for LMI by Mathematica Policy Research to support Alabama's first-year planning for a Health Insurance Exchange. It provides a snapshot of the Alabama population under age 65 who, under provisions of the federal Patient Protection and Affordable Care Act (ACA), are likely to become eligible for Medicaid, private individual coverage through an exchange, or private group coverage available through a Small Business Health Option Programs (SHOP) exchange.

In 2010, 84 percent of Alabama's 4.1 million residents under age 65 reported having some form of health insurance coverage—private health insurance, Medicaid, ALL Kids, or Medicare. When the ACA is fully in place in 2014, it will provide new coverage opportunities for an estimated 2.0 million Alabamians—49 percent of the non-elderly population—in Medicaid or ALL Kids, the individual health insurance exchange, or the Small Business Health Option Programs (SHOP) exchange. Those with access to new sources of coverage include every Alabamian who is currently uninsured, as well as many low-income individuals or families of workers employed in small firms who are currently insured.

In 2010, the majority of Alabamians were covered by employer-based plans. Altogether, 59 percent of all adults and children received coverage through an employer or union. Most will not experience changes in coverage in 2014. Insurance coverage may, however, change for workers at small businesses, because employers with up to 100 employees will be eligible to participate in a SHOP exchange. In 2010, about one-third of those with employer-based coverage were employed at small businesses.

Nineteen percent of Alabamians under age 65 received coverage through public programs in 2010, with 17 percent covered by Medicaid or ALL Kids. These programs were particularly important for children, providing coverage for 45 percent of Alabamians under age 19. In 2014, the number of people eligible for Medicaid will double as eligibility is extended to all adults and children with incomes below 138 percent of the federal poverty level (FPL). In total, 38 percent of Alabamians

under age 65 would meet the eligibility standards for Medicaid or ALL Kids under the ACA.

Over 16 percent of Alabamians under age 65 were uninsured in 2010, the majority of whom were adults. More than half of the uninsured had incomes low enough to qualify for Medicaid or ALL Kids under the ACA, and 38 percent had incomes that will qualify for federal tax credits toward the cost of private coverage in the individual exchange. Eight percent had incomes above 400 percent FPL, and these higher-income individuals will be eligible to participate in the individual exchange but will not qualify for federal tax credits. Altogether, the population eligible to participate in the individual exchange (excluding those eligible for public programs or receiving employer-based coverage) was 1½ to 2 times larger than the population currently purchasing policies in the individual market.

In 2010, 7 percent of Alabamians were underinsured (defined as forgoing needed medical care due to cost despite having private coverage). Ten percent of the underinsured had individual policies purchased directly, and under the ACA about half of this group will be eligible for public programs and the other half will be eligible to purchase policies in the exchange. Ninety percent of the underinsured had employer-based coverage; the majority of these individuals work for large employers and will not qualify for new sources of coverage under the ACA.

The population eligible for Medicaid or ALL Kids under the ACA includes proportionately more adults than the population currently eligible for those programs. Children newly eligible for Medicaid or ALL Kids reported about the same number of health conditions and risk factors as currently eligible children, while newly eligible adults reported fewer than currently eligible adults.

Compared with Alabamians who currently have individual coverage, those eligible to purchase coverage through the exchange are less likely to be children and more likely to be adults over age 30. Children eligible for individual coverage in the exchange reported about as many risk factors and health conditions as those currently insured with individual policies. In contrast, adults eligible for the exchange were more likely to report having health risk factors but less likely to report having chronic conditions or cancer than adults currently insured in the individual market.

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Chapter 1

Introduction

This report offers a snapshot of the Alabama population under age 65 who, under the federal Patient Protection and Affordable Care Act (ACA), are likely to become eligible for Medicaid, private individual coverage through an exchange, or private group coverage available through a Small Business Health Option Programs (SHOP) exchange.

The analysis is based on 2010 information assembled from various sources, including the Alabama sample of the American Community Survey (ACS), the Alabama sample of the Current Population Survey (CPS), the Alabama Behavioral Risk Factor Surveillance System (BRFSS), and the south-region sample of the National Health Interview Survey (NHIS). To develop a coherent picture of Alabama's uninsured and underinsured populations, Mathematica statistically matched information from the CPS, BRFSS, and NHIS to the "host" survey—the ACA—and updated all information to reflect the 2010 decennial Census demographic and geographic information for Alabama, as well as administrative counts of enrollment in Medicaid and ALL Kids in 2010.

The report is organized in five chapters:

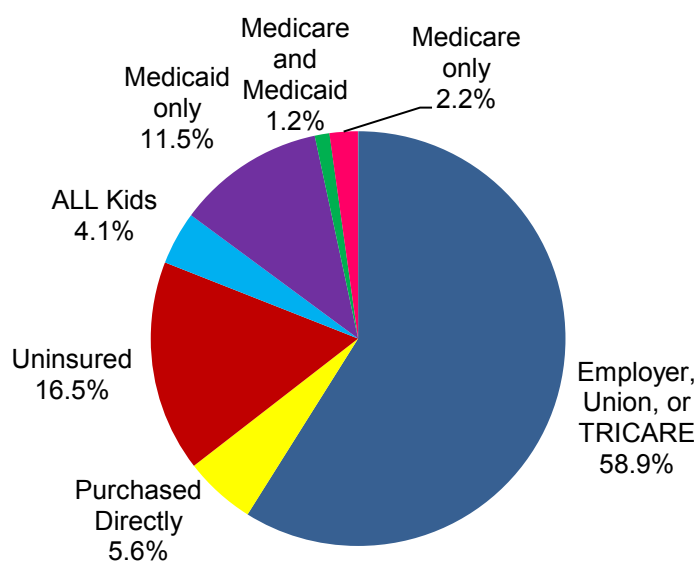
- ◆ In Chapter 2, we review sources of health insurance coverage among Alabamians under age 65 and consider the characteristics of those who are uninsured—including their demographic characteristics, employment status, and geographic location within the state, as well as measures of their health status. We also review the number of Alabamians who are underinsured—that is, those with private insurance who did not seek medical care because of cost.
- ◆ In Chapter 3, we report eligibility for new sources of coverage under the ACA—specifically for Medicaid (under the program's expanded eligibility rules) and ALL Kids, individual coverage through the exchange, or employer-based coverage through the SHOP exchange.
- ◆ Chapters 4 and 5 include more detailed estimates of the population who will be eligible for Medicaid or individual coverage through the exchange in 2014.

Chapter 2

Sources of Coverage in Alabama

In 2010, Alabama’s population totaled 4.8 million, with 4.1 million residents under age 65. Among Alabamians under age 65, 84 percent reported having some form of health care coverage—private health insurance, Medicaid, ALL Kids, or Medicare.¹ An estimated 16 percent of Alabamians under age 65 were uninsured (Figure 2-1).²

Figure 2-1. Sources of Coverage among Alabama Residents under Age 65, 2010



Source: Mathematica Policy Research.

Note: Each resident is counted in only one coverage category. Individuals who reported multiple sources of coverage were assigned to a single coverage category in a hierarchical manner, first assigning employer-based coverage (including TRICARE), then public programs, and finally individual private coverage. Residents who reported no source of coverage, but received services from the Indian Health Service or Veterans Health Administration, are considered uninsured.

EMPLOYER-BASED COVERAGE

Most Alabamians have coverage from an employer-based plan. In 2010, nearly 59 percent of Alabamians under age 65 had employer-based insurance either from their own employer or as a dependent (Table 2-1). Over three-quarters of em-

¹ Nearly all of the 660,000 Alabama residents aged 65 and older are insured through Medicare, and so are excluded from this analysis.

² Approximately 3 percent of uninsured adults in Alabama had access to health care services only through the Indian Health Service (IHS) or the Veterans Health Administration (VHA) in 2010. In this report, Alabamians whose only source of care was the IHS or VHA were counted as uninsured.

ployed workers report receiving coverage through their employer. Nonworking adults living in a household with an employed worker were nearly as likely as employed workers to have employer coverage (71 percent), but children in employed worker households were much less likely to be covered (58 percent) (data not shown). Overall, including individuals in worker and nonworker households, 47 percent of children and 45 percent of nonworking adults in Alabama had employer-based coverage as a dependent.

Table 2-1. Percentage of Alabamians under Age 65 with Private Health Insurance Coverage, by Work Status and Household Income, 2010

Population segment	Employer-based coverage		Individual coverage	
	Number of persons (in thousands)	%	Number of persons (in thousands)	%
All residents under age 65	2,400.9	58.9	227.4	5.6
Own work status				
<i>Workers</i>				
Currently employed	1,431.1	76.4	103.0	5.5
Currently unemployed	45.4	23.1	12.6	6.4
<i>Nonworkers</i>				
Children	530.8	46.6	46.0	4.0
Adults	393.6	45.4	65.8	7.6
Household income				
At or below 200 percent FPL	489.6	29.2	88.0	5.3
200–400 percent FPL	869.1	72.1	72.5	6.0
Above 400 percent FPL	1,042.2	87.2	67.0	5.6

Source: Mathematica Policy Research.

Note: A small number of children under age 19 reported having a job with employer-based coverage and are counted as currently employed. All other children are counted as dependents. FPL = federal poverty line.

Currently unemployed workers are unlikely to have employer-based coverage, either continued from employment or as a dependent. In 2010, just 23 percent of unemployed workers in Alabama had employer-based coverage, despite federal efforts to encourage continuation coverage.³

Individuals in high- and moderate-income households are much more likely to have employer-based coverage than those in low-income households—at or be-

³ The American Recovery and Reinvestment Act (ARRA) provided a premium reduction for Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance continuation through the end of May 2010 for eligible individuals who were involuntarily terminated from employment. The COBRA premium reduction under ARRA was not available for individuals who experienced involuntary terminations after May 31, 2010, but individuals who qualified on or before May 31, 2010, could continue to pay reduced premiums for up to 15 months if they were not eligible for another group health plan or Medicare. Individuals whose COBRA coverage lasted for more than 15 months then needed to pay the full amount to continue COBRA coverage.

