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Expanding Medicaid Boosts Individuals' Personal Finances

key findings

- Medicaid expansions significantly reduced the likelihood of new medical collections.
- Expanded Medicaid coverage decreased the risk of medical out-of-pocket expenditures and ultimately unpaid medical bills.

The Question:

What is the effect of the ACA Medicaid expansion on an individual's personal finances?

Studies show that gaining Medicaid coverage improves health outcomes and access to health care. In a Robert Wood Johnson Foundation-funded* study, Kyle J. Caswell, Ph.D., and Timothy A. Waidmann, Ph.D., at the Urban Institute have opened a wider lens and examined the effect of the Affordable Care Act (ACA) Medicaid expansion on various personal financial measures. With data from one of the three major credit bureaus and using a triple-difference research design, the researchers compared 14 financial outcomes among consumers age 18 – 64 in expansion and non-expansion states during the period 2010 through 2015. The full results of the study are available in *Medical Care Research and Review*.

The Implications:

The ACA Medicaid expansion provides meaningful financial protection to the low-income uninsured.

Caswell and Waidmann found that individuals in Medicaid expansion states experienced positive results across multiple dimensions of personal finance, including improved credit scores; reduced balances past due as a percent of total debt; reduced probability of a medical collection balance of \$1,000 or more; a reduction in the probability of having one or more medical bills go to collections in the previous six months; a reduction in the probability of experiencing a new derogatory balance of any type; a reduction in the probability of incurring a new derogatory balance equal to \$1,000 or more; and a reduction in the probability of a new bankruptcy filing. For consumers, Medicaid expansion improved not only their physical well-being but also their financial stability. This further suggests that benefits extended more broadly across the health sector. Providers have likely seen an attendant decrease in their reliance on third party bill collectors and payers are most likely experiencing a reduction in the need to fund uncompensated care. The researchers note that the results of their analyses represent the initial effects of Medicaid expansion and it may be several years before states achieve a new equilibrium relative to their overall financial improvement. Yet, the results are particularly timely and relevant for states as they continue to explore how best to assist those most vulnerable.

Contact Us

For more information on the results from this grant, please contact the principal investigator Kyle J. Caswell, Ph.D., at kcaswell@urban.org

If you would like to learn more about other related work, please contact:
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