

Financial Effects of Health Insurance

Evidence from Gross and Notowidigdo (2011) and Hu et al. (2018)

Medicaid Expansion

Gross and Notowidigdo (2011)

Medicaid expansions from 1992 to 2004

- In the 1990s, states expanded Medicaid to cover young children and pregnant women in families living below the poverty line
- States expanded Medicaid eligibility differently (time/amount)

Hu et al. (2018)

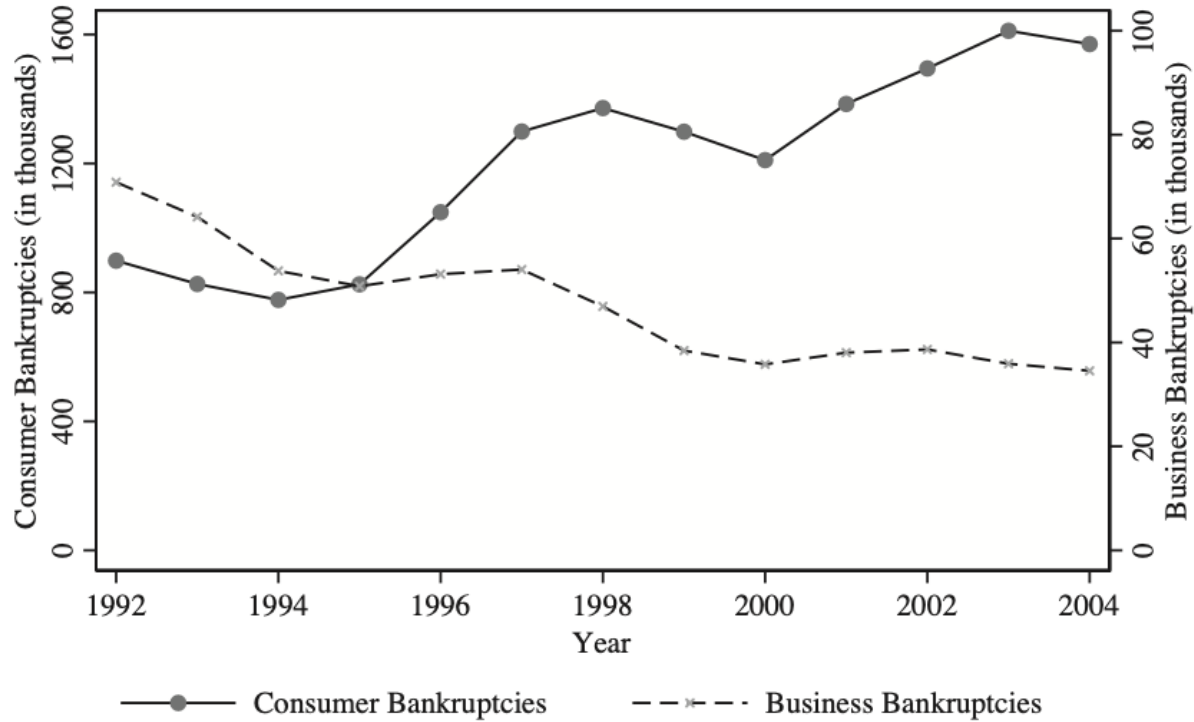
Medicaid expansions under the 2010 Patient Protection and Affordable Care Act (ACA)

- In 2010, the Patient Protection and Affordable Care Act (ACA) expanded Medicaid eligibility to low-income adults

Gross and Notowidigdo (2011)