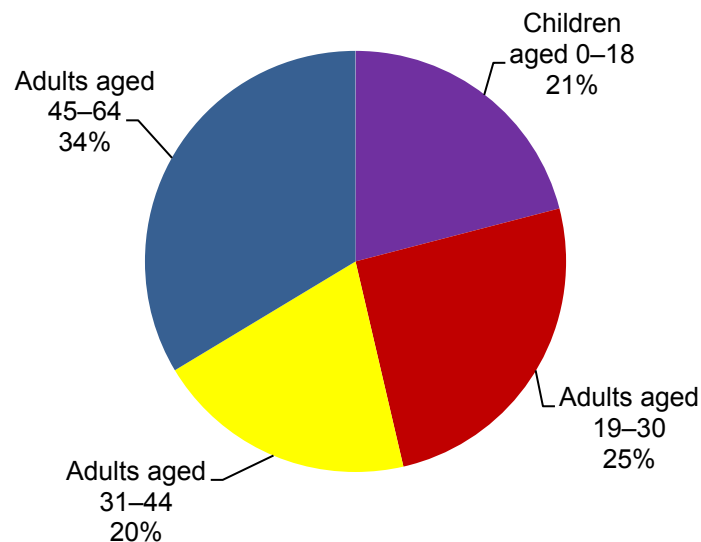
low 200 percent of the federal poverty level (FPL). Approximately 87 percent of those in households with income above 400 percent FPL and 72 percent of adults and children in households with income from 200 to 400 percent FPL had employer coverage in 2010, compared with just 29 percent of adults and children in households with income at or below 200 percent FPL.

INDIVIDUAL COVERAGE

About 6 percent of Alabamians under age 65 buy individual coverage. Most are adults (79 percent), and one-third are over age 45 (Figure 2-2). Seventy percent are either employed workers or their dependents (data not shown).

Children and adults in low- and moderate-income households are about as likely to have individual coverage as those in households above 400 percent FPL. In 2010, 71 percent of Alabamians with individual coverage lived in households with income below 400 percent FPL. These Alabamians will become eligible for public coverage or federally subsidized private coverage in 2014.

Figure 2-2. Age Distribution of Alabama Residents with Individual Private Coverage, 2010



Source: Mathematica Policy Research.

Note: Each resident is counted in only one coverage category. Individuals who reported multiple sources of coverage were assigned to a single coverage category in a hierarchical manner, first assigning employer-based coverage (including TRICARE), then public programs, and finally individual private coverage. Residents who reported no source of coverage, but received services from the Indian Health Service or Veterans Health Administration, are considered uninsured.

MEDICAID AND ALL KIDS

In 2010, Medicaid, Medicare and ALL Kids (Alabama's Children's Health Insurance Program, or CHIP) covered 19 percent of Alabamians under age 65, including 45 percent of children under age 19 (Table 2-2). Children in households with

annual income below 300 percent FPL—in 2011, equal to \$55,590 for a family of three—are eligible for Medicaid (at the lowest levels of income) or ALL Kids (at higher incomes).⁴ Reflecting eligibility for adults only in specific circumstances and, in general, only at extremely low levels of income, just 6 percent of adults under age 65 were enrolled in Medicaid.⁵ With fewer avenues to qualify for Medicaid, adults under age 65 were much less likely than children to have public coverage, even at very low levels of income. In households below the federal poverty level, 25 percent of adults were covered by Medicaid or Medicare, compared with 82 percent of children.

Table 2-2. Sources of Coverage among Alabamians under Age 65, by Age and Income Level, 2010

Population segment	Private coverage		Public coverage		Uninsured	
	Number of persons (thousands)	%	Number of persons (thousands)	%	Number of persons (thousands)	%
All residents under age 65	2,628.4	64.5	775.0	19.0	670.8	16.5
<i>Children</i>	581.8	50.2	516.3	44.6	59.9	5.2
Less than 400 percent FPL	385.6	40.7	504.2	53.2	57.3	6.0
400 percent FPL or higher	196.2	93.0	12.2	5.8	2.6	1.3
<i>Adults</i>	2,046.6	70.2	258.7	8.9	610.9	20.9
Less than 400 percent FPL	1,133.6	58.7	242.3	12.5	555.7	28.8
400 percent FPL or higher	913.0	92.7	16.4	1.7	55.2	5.6

Source: Mathematica Policy Research.

Note: Private coverage includes employer-based insurance, TRICARE, and direct purchase of individual private insurance. Public coverage includes Medicare, Medicaid, and ALL Kids.

With greater access to public coverage and high rates of enrollment into those programs, Alabama children were far less likely than adults to be uninsured (5 percent compared with 21 percent), even in households with very low income.

⁴ Children under age 6 in households with income at or below 133 percent FPL are eligible for Medicaid, while children aged 6 to 18 are eligible up to 100 percent FPL. All other children living in households at or below 300 percent FPL are eligible to enroll in ALL Kids.

⁵ Alabama adults qualify for public coverage if they are low-income and also meet other non-financial criteria, such as being disabled, pregnant, or the parent of a dependent child. Specifically, while pregnant women qualify for Medicaid if their income is below 133 percent FPL (equal to \$24,360 per year for a family of three), parents of dependent children must have very low income—generally below 11 percent FPL (about \$2,000 per year for a family of three)—to qualify. Permanently disabled adults who cannot work may qualify for Medicare after a 2-year waiting period, or may qualify for Medicaid with no waiting period through Supplemental Security Income (SSI) if their income is lower than \$674 per month (equal to about 75 percent FPL).

ALABAMA'S UNINSURED POPULATION

Reflecting Alabama's success in extending Medicaid and ALL Kids coverage to children, adults comprised more than 90 percent of the uninsured population in 2010 (Table 2-3). Young adults aged 19 to 30—who are much less likely to have employer-based coverage than older adults and largely do not qualify for public coverage in Alabama—were twice as likely as all other Alabamians to be uninsured: young adults comprise 20 percent of Alabama's total population under age 65, but accounted for 38 percent of the uninsured. Older adults were less likely to be uninsured, but account for a larger share of the total population and fully half (53 percent) of the uninsured.

While racial minorities in Alabama are disproportionately likely to be uninsured, more than half of uninsured Alabamians are white. Hispanic residents are especially likely to be uninsured: Hispanic residents constitute just 4 percent of the population under age 65 but accounted for 11 percent of the uninsured in 2010.

Table 2-3. Demographic Characteristics of Uninsured Alabamians under Age 65, 2010

Population segment	Total population		Uninsured population	
	Number of persons (in thousands)	%	Number of persons (in thousands)	%
All residents under age 65	4,074.1	100.0	670.8	100.0
Age				
Children	1,158.0	28.4	59.9	8.9
0–5 years	365.0	9.0	13.9	2.1
6–18 years	793.0	19.5	46.0	6.9
Adults	2,916.1	71.6	610.9	91.1
19–30 years	811.4	19.9	256.6	38.3
31–45 years	899.3	22.1	187.7	28.0
46–64 years	1,205.4	29.6	166.6	24.8
Race				
White	2,644.3	64.9	343.7	52.7
Black	1,109.7	27.2	218.4	32.6
Hispanic	177.4	4.4	72.8	10.8
Other	142.8	3.5	25.9	3.9

Source: Mathematica Policy Research.

Employment Status

More than half of uninsured Alabamians in 2010 were employed workers (46 percent) or their dependents (11 percent) (Table 2-4). Unemployed workers

and their dependents accounted for 19 percent of the uninsured, while nonworking adults and their dependents accounted for 24 percent of the uninsured.

Table 2-4. Total and Uninsured Alabama Residents in Families with Employed or Unemployed Workers or Nonworkers, 2010

Population segment	Total		Uninsured	
	Number of persons (thousands)	%	Number of persons (thousands)	%
All residents under age 65	4,074.1	100.0	670.8	100.0
Employed worker households				
Employed worker	1,873.6	46.0	307.2	45.8
Other adult	270.0	6.6	38.3	5.7
Children	829.8	20.4	38.0	5.7
Total	2,973.4	73.0	383.5	57.2
Unemployed worker households				
Unemployed worker	196.7	4.8	117.5	17.5
Other adult	13.7	0.3	5.0	0.7
Children	90.6	2.2	6.4	1.0
Total	301.1	7.4	128.9	19.2
Nonworker households				
Adults	581.6	14.3	147.4	21.8
Children	218.1	5.4	11.9	1.8
Total	799.7	19.6	158.3	23.6

Source: Mathematica Policy Research.

Most workers in Alabama accept employer-sponsored coverage when it is offered and they are eligible. However, as in other states, both the rate of offer and the rate of take-up are lower in smaller firms (Table 2-5). Among workers in private-sector small firms in Alabama with fewer than 50 workers, about half (54 percent) were offered coverage in 2009 (compared with 82 percent in firms with 100 or more workers), and 37 percent are enrolled—a take-up rate of 70 percent. The rate of offer and eligibility in firms with 50 to 99 employees was higher (73 percent) but the take-up rate was lower (61 percent). Overall, 18 percent of private-sector workers in firms with fewer than 100 workers are offered and eligible for employer-sponsored coverage, but do not take it up. Under the ACA, workers in firms with as many as 100 workers will be considered small firms eligible to participate in the SHOP exchange.⁶

⁶ Between 2014 and 2016, states have the option of limiting eligibility for the SHOP exchange to businesses with 50 or fewer employees, and after 2016 have the option to extend eligibility to businesses with over 100 employees.

Table 2-5. Percentage of Private-Sector Workers in Alabama Offered, Eligible, and Enrolled in Employer-Based Coverage from Their Own Employer, 2009

Firm size	Percentage offered and eligible	Percentage enrolled	Percentage enrolled when offered and eligible (take up)
Under 50	54	37	70
50–99	73	44	61
100 or more	82	62	77

Source: Mathematica Policy Research tabulations of published tables from the Medical Expenditure Panel Survey—Insurance Component (MEPS-IC), http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp.

Location of Residence

As with the population as a whole, most uninsured Alabamians live in or near urban counties of the state.⁷ In 2010, about one-quarter resided in and around Birmingham and Tuscaloosa. In the most populous areas—Birmingham, Huntsville, and Montgomery—private coverage was generally more prevalent, and a lower proportion of the population (13 to 15 percent) was uninsured (Table 2-6). In more rural counties, which have lower rates of both employer-based and direct-purchase coverage, the proportion of residents who are uninsured was much higher, averaging 19 percent of the population under age 65 in the most rural counties.

