Large gains in health coverage, some growth in incomes, big challenges remain

With the release this week of new data from the U.S. Census Bureau, it is clear that working families nationwide and here in Massachusetts made some important gains from 2013 to 2014—and that opportunities exist to build on these gains. Increased investments in federal and state programs that help families build economic security produced notable results: the Affordable Care Act greatly increased the number of people with health insurance, while the Earned Income Tax Credit, the Child Tax Credit, and nutritional support programs lifted tens of millions of Americans above the poverty level.

The data also show that median incomes rose in 2014, very modestly in the US as a whole and more substantially here in Massachusetts. They are still well below their pre-recession highs, however, underscoring the need for policy improvements that can boost wages and incomes and make sure everyone—including working families—shares in the benefits of a growing economy.

Good Public Policies Make an Important Difference

Health insurance coverage rates provide clear evidence that the Affordable Care Act (ACA) is working. Nationally, more than 8 million people who had been without health insurance were able to get coverage in 2014. This is the biggest single-year drop in the share of people without health insurance in decades.

Massachusetts Continues to Lead the Nation in Health Care Coverage

Percent of the Population with Health Insurance and Uninsured

Source: U.S. Census Bureau, 2014 American Community Survey
Massachusetts has for many years led the nation in health care coverage rates, but even here 28,000 more people became insured in 2014. Our health insurance coverage rate in 2014 stood at 96.7 percent. Not only has the Affordable Care Act brought greater access to health care for thousands of people across the Commonwealth, it also has provided an important financial boost for the state. Thanks to the ACA, the federal government is providing hundreds of millions in federal funding for health care costs previously paid for by the state.

The impact of the ACA is also evident across the nation. Many other states that also chose to take advantage of the federal funding available through the ACA to expand their Medicaid coverage saw dramatic single-year increases in health care coverage from 2013 to 2014—by more than five percentage points in some states.

Coverage rates for children in Massachusetts remained essentially the same in 2014 compared to 2013—leaving only 1.5 percent of the population under 18, or close to 21,000 children in Massachusetts, without health insurance.

The other big story in the new data is that federal and state policies that help individuals and families pay for basic necessities reduced the number of people living in poverty. In addition to the official poverty measure (see more on this measure, below), the Census Bureau has developed an alternative measure of poverty called the Supplemental Poverty Measure (SPM). Unlike the official measure, the SPM accounts for differences in the cost of living among regions; includes a variety of everyday expenses (like clothing, housing and utilities); and factors in various forms of income support, non-cash
income, and tax benefits (like SNAP “food stamps”, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC)).

Using the SPM, we can see how many people in the U.S. are lifted above the poverty line by these targeted policies. In 2014, SNAP (formerly food stamps) lifted 4.7 million people out of poverty, while the national EITC and CTC together lifted some 10 million people out of poverty, including more than 5 million children. In Massachusetts, recent successes in raising the state minimum wage and the state EITC will offer additional support to hundreds of thousands of Massachusetts working people and their families, as will any further improvements to these policies in coming years.

The new data also show that median household incomes increased from 2013 to 2014. U.S. median household income grew very modestly, from $53,059 to $53,657 ($598 or 1.1%), while in Massachusetts median income grew more substantially, from $67,693 to $69,160 ($1,467 or 2.1%), adjusted for inflation. Massachusetts has among the highest wages and incomes in the country. This makes sense because we have the best educated workforce in the country, and college and advanced degree holders as a group have higher wages and incomes than workers with only a high school degree.

To accelerate income gains for Massachusetts workers, there are both long term and short term strategies available. In the long term, we can increase access to higher education and quality pre-K through 12, as well as access to workforce training opportunities. In the short term, we can improve the wages and working conditions of all of our people – including those in low wage jobs. We can do this by raising the minimum wage, further increasing the earned income tax credit, and by providing workers with paid family leave.
Less encouragingly, poverty rates have remained stubbornly high despite years of economic growth in the US and here in MA. The official (as opposed to the SPM) overall poverty rate in Massachusetts stood at 11.6 percent in 2014, statistically indistinguishable from the 2013 rate. For the U.S. as a whole, the overall rate dropped slightly to 15.5 percent. Both the Massachusetts and U.S. rates are well above their pre-recession highs. For too many people, the benefits of economic growth are not translating into meaningful improvements in their standard of living.

Likewise, childhood poverty rates remained high. While the childhood poverty rate in Massachusetts fell to 14.9 percent in 2014 (from 16.0 percent in 2013), it was substantially higher than the overall rate of poverty. Roughly one-in-seven children in Massachusetts was living in poverty in 2014. Both the Massachusetts and U.S. rates remained well above pre-recession levels. Though our state and national
economies gained ground from 2010 through 2014, this growth left millions of middle and lower income children and their families behind.

Child Poverty Remains High

Percent of Related Children Under 18 Below the Poverty Threshold
Source: U.S. Census Bureau, American Community Survey