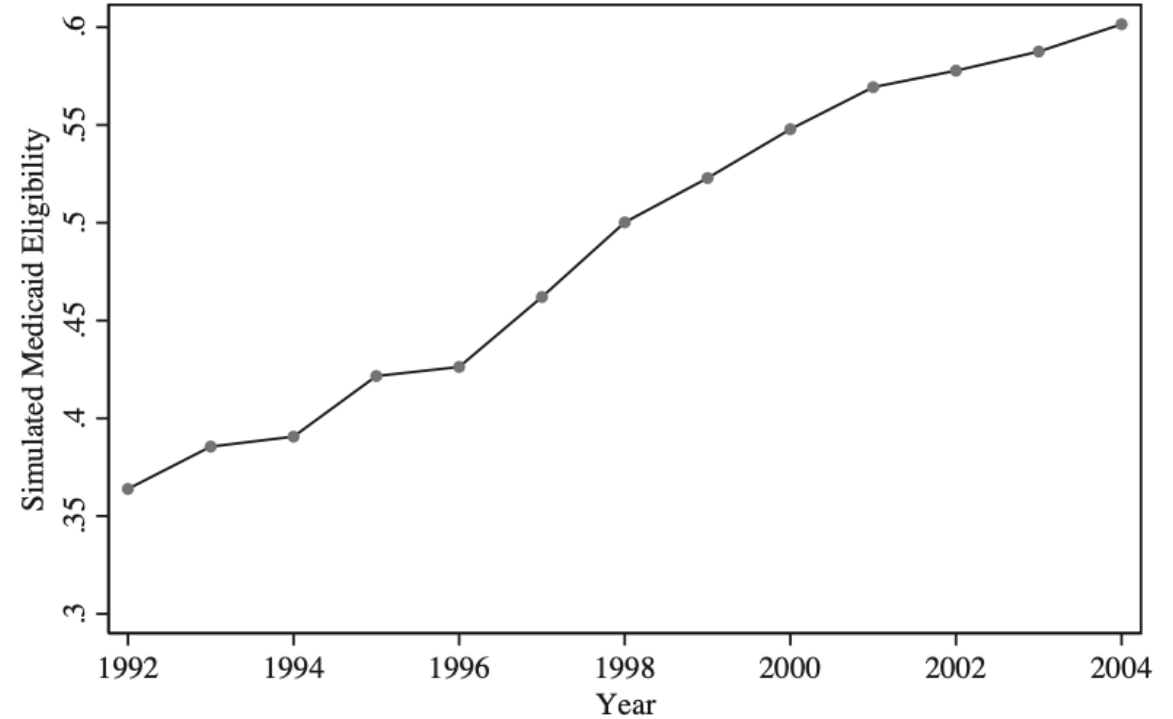
- Q: What is the impact of out-of-pocket medical costs on household bankruptcy decisions?
- Contribution: Use of plausibly exogenous variation in public health insurance eligibility

Gross and Notowidigdo (2011)



Source: Counts of bankruptcies from the annual census published by the Administrative Office of the US Courts

Fig. 1. National trend in bankruptcies.



Source: Eligibility is based on our calculations from the March Current Population Survey. See text for details.

Fig. 2. Growth in Medicaid eligibility, 1992–2004.

Gross and Notowidigdo (2011)

- Data:

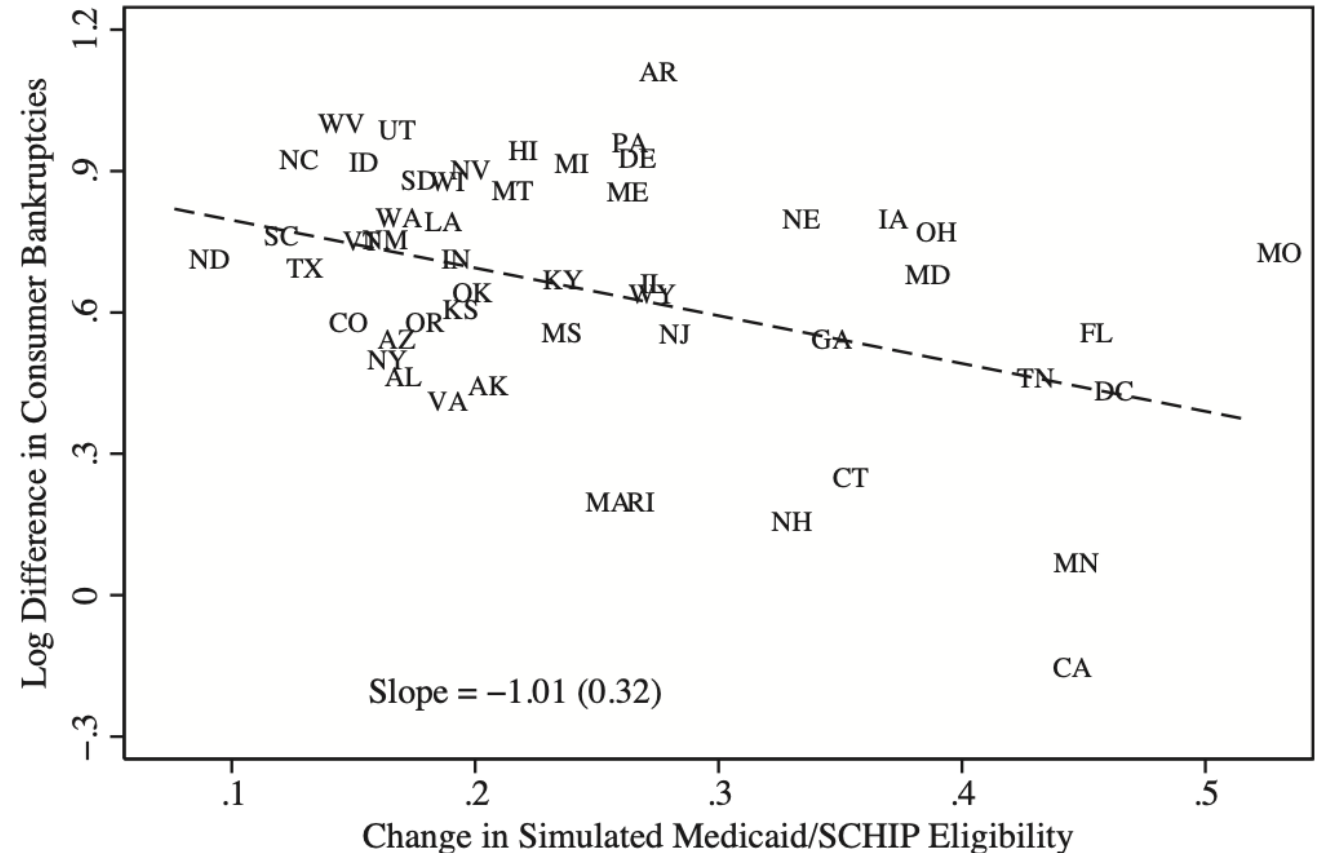
- Public Health Insurance: 1992-2004 March Current Population Survey (CPS)
- Bankruptcy: Census of consumer and business bankruptcies published by the Administrative Office of the U.S. Courts
- Out-of-pocket medical costs: '97-'99 Medical Expenditure Panel Survey (MEPS)

- Empirical Analysis: $\log(c_{st}) = \alpha_s + \alpha_t + \beta M_{st} + \varepsilon_{st}$

- Simulated Medicaid eligibility as an instrumental variable for actual Medicaid eligibility

Gross and Notowidigdo (2011)

- Key Results:
 - 10 percentage point increase in Medicaid eligibility reduces personal bankruptcies by 8%
 - ~ 9% of uninsured households had \$1000 + out-of-pocket expenditures for children, compared to ~ 2.3% for Medicaid-covered households



Source: Simulated eligibility calculated from the March CPS. See text for details.

Fig. 3. Bankruptcies and Medicaid Eligibility, 1992–2004.

Hu et al. (2018)

- Q: Did Medicaid expansions have a significant impact on consumer financial outcomes?
- Contribution: Effect of the expansion of Medicaid under the ACA to low-income adults on financial welfare

Hu et al. (2018)

- Data:

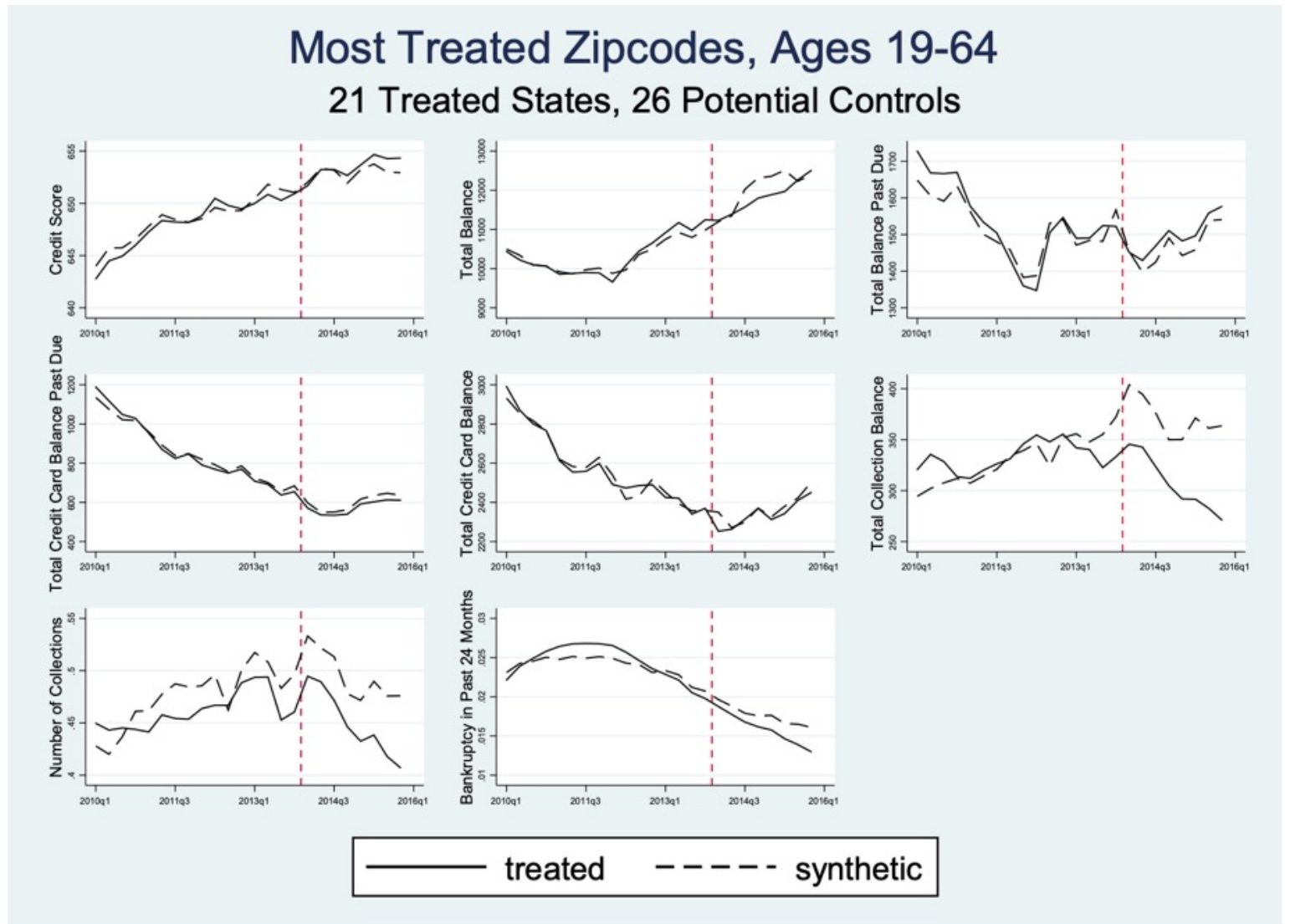
- Impact of Medicaid expansion on health insurance coverage: 2010–2015 American Community Survey (ACS)
- Financial outcomes for population ages 19-64: Federal Reserve Bank of New York Consumer Credit Panel/Equifax (CCP)
- State poverty rates: Small Area Income and Poverty Estimates (SAIPE)

- Empirical Analysis:

- Synthetic Control Method
 - Broad sample: 21 treated, 26 donor pool (potential control)
 - Narrow sample: 14 treated, 24 donor pool

Hu et al. (2018)

- Synthetic Control Method
 - Weights minimize differences in pre-2014 outcomes and covariates
- Results
 - Reduction in collection balances of approximately \$1140
 - Reduction in the number of bills sent to collections



Conclusion and Discussion Questions

- Conclusion:
 - Medicaid expansions had a significant positive effect on financial wellbeing
- Discussion Questions:
 - Do you think that Medicaid expansion is an optimal way to improve the financial wellbeing of low-income families?
 - Could positive financial outcomes resulting from Medicaid expansion prevent future health shocks? How so?