Table 2-6. Uninsured Alabamians' County of Residence, 2010

County	Total population under age 65		Percentage with private coverage	Percentage with public coverage	Percentage uninsured
	Persons in thousands	Percentage			
Birmingham-Hoover and Tuscaloosa	1,185	29	67.4	17.3	15.3
Dothan	392	10	58.4	24.3	17.3
Huntsville	360	9	74.5	12.0	13.5
Mobile	358	9	61.5	20.4	18.1
Montgomery	310	8	67.4	19.5	13.1
Decatur	131	3	63.3	18.1	18.6
Muscle Shoals	87	2	60.7	21.2	18.1
Opelika	128	3	72.5	12.1	15.4
Oxford	100	2	62.3	21.7	16.0

⁷ The primary data source for this study, the American Community Survey, groups some rural counties that are contiguous with metropolitan statistical areas (MSAs) in the Birmingham-Hoover and Tuscaloosa area and in the Dothan area. See Appendix A for a full listing of the counties included in each geographic area.

Table 2-6. Uninsured Alabamians' County of Residence, 2010

County	Total population under age 65		Percentage with private coverage	Percentage with public coverage	Percentage uninsured
	Persons in thousands	Percentage			
Gadsden	122	3	66.2	18.1	15.6
Other rural counties	900	22	59.0	21.8	19.3
All geographic areas	4,074	100	64.5	19.0	16.5

Source: Mathematica Policy Research tabulations of the American Community Survey (ACS) data, adjusted to 2010.

Note: Counties were grouped into metropolitan statistical areas (MSAs) where possible. The Birmingham-Hoover and Tuscaloosa area and the Dothan area include some rural counties that are not part of the Birmingham-Hoover, Tuscaloosa, or Dothan MSAs. See Appendix A for a listing of the counties included in each geographic area.

ALABAMA'S UNDERINSURED POPULATION

Although most Alabamians have health insurance, many still lack access to affordable care. About 291,000 adults and children, equal to 11 percent of those with private insurance, were underinsured in 2010 (Table 2-7). Underinsured residents were identified as those with private coverage who reported being unable to visit a doctor in the past year due to cost. Enrollees with public coverage were not considered as underinsured, as both Medicaid and ALL Kids provide comprehensive benefit packages and enrollees face no deductibles and no or very low cost-sharing when seeking needed services.

While Alabamians with individual policies are more likely to be underinsured, the vast majority of the underinsured are in employer-based coverage. Individuals with coverage through a smaller employer (less than 100 employees) were slightly more likely to be underinsured than those with coverage through other employers.

Table 2-7. Underinsured Alabamians by Source of Coverage, 2010

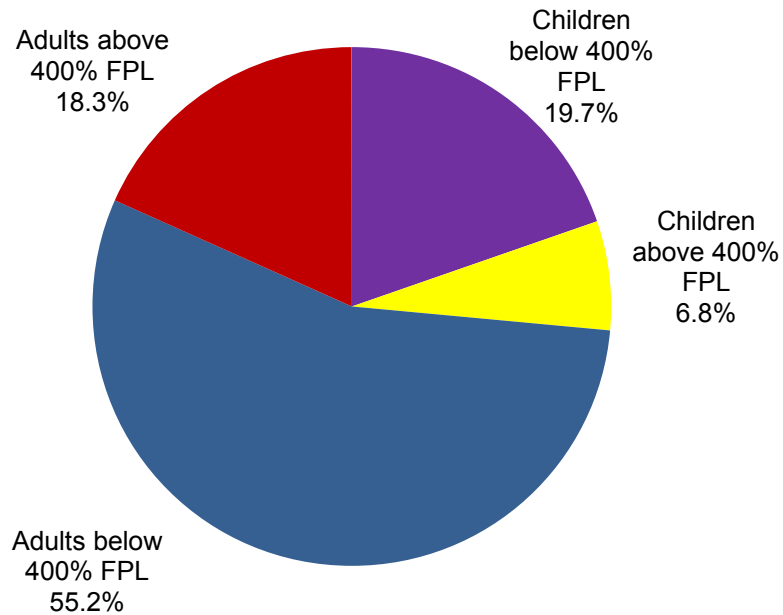
Coverage source	Number underinsured (thousands)	Percentage of residents who are underinsured	Percentage of all underinsured
<i>All private insurance</i>	291.3	11.1	100.0
Direct purchase	31.7	14.0	10.9
Employer-based	259.6	10.8	89.1
Small employer (fewer than 100 employees)	84.1	11.1	28.8
Other employers	175.6	10.7	60.3

Source: Mathematica Policy Research tabulations of the American Community Survey (ACS) data, adjusted to 2010.

Note: Individuals with private coverage who reported being unable to visit a doctor due to cost in the past year were considered to be underinsured.

Nearly three-quarters of the underinsured are adults, and most are below 400 percent FPL (Figure 2-3). In large part, this reflects enrollment patterns in private coverage: adults make up 78 percent of all enrollees in employer-based and individual plans, while children are much more heavily concentrated in public programs where benefits are more extensive and cost-sharing is minimal (Table 2-2).

Figure 2-3. Age and Income Distribution of Underinsured Alabamians, 2010



Source: Mathematica Policy Research.

Note: Individuals with private coverage who reported being unable to visit a doctor due to cost in the past year were considered to be underinsured.

Chapter 3

Eligibility for Coverage under the ACA

The ACA will extend Medicaid eligibility to adults and children with income up to 138 percent FPL,¹ and subsidize individual health insurance coverage for others with income below 400 percent FPL. Eligibility for ALL Kids, available to children in families with income at or below 300 percent FPL, will remain unchanged. In Alabama, 70 percent of the population under age 65 lives in households below 400 percent FPL—in 2010, \$43,320 for an individual and \$88,200 for a family of four. Many of these individuals will become newly eligible for Medicaid, or subsidized private insurance.

In addition, the ACA requires every state to establish a SHOP exchange for small groups with as many as 100 employees. Low-wage small employers that offer coverage through the SHOP exchange will receive federal small-employer tax credits or instead might refer their workers to the individual exchange. The route they choose will depend in part on their employee group's after-tax costs for SHOP coverage compared to individual exchange coverage.² It is generally believed that the SHOP exchange will have a significant “core” population of small employer groups eligible for small-employer tax credits. However, unless extended by Congress, these tax credits will be available to each small employer for only 2 years. When the employer tax credit is no longer available, a significant number of low- and moderate-income workers might switch from small-employer coverage to individual coverage in the exchange.³

¹ ACA specifies that childless adults are Medicaid-eligible with “modified adjusted gross income” (MAGI) at or below 133 percent FPL. The MAGI calculation is based on adjusted gross income (AGI) as defined in the Internal Revenue Code, §36B(d)(2), but one of the several modifications to AGI to arrive at MAGI deducts five percentage points from the FPL (ACA, §2002(a)(14)(I)(i)). With this five percent disregard, the Medicaid eligibility threshold is effectively 138 percent FPL.

² Only individuals not eligible for employer group coverage can receive individual federal tax credits for coverage purchased in the individual exchange. However, the bases for calculating and applying the individual and the small-employer tax credits are very different, and employers generally do not know their workers' family incomes. Because low-wage employers typically will not know the trade-offs for a specific group, those that currently offer coverage might continue to do so, especially during the 2 years in which they receive a small employer tax credit.

³ For this reason, some analysts have suggested that continuity of care, as well as incentives for plans to provide effective preventive services and to participate in the SHOP Exchange, could be improved if the individual exchange and the SHOP exchange offered the same health plans. See: R. Curtis and E. Neuschler, Small-Employer (“SHOP”) Exchange Issues. Washington, DC: Institute for Health Policy Solutions, May 2011, available at: [http://www.healthexchange.ca.gov/Documents/Small%20Employer%20\(SHOP\)%20Exchange%20Issues.pdf](http://www.healthexchange.ca.gov/Documents/Small%20Employer%20(SHOP)%20Exchange%20Issues.pdf), accessed August 12, 2011.

Low-income individuals may become eligible to obtain or purchase coverage from several different sources in 2014. With some small exceptions, the individual exchange will be open to all who wish to purchase individual policies.⁴ However, since individuals eligible for public programs or employer-based policies are barred from receiving federal premium subsidies, they are unlikely to participate in the individual exchange. In the remainder of this report, we use a hierarchy of coverage to determine eligibility for new and existing programs in 2014. First, individuals eligible for public programs are identified; next, those with existing employer-based coverage who are not eligible for public programs are identified and potential SHOP eligibility is determined; last, any individuals not eligible for public or employer-based coverage are classified as eligible to participate in the individual exchange.

NEW SOURCES OF COVERAGE FOR THE UNINSURED

The ACA will provide new coverage opportunities for an estimated 2.0 million Alabamians—49 percent of the non-elderly population—in Medicaid or ALL Kids, the SHOP exchange, or the individual exchange (Figure 3-1). These include every Alabamian who is currently uninsured, as well as many low-income individuals or families of workers employed in small firms who are currently insured. Approximately 38 percent of the population under age 65 will be eligible for Medicaid or ALL Kids—including Alabamians who are currently enrolled, those eligible but not enrolled, and those who are newly eligible.⁵

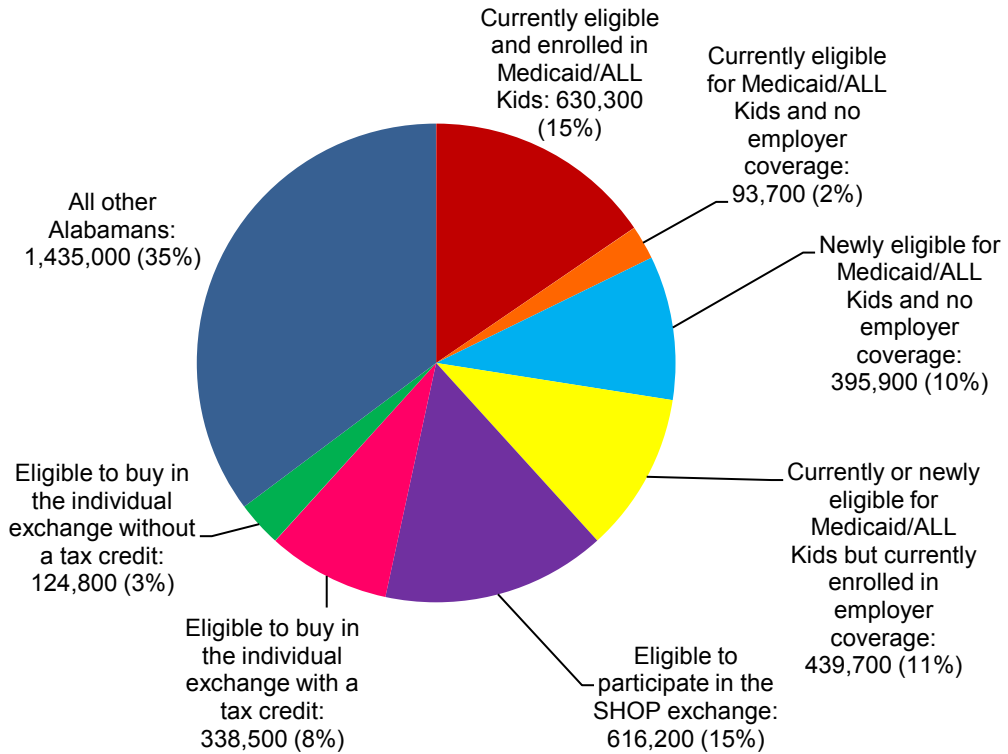
In 2010, 19 percent of Alabamians had employer-based coverage as workers or dependents of workers employed in firms with 100 or fewer employees. Fifteen percent will not qualify for public programs under the ACA and may be offered coverage through the SHOP exchange.⁶ An additional 3 percent will qualify for Medicaid or ALL Kids in 2014 (and, therefore, might qualify for a Medicaid premium assistance program that would allow them to remain in employer-based coverage).

⁴ Noncitizens not legally residing in the state and incarcerated individuals are barred from participation in the individual exchange.

⁵ About half of the population either currently eligible for Medicaid or ALL Kids on the basis of income but not enrolled, or newly eligible on the basis of income, currently has employer-based coverage. States have the option of using premium assistance programs to pay premiums for Medicaid-eligible individuals with an employer offer of coverage, as long as the cost of the premium assistance is lower than providing care directly in the Medicaid program. Alabama's Health Insurance Payment Program (HIPP) provides premium assistance to Medicaid-eligible individuals with high-cost medical conditions, and some individuals that newly eligible for Medicaid in 2014 may be served more cheaply through HIPP. However, all individuals eligible for Medicaid or ALL Kids in 2014 are included in the Medicaid-eligible and CHIP-eligible totals in this chapter.

⁶ The actual number of small business employees eligible for the SHOP exchange in 2014 may be lower, as states have the option of limiting eligibility to businesses with 50 or fewer employees in the first two years. Starting in 2017, states also have the option of extended SHOP exchange eligibility to businesses with more than 100 employees. In the remainder of this report, SHOP eligibility is based on a definition of small businesses as employing 100 or fewer individuals.

Figure 3-1. Number and Percentage of Alabamians under Age 65 Eligible for Medicaid or ALL Kids under the ACA, or Coverage in the Exchange or SHOP Exchange



Source: Mathematica Policy Research.

Lastly, 11 percent of Alabamians under age 65 were not covered by employer-based policies in 2010 and will not qualify for public programs under the ACA, but will be eligible to buy individual coverage through the exchange. Nearly three-quarters of all Alabamians eligible to buy coverage through the exchange have income below 400 percent FPL and will qualify for a federal tax credit against the premium (and might also qualify for reduced cost sharing in exchange plans).

Table 3-1 displays current coverage status of Alabamians, and compares their eligibility under the ACA to enroll in Medicaid or ALL Kids, or in private coverage in the SHOP or individual exchange. Of the 16 percent of Alabamians under age 65 who were uninsured in 2010, more than half (nearly 9 percent of all Alabamians under age 65) will become eligible for Medicaid. All others will become eligible for coverage in the Exchange; 81 percent of uninsured Alabamians eligible to buy in the exchange (equal to 6 percent of all uninsured Alabamians) will qualify for a federal tax credit against all or part of the premium. These distributions among Alabamians who are currently uninsured are displayed in Figure 3-2.

Table 3-1. Estimated Number and Percentage of Alabamians under Age 65 by Source of Current Coverage and Eligibility under the ACA for Medicaid/ALL Kids or Private Individual Coverage in the Exchange

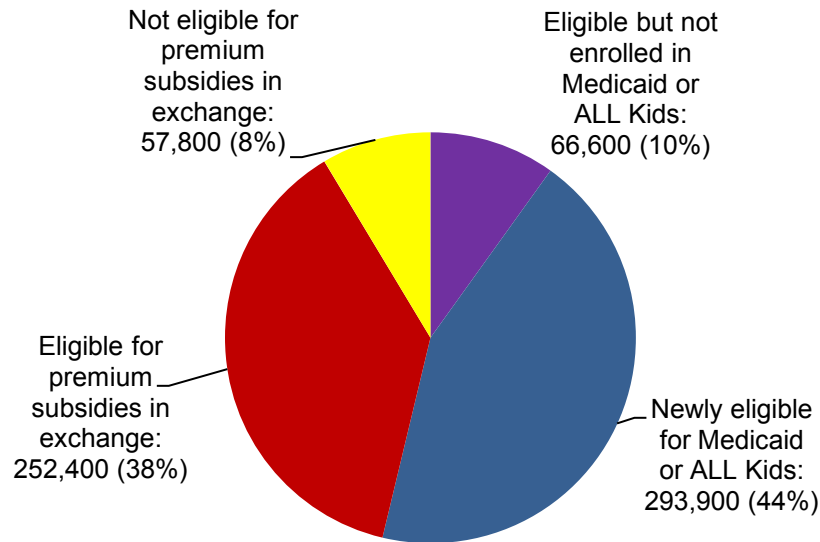
ACA eligibility	Total number of persons (000)	Percentage of all Alabamians under age 65				
		Total (%)	Currently insured			Currently uninsured (%)
			Employer-based coverage in firm with 100 workers or less (%)	Other employer-based coverage (%)	Individual coverage (%)	
Eligible for Medicaid or ALL Kids	929.4	22.8	3.5	7.3	1.8	8.9
Currently eligible but not enrolled	326.4	8.0	1.9	3.9	0.7	1.6
Newly eligible	603.0	14.8	1.6	3.5	1.2	7.2
Eligible to participate in the SHOP exchange ^a	616.2	15.1	15.1	—	—	—
Eligible to buy individual coverage in the exchange	463.6	11.4	—	—	3.8	7.6
Eligible for individual tax credit (139–400% FPL)	338.4	8.3	—	—	2.1	6.2
Ineligible for individual tax credit (above 400 percent FPL)	124.8	3.1	—	—	1.6	1.4
Total	2,008.8	49.3	18.6	7.3	5.6	16.5

Source: Mathematica Policy Research.

Note: Individuals eligible for Medicaid or ALL Kids on the basis of income might not enroll if they have a qualified offer of employer coverage. These individuals account for 47 percent of Alabamians under age 65 who are or will be eligible for Medicaid or ALL Kids under the ACA but are not currently enrolled in those programs.

^a Estimate includes all workers and dependents currently enrolled in employer-based coverage through an employer with 100 or fewer employees, but excludes 140,000 of these individuals (3 percent of the population under age 65) currently or newly eligible for Medicaid or ALL Kids on the basis of income.

Figure 3-2. Number and Percentage of Currently Uninsured Alabamians Eligible for Medicaid/ALL Kids or Individual Coverage in the Exchange under the ACA



Source: Mathematica Policy Research.

NEW SOURCES OF COVERAGE FOR THE UNDERINSURED

As shown in Chapter 2 (Table 2-7), of the nearly 300,000 underinsured Alabamians with private coverage in 2010, most (89 percent) were enrolled in employer-based coverage and will not become eligible for new coverage under the ACA. Slightly less than one-third of the underinsured with employer-based coverage were workers or dependents at firms with fewer than 100 employees; their employers may choose to offer coverage through the SHOP exchange in 2014, which might or might not address the adequacy of coverage for low-income workers.

The largest change in coverage in 2014 will occur for the 11 percent of the underinsured who currently have individual policies. About half of the underinsured with individual policies will become eligible for Medicaid or ALL Kids (Table 3-2). Over two-thirds of underinsured children with individual policies will be eligible for public programs, as will 57 percent of young adults. Forty-eight percent of all underinsured Alabamians with individual coverage will be eligible to purchase individual insurance in the exchange. Most will be eligible for federal premium tax credits as well as subsidies that limit patient cost-sharing, potentially lowering the number of underinsured.

Table 3-2. Eligibility for Medicaid, ALL Kids, or Federal Tax Credit among Underinsured Adults and Children with Individual Coverage in Alabama, 2010

ACA eligibility	Underinsured (all ages)	Children (ages 0–18)	Young adults (ages 19–30)	Other adults (ages 31–64)
Number of underinsured with individual coverage	31,700	7,600	14,200	10,000
Percentage eligible for public coverage in 2014	51.6%	67.3%	57.1%	31.8%
Percentage eligible for individual coverage in the exchange	48.4%	32.7%	42.9%	68.2%
Eligible for federal individual tax credit (at or under 400 percent FPL)	37.2%	19.9%	36.6%	51.3%
Not eligible for federal individual tax credit (over 400 percent FPL)	11.2%	12.8%	6.3%	16.9%

Source: Mathematica Policy Research.

Note: Individuals with private coverage who reported being unable to visit a doctor due to cost in the past year were considered to be underinsured.

Chapter 4

Eligibility for Medicaid and ALL Kids

Under the ACA, as many as 603,000 low-income Alabama residents will become newly eligible for Medicaid. Nearly all are adults, and most of them are uninsured. ALL Kids, Alabama's public coverage program for children, will retain its current eligibility standards. However, because many uninsured children are already eligible for ALL Kids but not enrolled, the number of children enrolled in that program, too, could increase in response to the individual mandate.

The estimates of the population eligible for Medicaid or ALL Kids with implementation of the ACA, presented below, are based on 2009 data benchmarked to the decennial census and to Alabama's unemployment rate in 2010. These updates produce higher estimates of low-income adults and children in Alabama, and consequently a higher number of Alabamians eligible to enroll in Medicaid or ALL Kids, compared with earlier estimates prepared for the Alabama Medicaid program.¹

In the sections below, we compare the number of adults and children newly eligible for Medicaid and ALL Kids, as well as their demographic characteristics and measures of health status, with Alabamians either currently enrolled or eligible for the programs but not enrolled.

ADULTS AND CHILDREN ELIGIBLE FOR MEDICAID

More than 600,000 Alabamians with income below 138 percent FPL will become newly eligible for Medicaid in 2014, including 513,000 adults and 90,000 children. The number of Alabamians newly eligible for Medicaid is about 20 percent greater than the total number (516,000) enrolled in the program in 2010 (Table 4-1). Taken together with individuals who are currently eligible for Medicaid but not enrolled, as many as 703,000 adults and children might newly enroll in 2014, more than doubling total enrollment in the program.

¹ Morrisey and Engler (2011) estimated that as many as 471,000 working-age adults would be newly eligible for Medicaid, most of whom (306,000) are currently uninsured. The estimate of the number of adults newly eligible for Medicaid presented here, reflecting more recent demographic and unemployment characteristics, are approximately 9 percent higher. See: M. Morrisey and S. Engler, *Forecasting New Alabama Medicaid Enrollment as a Result of Health Care Reform*, Lister Hill Center for Health Policy Research and Analysis for Alabama Medicaid, the University of Alabama, April 20, 2011.

Table 4-1. Age and Gender of Alabamians under Age 65 Enrolled in Medicaid or Eligible to Enroll in 2014

Population segment	Residents enrolled in 2010	Eligible in 2010 but not enrolled (a)	Newly eligible in 2014 (b)	Potential new enrollees (a + b)
<i>Number of residents (in thousands)</i>				
Children	343.5	73.0	90.1	163.1
Adults	172.5	26.8	512.8	539.6
Total	516.0	99.8	603.0	703.0
<i>Percentage within eligibility category</i>				
Children	66.6%	73.1%	15.0%	23.2%
Ages 0–5	28.9%	24.1%	1.3%	4.5%
Ages 6–18	37.7%	49.0%	13.7%	18.7%
Adults	33.4%	26.9%	85.1%	76.8%
Ages 19–30	9.5%	13.5%	38.6%	35.1%
Ages 31–45	9.0%	10.9%	24.1%	22.2%
Ages 46–64	14.9%	2.5%	22.4%	19.5%
Women aged 19–64	21.5%	19.7%	48.3%	44.3%
Men aged 19–64	11.9%	7.2%	36.7%	32.5%
Total	100.0%	100.0%	100.0%	100.0%

Source: Mathematica Policy Research.

Notes: Estimates reflect the resident population in 2010.

Demographic Characteristics

An estimated 44 percent of all children in Alabama will be eligible to enroll in Medicaid in 2014. About two-thirds of these children are already enrolled, and 18 percent are currently eligible but not enrolled. Among the 90,000 children who will be newly eligible for Medicaid in 2014, most (61 percent) are currently enrolled in ALL Kids.

Approximately 513,000 adults aged 19 to 64 will become newly eligible for Medicaid in 2014. Most (286,000) are currently uninsured. More than one-third (183,000) are low-income workers or dependents currently covered by employer-based insurance. A smaller number (44,000) currently buy individual coverage.

In total, adult enrollment in Medicaid could increase to 712,000 Alabamians in 2014, amounting to 24 percent of the adult population under age 65. However, nearly half of potential new enrollees (47 percent) have employer-based coverage and might qualify for premium assistance. If so, their employers would continue

contribute, and Medicaid would not pay their full cost. In addition, at least some eligible adults might not enroll, if they face no penalty for remaining uninsured.²

Among Alabamians currently enrolled in Medicaid, nearly 15 percent are over age 45, and women outnumber men 2 to 1. In contrast, potential new enrollees in 2014 are more likely to be young: 35 percent are aged 19 to 30, and another 22 percent are aged 31-45. Reflecting lower average income among women than men, 44 percent are women and 33 percent are men; 23 percent are children, many of whom will transfer into Medicaid from ALL Kids.

Location of Residence

The geographic location of children and adults newly eligible to enroll in Medicaid is similar to that of current enrollees. However, some communities—specifically, the Birmingham-Hoover and Tuscaloosa area and Opelika—will see larger increases in residents eligible for Medicaid than other urban and rural areas of the state (Table 4-2).

Table 4-2. Location of Residence of Alabamians under Age 65 Enrolled in Medicaid or Eligible to Enroll in 2014

Population segment	Residents enrolled in 2010	Eligible in 2010 but not enrolled (a)	Newly eligible in 2014 (b)	Potential new enrollees (a + b)
<i>Percentage within eligibility category:</i>				
All locations	100.0%	100.0%	100.0%	100.0%
Birmingham-Hoover and Tuscaloosa	26.1%	30.1%	29.1%	29.2%
Dothan	12.3%	11.0%	9.8%	10.0%
Huntsville	5.2%	5.1%	6.1%	5.9%
Mobile	9.5%	9.6%	9.1%	9.2%
Montgomery	8.2%	4.9%	6.8%	6.6%
Decatur	3.1%	3.8%	2.7%	2.8%
Muscle Shoals	2.6%	1.5%	2.0%	1.9%
Opelika	2.1%	5.6%	4.9%	5.0%
Oxford	2.7%	2.1%	2.1%	2.1%
Gadsden	2.7%	1.9%	3.0%	2.8%
Other rural counties	25.5%	24.5%	24.5%	24.5%
All residents (in thousands)	516.0	99.8	603.0	703.0

Source: Mathematica Policy Research.

Notes: Estimates reflect the resident population in 2010. Counties were grouped into metropolitan statistical areas (MSAs) where possible. The Birmingham-Hoover and Tuscaloosa areas and the Dothan area include some rural counties that are not part of the Birmingham-Hoover, Tuscaloosa, or Dothan MSAs. See Appendix A for a listing of the counties included in each geographic area.

² Individuals living in households with a modified adjusted gross income below the threshold for filing a federal income tax return (in 2010, \$9,350 for a single person, \$12,000 for a head of household, or \$18,700 for a married couple) are exempt from tax penalties under the individual mandate.

Health Status

The per-person cost of expanding Medicaid enrollment in 2014 will in large part depend on the health status of prospective new enrollees. We estimate that the 163,000 children who will be eligible for Medicaid in 2014 but are not currently enrolled are about as healthy as the 344,000 children who were enrolled in 2010. In contrast, the 540,000 adults who will be eligible in 2014 are probably much healthier than the 172,000 adults already enrolled, many of whom qualify only because of serious health problems.³

Health Conditions among Eligible Children

Children who will be eligible for Medicaid in 2014 but are not currently enrolled are about twice as likely as currently enrolled children to be overweight or obese (Table 4-3). Among children aged 12 or older currently enrolled in Medicaid, 9 percent are overweight or obese, compared with 18 percent of those who will be eligible but are not currently enrolled.

However, the children who will be eligible in 2014 but are not currently enrolled appear slightly healthier than children currently in Medicaid. Compared with children currently enrolled, they are less likely to report having been diagnosed with a chronic condition (especially asthma) and also somewhat less likely to report having experienced a chronic illness (such as repeated ear infections) in the past year. Overall, about half of current enrollees and half of those who will be eligible but are not currently enrolled reported no risk factors (including obesity) and no high-cost or chronic conditions.

³ Currently, most adults in Alabama, when they qualify based on income, can become eligible for Medicaid only due to pregnancy or disability. More than one-quarter are disabled and dually eligible for Medicare.

Table 4-3. Health Status of Alabama Children Enrolled in Medicaid or Eligible to Enroll in 2014

Population segment	Children enrolled in 2010	Eligible in 2010 but not enrolled (a)	Newly eligible in 2014 (b)	Eligible in 2014 but not currently enrolled (a + b)
<i>Percentage within eligibility category:</i>				
<i>Risk factors^a</i>				
Overweight	5.2%	12.9%	9.2%	10.8%
Obese	3.9%	7.2%	7.2%	7.2%
<i>Chronic conditions</i>				
Any chronic condition	23.0%	23.2%	19.8%	21.3%
Diabetes	0.8%	0.7%	0.5%	0.6%
Asthma	15.0%	14.8%	9.3%	11.8%
ADD/ADHD (attention-deficit disorder/attention deficit hyperactivity disorder)	10.8%	10.4%	11.3%	10.9%
<i>High-cost conditions^b</i>				
Any high-cost physical condition	2.7%	2.1%	5.0%	3.7%
Any high-cost cognitive condition	3.7%	1.7%	5.5%	3.8%
<i>Chronic illnesses in past year</i>				
Any chronic illness	37.6%	37.7%	34.2%	35.8%
Three or more ear infections	9.4%	6.6%	5.0%	5.7%
Allergies	30.0%	30.1%	29.5%	29.8%
No risk factors, chronic or high-cost conditions, or chronic illnesses in past year	47.6%	45.1%	47.1%	46.2%
All children (in thousands)	343.5	73.0	90.1	163.1

Source: Mathematica Policy Research.

Notes: Estimates reflect the resident population in 2010.

^a Overweight and obesity were measured only among children aged 12 and older.

^b High-cost physical conditions include cerebral palsy, muscular dystrophy, cystic fibrosis, sickle cell anemia, congenital heart disease, and any other heart condition. High-cost cognitive conditions include mental retardation, Down syndrome, and autism.

Health Conditions among Eligible Adults

Adults who will be eligible for Medicaid in 2014 but are not currently enrolled have fewer physical risk factors and medical conditions than those who were enrolled in 2010 (Table 4-4). Specifically, they are less likely to report being overweight or obese (65 percent, versus 73 percent of current enrollees), less likely to report having high blood pressure (27 percent versus 36 percent), and less likely to report having high cholesterol (17 versus 31 percent). Similarly, they are less likely to have a chronic condition: 36 percent report having been diagnosed with a chronic condition such as diabetes, arthritis, or cardiovascular disease, compared with nearly half (47 percent) of current enrollees. Overall, adults who will be eligible for Medicaid in 2014 but are not currently enrolled are nearly

twice as likely to report no physical or behavioral risk factors, chronic conditions, or cancer diagnoses (15 percent) as adults who are currently enrolled (9 percent).

Table 4-4. Health Status of Alabama Adults under Age 65 Enrolled in Medicaid or Eligible to Enroll in 2014

Population segment	Adults enrolled in 2010	Eligible in 2010 but not enrolled (a)	Newly eligible in 2014 (b)	Eligible in 2014 but not currently enrolled (a + b)
<i>Percentage within eligibility category:</i>				
<i>Risk factors</i>				
Any physical risk factor	82.3%	77.0%	71.6%	71.9%
Overweight or obese	72.6%	72.6%	64.7%	65.1%
High blood pressure	35.8%	24.5%	26.6%	26.5%
High cholesterol	30.5%	10.5%	17.5%	17.1%
Any behavioral risk factor	33.2%	43.4%	41.9%	42.0%
Smoker	28.1%	39.8%	35.2%	35.4%
Binge drinker	11.1%	9.9%	15.9%	15.6%
<i>Chronic conditions</i>				
Any chronic condition	46.7%	31.9%	36.0%	35.8%
Diabetes	13.6%	7.1%	7.6%	7.6%
Asthma	9.9%	14.0%	12.2%	12.3%
Arthritis	34.3%	18.4%	23.7%	23.4%
Cardiovascular disease	4.1%	0.0%	2.2%	2.0%
Stroke	5.9%	2.2%	4.5%	4.4%
<i>High-cost conditions</i>				
Any cancer diagnosis	7.7%	2.5%	4.1%	4.0%
<i>No risk factors, chronic conditions, or cancer diagnosis</i>	9.3%	7.5%	15.2%	14.9%
All adults (in thousands)	172.5	26.8	512.8	539.6

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

In part, the healthier profile of adults who will be eligible for Medicaid but are not currently enrolled reflects their younger average age. For both those currently eligible and those newly eligible in 2014, the probability of reporting a physical risk factor, chronic condition, or cancer diagnosis rises sharply with age (Table 4-5). However, within each age group, those eligible in 2014 but not enrolled still are less likely to have a risk factor or serious illness than current enrollees.

Table 4-5. Risk Factors, Chronic Conditions, and Cancer Diagnoses among Alabama Adults under Age 65 Enrolled in Medicaid or Eligible to Enroll in 2014

Population segment	Adults enrolled in 2010	Eligible in 2010 but not enrolled (a)	Newly eligible in 2014 (b)	Eligible in 2014 but not currently enrolled (a + b)
Adults age 19–30 (in thousands)	48.8	13.4	233.0	246.5
<i>Percentage within eligibility category:</i>				
Any physical risk factor ^a	69.8%	70.5%	61.0%	61.5%
Any behavioral risk factor ^b	32.3%	43.8%	42.4%	42.4%
Any chronic condition	24.2%	19.2%	21.5%	21.3%
Any cancer diagnosis	2.0%	2.9%	1.3%	1.4%
No risk factors, chronic conditions, or cancer diagnosis	17.7%	9.6%	24.2%	23.4%
Adults age 31–45 (in thousands)	46.6	10.8	145.0	155.9
<i>Percent within eligibility category:</i>				
Any physical risk factor ^a	80.5%	88.2%	73.9%	74.9%
Any behavioral risk factor ^b	36.4%	43.5%	45.7%	45.6%
Any chronic condition	37.1%	44.4%	34.7%	35.3%
Any cancer diagnosis	7.0%	0.7%	5.1%	4.8%
No risk factors, chronic conditions, or cancer diagnosis	10.6%	3.4%	12.3%	11.7%
Adults age 45–65 (in thousands)	77.1	2.5	134.8	137.3
<i>Percent within eligibility category:</i>				
Any physical risk factor ^a	91.4%	63.8%	87.6%	87.2%
Any behavioral risk factor ^b	31.8%	40.9%	37.2%	37.2%
Any chronic condition	66.7%	46.1%	62.6%	62.3%
Any cancer diagnosis	11.7%	8.4%	7.8%	7.8%
No risk factors, chronic conditions, or cancer diagnosis	3.2%	13.9%	2.9%	3.1%

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

^a Includes overweight or obesity, high blood pressure, or high cholesterol.

^b Includes smoking or binge drinking.

CHILDREN ELIGIBLE FOR ALL KIDS

While Medicaid eligibility rules will change under the ACA, those for ALL Kids will not change: children in families with income under 300 percent FPL and who are not eligible for Medicaid will continue to be eligible for ALL Kids. Nevertheless, enrollment in ALL Kids will change as an estimated 55,000 children move

into Medicaid. In addition, many children who are currently eligible for ALL Kids but not enrolled may newly enroll in the program.

Demographic Characteristics and Location of Residence

Children who are currently eligible but not enrolled in ALL Kids are similar in age to those who are already enrolled, and they tend to live in the same communities. About three-quarters of children in either category are over age 6, and about one-quarter live in counties in and around Birmingham and Tuscaloosa (Table 4-6). Compared with the number of children currently enrolled, Huntsville might see the largest percentage increase in ALL Kids enrollment if all currently eligible children enroll in the program: an estimated 9 percent of children eligible but not enrolled live in the Huntsville area, compared with fewer than 7 percent of children currently enrolled.

Table 4-6. Age and Location of Alabama Children Currently Enrolled in ALL Kids or Eligible to Enroll in 2014

Population segment	Currently enrolled	Eligible but not enrolled
<i>Percentage by eligibility category:</i>		
All ages	100.0%	100.0%
Children age 0–5	25.9%	27.1%
Children age 6–18	74.1%	72.9%
<i>All locations</i>		
Birmingham-Hoover and Tuscaloosa	26.9%	27.6%
Dothan	11.6%	7.9%
Huntsville	6.5%	9.0%
Mobile	10.1%	10.2%
Montgomery	7.6%	7.9%
Decatur	3.3%	2.8%
Muscle Shoals	1.9%	1.7%
Opelika	1.9%	2.7%
Oxford	2.9%	2.6%
Gadsden	3.4%	3.4%
Other rural counties	23.8%	24.1%
All children (in thousands)	169.0	226.7

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010. Counties were grouped into metropolitan statistical areas (MSAs) where possible. The Birmingham-Hoover and Tuscaloosa areas and the Dothan area include some rural counties that are not part of the Birmingham-Hoover, Tuscaloosa, or Dothan MSAs. See Appendix A for a listing of the counties included in each geographic area.

Health Conditions

The estimated health status of children currently eligible for ALL Kids but not enrolled is similar to that of children currently enrolled. Children eligible but not enrolled are slightly more likely than current enrollees to report being overweight or obese: 14 percent compared with 12 percent (Table 4-7). However, they are less likely to report having a chronic or high-cost condition and also less likely to report having suffered from chronic illnesses in the past year. Overall, half of children who are eligible but not enrolled (50 percent) report having no risk factors, no chronic or high-cost conditions, and no chronic illnesses in the past year, compared with just less than half (48 percent) of children currently enrolled.

Table 4-7. Health Status of Alabama Children Enrolled in ALL Kids or Eligible to Enroll in 2014

Population segment	Currently enrolled	Eligible not enrolled
<i>Percentage within eligibility category:</i>		
Risk factors ^a		
Overweight	7.8%	9.2%
Obese	4.0%	5.0%
Chronic conditions		
Any chronic condition	17.6%	14.0%
Diabetes	0.2%	0.3%
Asthma	9.6%	7.8%
ADD/ADHD	9.4%	7.4%
High-cost conditions ^b		
Any high-cost physical condition	2.9%	1.4%
Any high-cost cognitive condition	5.2%	5.5%
Chronic illnesses in past year		
Any chronic illness	37.9%	35.2%
Three or more ear infections	6.6%	6.1%
Allergies	32.0%	30.9%
No risk factors, chronic or high-cost conditions, or chronic illnesses in past year	48.5%	50.4%
All children (thousands)	169.0	226.7

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

^a Overweight and obesity were measured only among children aged 12 and older.

^b High-cost physical conditions include cerebral palsy, muscular dystrophy, cystic fibrosis, sickle cell anemia, congenital heart disease, and any other heart condition. High-cost cognitive conditions include mental retardation, Down syndrome, and autism.

OTHER LOW-INCOME ADULTS AND CHILDREN

Adults who are ineligible for Medicaid in 2014 but who have income less than 400 percent FPL will become eligible for a refundable tax credit against the premiums they pay for individual coverage in the exchange. However, those at the lowest range of eligibility for tax credits in the exchange are relatively likely to become eligible for Medicaid—and therefore, ineligible for a tax credit if they remain in the exchange—if their incomes change in the course of a year. Nationally, many adults with income between 139 percent FPL and 200 percent FPL (and therefore ineligible for Medicaid) are expected to move between eligibility for Medicaid and the exchange as they experience changes in income.⁴ Under the ACA, states may establish a Basic Health Plan to serve this population, potentially reducing the frequency of their transitions in and out of the exchange. In Alabama, approximately 154,000 adults are in this income category (Table 4-8), and relatively likely to qualify for Medicaid during the year.

Table 4-8. Age and Gender of Adults Currently Enrolled or Newly Eligible for Medicaid and Adults with Income from 138 to 200 Percent FPL

Population segment	Adults currently enrolled (a)	Adults eligible for Medicaid in 2014 but not enrolled (below 138 percent FPL) (b)	All adults eligible in 2014 (a + b)	Adults 138–200 percent FPL
<i>Percentage by eligibility status:</i>				
All adults	100.0%	100.0%	100.0%	100.0%
Age 19–30	28.3%	45.7%	41.5%	35.0%
Age 31–45	27.0%	28.9%	28.4%	29.2%
Age 46–64	44.7%	25.4%	30.1%	35.8%
Women age 19–64	64.5%	57.6%	59.3%	49.5%
Men age 19–64	35.5%	42.4%	40.7%	50.5%
All adults (in thousands)	172.5	539.6	712.1	153.7

Source: Mathematica Policy Research.

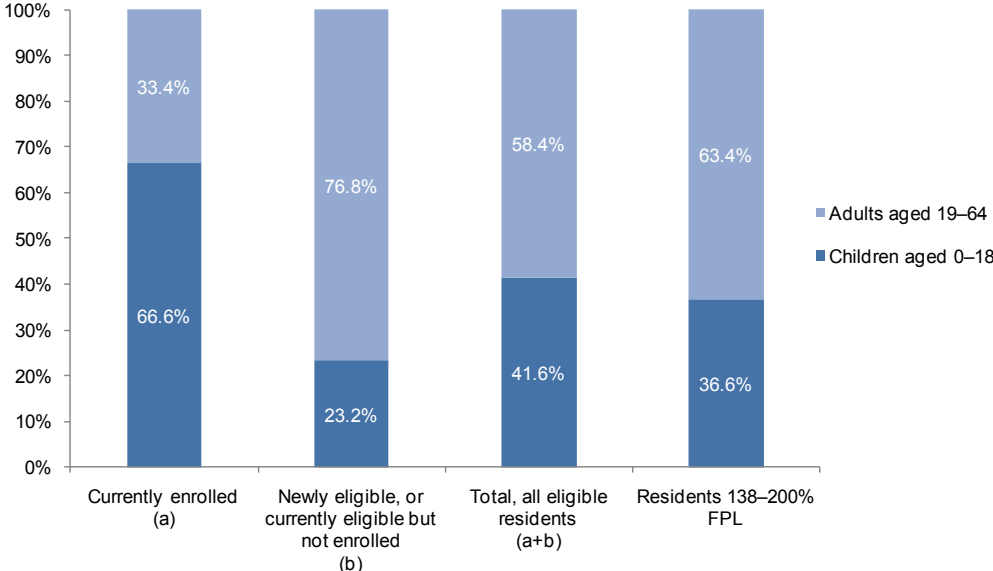
Note: Estimates reflect the resident population in 2010.

Children also might transition in and out of Medicaid with changes in family income, but these transitions will occur between Medicaid and ALL Kids, not between the Medicaid and the exchange. In Alabama, there are an estimated 89,000 children in families with income from 139 to 200 percent FPL. The population with income from 139 to 200 percent FPL includes proportionately fewer children

⁴ Sommers and Rosenbaum (2011) estimated that as many as half of all adults living in households below 200 percent FPL might transition between eligibility for Medicaid and subsidized private insurance in the exchange in the course of a year. See B. Sommers and S. Rosenbaum, “Issues In Health Reform: How Changes In Eligibility May Move Millions Back And Forth Between Medicaid And Insurance Exchanges,” *Health Affairs* Vol. 30 No. 2, February 2011. However, these may be high estimates, as the authors did not adjust inconsistent reporting of income over time in the Survey of Income and Program Participation.

than the population currently enrolled in Medicaid (37 percent versus 67 percent), but proportionately more children than will be newly eligible for Medicaid in 2014 (Figure 4-1). Compared with all residents eligible for Medicaid in 2014, the population with a high probability of moving into Medicaid eligibility during the year is likely to include more adults and fewer children.

Figure 4-1. Children and Adults as a Percentage of the Alabama Population Eligible for Medicaid in 2014 and Residents with Income from 138 to 200 Percent FPL



Source: Mathematica Policy Research.
 Note: Estimates reflect the resident population in 2010.

Low-income adults between 139 and 200 percent FPL are younger than adults currently enrolled in Medicaid, and men constitute a much larger proportion. Thirty-five percent of adults with income from 138 to 200 percent FPL are aged 19 to 30, compared with 28 percent of adults currently enrolled in Medicaid (Table 4-8). Half are men, compared with 36 percent of current adult enrollees.

Moreover, compared with adults currently enrolled in Medicaid, adults with incomes between 139 and 200 percent FPL appear to be much healthier. Thirteen percent reported no risk factors, chronic conditions, or cancer diagnosis, compared with 9 percent of adults currently enrolled (Table 4-9).

Compared with all adults who will be eligible for Medicaid in 2014, adults with incomes of 139 to 200 percent FPL are older: 36 percent are aged 46-64, compared with 30 percent of all eligible adults. However, notwithstanding their older ages, their health status indicators are remarkably similar, though worse than those of the population who will be eligible in 2014 but are not currently enrolled. Compared with these adults, they are more likely to report having a physical risk

factor or a chronic condition, or having been diagnosed with cancer.⁵ Thirteen percent report no risk factor, chronic condition, or a cancer diagnosis—compared with 15 percent of adults who will be eligible in 2014 but are not currently enrolled (Table 4-9).

Table 4-9. Health Status of Alabama Adults Currently Enrolled or Newly Eligible for Medicaid, and Adults with Income from 138 to 200 Percent FPL

Population segment	Adults currently enrolled (a)	Adults eligible for Medicaid in 2014 but not enrolled (below 138 percent FPL) (b)	All eligible adults (a + b)	Adults 138–200 percent FPL
<i>Percentage within eligibility category:</i>				
Any physical risk factor ^a	82.3%	71.9%	74.4%	75.2%
Any behavioral risk factor ^b	33.2%	42.0%	39.9%	40.2%
Any chronic condition	46.7%	35.8%	38.4%	38.3%
Any cancer diagnosis	7.7%	4.0%	4.9%	5.4%
No risk factors, chronic conditions, or cancer diagnosis	9.3%	14.9%	13.5%	13.0%
Total	172.5	539.6	712.1	153.7

Source: Mathematica Policy Research.

^a Includes overweight or obesity, high blood pressure, or high cholesterol.

^b Includes smoking or binge drinking.

⁵ Controlling for age, adults over age 30 in households between 139 and 200 percent FPL are less likely to report risk factors and chronic conditions than adults who will be newly eligible for Medicaid in 2014. Young adults (aged 19 to 30) in both categories report similar rates of risk factors and chronic conditions.

Chapter 5

Eligibility for Individual Coverage in Alabama's Exchange

In this chapter, we compare the demographic characteristics, location of residence, and health status of Alabamians who might seek coverage in the exchange with those who currently buy individual coverage. These include low- and middle-income adults and children who qualify for federal premium subsidies available only for coverage obtained through the exchange, as well as those at higher incomes who currently have individual coverage or are uninsured.

In 2010, more than a quarter-million Alabamians (227,000) purchased individual coverage. In 2014, Alabama's individual health insurance market could double. As many as 460,000 residents will become eligible to enroll in coverage through the exchange, including 338,000 residents who will become eligible for a federal tax credit to offset all or part of the cost of premiums as well as reduced cost-sharing (Table 5-1). The tax credits, which are available to adults and children in households below 400 percent FPL who do not have access to employer-based coverage or public programs, can be taken only for coverage obtained in the exchange. Alabamians at higher incomes (122,000 residents) who currently have individual policies or are uninsured may still choose to purchase individual coverage through the exchange but will be ineligible for a federal tax credit.

Table 5-1. Alabamians under Age 65 with Individual Coverage and Eligible to Participate in the Exchange in 2014, by Age

Population segment	Residents with individual coverage in 2010	Eligible for coverage in the exchange in 2014 ^a		
		Total	Eligible for federal tax credit (at or below 400% FPL)	Ineligible for federal tax credit (above 400% FPL)
<i>Number of residents (in thousands)</i>				
Children	47.7	23.6	9.4	14.2
Adults	179.8	436.4	329.0	107.4
Total	227.4	460.0	338.5	121.5
<i>Percentage within eligibility category</i>				
Children	21.0%	5.1%	2.8%	11.6%
Adults	79.0%	94.9%	97.2%	88.4%
Ages 19–30	25.4%	35.9%	38.4%	29.0%
Ages 31–45	20.0%	26.9%	29.1%	20.9%
Ages 46–64	33.6%	32.1%	29.8%	38.5%
Total	100.0%	100.0%	100.0%	100.0%

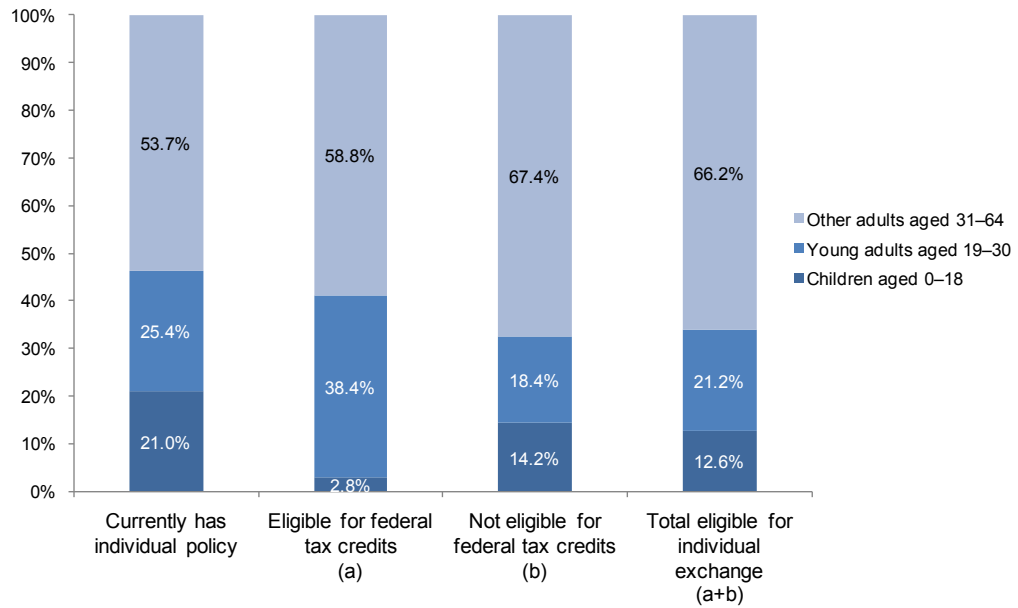
Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

^a Includes adults and children who are currently have individual coverage or are uninsured, and who will not be eligible for Medicaid or ALL Kids in 2014.

Compared with Alabamians who currently have individual coverage, fewer children and a greater number of adults over age 30 will be eligible to enroll in coverage through the exchange. Assuming enrollment in proportion to eligibility, 13 percent of enrollees will be children. In contrast, children account for 21 percent of the population under age 65 who currently hold individual coverage (Figure 5-1). Conversely, adults aged 31 to 64 currently account for about half of Alabamians with individual coverage, but could account for 66 percent of participants in the individual exchange.

Figure 5-1. Adults and Children with Individual Policies in 2010 and Eligible for the Individual Exchange in 2014



Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

In every area of the state, the number of people eligible for premium subsidies in 2014 will be larger than the number currently buying individual policies (Table 5-2). Even assuming that only those who would qualify for a federal tax credit purchase in the exchange, in each area the population with individual coverage will increase by at least 20 percent—and in some locations, it could increase more than 100 percent. If Alabamians who do not qualify for premium subsidies but are likely to buy individual policies also enter the exchange, the individual market in each area may increase by between 50 and 200 percent. In particular, the number of enrollees in the individual market in the Huntsville, Decatur, Muscle Shoals, and Oxford areas should at least double.

Table 5-2. Location of Residence of Alabamians under Age 65 with Individual Policies Currently and Those Eligible to Participate in Individual Exchange in 2014

Location	Residents with individual coverage in 2010	Eligible to participate in the exchange in 2014 ^a		Residents eligible for a federal tax credit for coverage in the exchange as a percentage of residents who currently have individual coverage	All residents eligible to buy coverage in the exchange as a percentage of residents who currently have individual coverage
		Eligible for federal tax credit (at or below 400% FPL)	Not eligible for federal tax credit (above 400% FPL)		
All residents (in thousands)	227.4	338.5	121.5	149%	202%
Birmingham-Hoover and Tuscaloosa	77.2	93.7	37.0	121%	169%
Dothan	20.6	31.9	10.9	155%	208%
Huntsville	13.6	26.6	10.1	195%	270%
Mobile	23.0	33.9	10.5	147%	193%
Montgomery	16.1	22.3	8.9	138%	193%
Decatur	6.0	12.5	5.8	207%	303%
Muscle Shoals	5.2	10.0	3.0	193%	251%
Opelika	10.3	12.9	2.4	126%	150%
Oxford	3.2	6.6	2.7	204%	288%
Gadsden	6.5	10.6	2.5	163%	201%
Other rural counties	45.8	77.5	27.8	169%	230%

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010. Counties were grouped into metropolitan statistical areas (MSAs) where possible. The Birmingham-Hoover and Tuscaloosa area and the Dothan area include some rural counties that are not part of the Birmingham-Hoover, Tuscaloosa, or Dothan MSAs. See Appendix A for a listing of the counties included in each geographic area.

^a Likely participants in the individual exchange are Alabamians who are currently uninsured or have individual policies and who will not qualify for Medicaid or other public programs in 2014.

The number of children with individual policies is likely to decline from nearly 50,000 in 2010 to less than 24,000 in 2014, as many who are currently eligible but not enrolled or newly eligible for Medicaid or ALL Kids enroll in those programs (Table 5-3). Compared with those currently insured in the individual market, children who will become eligible for premium subsidies in the exchange are more likely to report being overweight or obese, suffering from a high-cost physical or behavioral health condition, or having experienced a chronic illness in the past year. However, due to their lower rates of chronic conditions such as asthma and ADD, only slightly fewer children who will become eligible for premium subsidies report no risk factors or health problems compared with children currently insured in the individual market (47 percent versus 51 percent).

Children who are likely to participate in the exchange but live in households with income too high to qualify for premium subsidies are more similar to children currently in the individual market: 50 percent report no risk factors or health prob-

lems (compared with 51 percent). Compared with those who currently have an individual policy, children not qualifying for subsidies are more likely to report being overweight or obese but less likely to having a high-cost condition.

Table 5-3. Health Status of Alabama Children with Individual Policies Currently and Those Eligible to Participate in Individual Exchange in 2014

Population segment	Residents with individual policies in 2010	Eligible to participate in the exchange in 2014		
		Eligible for federal tax credit (a)	Ineligible for federal tax credit (b)	Total (a + b)
<i>Percentage within eligibility category:</i>				
<i>Risk factors^a</i>				
Overweight	7.0%	10.4%	16.0%	13.5%
Obese	3.6%	5.0%	2.7%	3.7%
<i>Chronic conditions</i>				
Any chronic condition	16.3%	8.6%	15.0%	12.5%
Diabetes	0.0%	0.0%	0.0%	0.0%
Asthma	9.6%	5.5%	9.4%	7.9%
ADD/ADHD	8.6%	4.1%	8.9%	7.0%
<i>High-cost conditions^b</i>				
Any high-cost physical condition	3.2%	4.1%	0.6%	2.0%
Any high-cost cognitive condition	4.9%	9.2%	2.8%	5.3%
<i>Chronic illnesses in past year</i>				
Any chronic illness	32.7%	39.6%	32.4%	35.3%
Three or more ear infections	5.0%	7.4%	3.7%	5.2%
Allergies	29.5%	35.6%	30.3%	32.4%
No risk factors, chronic or high-cost conditions, or chronic illnesses in past year	50.8%	46.5%	49.7%	48.4%
All children (in thousands)	47.7	9.5	14.2	23.6

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

^a Overweight and obesity were measured only among children aged 12 and older.

^b High-cost physical conditions include cerebral palsy, muscular dystrophy, cystic fibrosis, sickle cell anemia, congenital heart disease, and any other heart condition. High-cost cognitive conditions include mental retardation, Down syndrome, and autism.

Nearly twice as many adults will be eligible for federal premium subsidies in 2014 than currently have individual policies (Table 5-4). Compared with adults who currently have individual policies, adults who will become eligible for a federal tax credit are less likely to report having a chronic condition (34 percent versus 39 percent) and also less likely to report ever having been diagnosed with cancer (8 percent versus 3 percent). However, they are more likely to report being smokers (31 percent versus 22 percent) or binge drinkers (16 percent versus

12 percent) and as a result less likely overall to report having no risk factors or health problems (14 percent versus 17 percent).

Table 5-4. Health Status of Alabama Adults under Age 65 with Individual Policies Currently and Those Eligible to Participate in Individual Exchange in 2014

Population segment	Residents with individual policies in 2010	Eligible to participate in individual exchange in 2014 ^a		
		Eligible for federal tax credit (a)	Ineligible for federal tax credit (b)	Total (a + b)
<i>Percentage within eligibility category:</i>				
<i>Risk factors</i>				
Any physical risk factor	74.3%	75.2%	75.6%	75.3%
Overweight or obese	66.5%	68.5%	68.8%	68.6%
High blood pressure	28.9%	28.1%	29.2%	28.4%
High cholesterol	27.5%	14.1%	21.3%	15.8%
Any behavioral risk factor	29.3%	36.1%	31.3%	34.9%
Smoker	22.4%	30.7%	25.7%	29.4%
Binge drinker	11.6%	15.7%	14.2%	15.3%
<i>Chronic conditions</i>				
Any chronic condition	39.5%	34.3%	33.6%	34.2%
Diabetes	9.0%	5.5%	6.2%	5.7%
Asthma	8.7%	10.4%	8.0%	9.8%
Arthritis	27.3%	25.4%	25.9%	25.5%
Cardiovascular disease	2.4%	1.1%	1.1%	1.1%
Stroke	4.2%	2.9%	2.0%	2.7%
<i>High-cost conditions</i>				
Any cancer diagnosis	7.8%	3.3%	5.6%	3.9%
No risk factors, chronic conditions, or cancer diagnosis	17.2%	13.6%	15.1%	13.9%
All adults (in thousands)	179.8	329.0	107.4	436.4

Source: Mathematica Policy Research.

Note: Estimates reflect the resident population in 2010.

More than 100,000 adults are likely to remain or join the individual market in 2014 despite having income too high to qualify for federal subsidies. Like those eligible for federal tax credits, compared with those who currently have individual policies these adults are more likely to have a physical or behavioral risk factor but less likely to report having a chronic condition or cancer diagnosis. In particular, they are more likely to be smokers (26 percent versus 22 percent) but less likely to report having been diagnosed with cancer (6 percent versus 8 percent), diabetes (6 percent versus 9 percent), or heart disease (1 percent versus 2 percent).

Appendix A

County Groupings

The estimates in this report are based on the 2009 American Community Survey (ACS) microdata, benchmarked to 2010 population and employment estimates. In the 2009 public use microdata, the state is subdivided into Public Use Microdata Areas (PUMAs) in order to preserve the confidentiality of respondents. To ensure that each PUMA contains at least 100,000 residents, less populated counties are sometimes combined into a single PUMA.

Where possible, we grouped PUMAs into metropolitan statistical areas (MSAs), which represent contiguous geographical areas with a high degree of economic integration. In two cases, the counties grouped into a single PUMA included more than one MSA as well as surrounding rural counties (the Birmingham-Hoover and Tuscaloosa MSAs) or included counties in the MSA and rural counties outside it (the Dothan MSA). All other geographic areas include only the counties in the MSA. Table A-1 lists the geographic categories we used in this report.

Table A-1. Alabama Geographic Categories

Geographic category	Counties
Birmingham-Hoover and Tuscaloosa	Bibb, Blount, Dallas, Greene, Hale, Jefferson, Marengo, Perry, Shelby, St. Clair, Tuscaloosa, and Walker
Dothan	Barbour, Bullock, Butler, Coffee, Covington, Crenshaw, Dale, Geneva, Henry, Houston, Macon, Pike, and Russell
Huntsville	Limestone and Madison
Mobile	Mobile
Montgomery	Autauga, Elmore, and Montgomery
Decatur	Lawrence and Morgan
Muscle Shoals	Colbert and Lauderdale
Opelika	Lee
Oxford	Calhoun
Gadsden	Etowah
Other rural counties	Baldwin, Chambers, Cherokee, Chilton, Choctaw, Clarke, Clay, Cleburne, Conecuh, Coosa, Cullman, DeKalb, Escambia, Fayette, Franklin, Jackson, Lamar, Lowndes, Marion, Marshall, Monroe, Pickens, Randolph, Sumter, Talladega, Tallapoosa, Washington, Wilcox, and Winston

Appendix B

Abbreviations

ACA	Affordable Care Act
ACS	American Community Survey
ADD	attention-deficit disorder
ADHD	attention deficit hyperactivity disorder
BRFSS	Behavioral Risk Factor Surveillance System
CHIP	Children’s Health Insurance Program
CPS	Current Population Survey
FPL	federal poverty level
MEPS-IC	Medical Expenditure Panel Survey—Insurance Component
MSA	metropolitan statistical area
NHIS	National Health Interview Survey
SHOP	Small Business Health Options Program

