Georgetown University
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CENTER FOR CHILDREN
AND FAMILIES

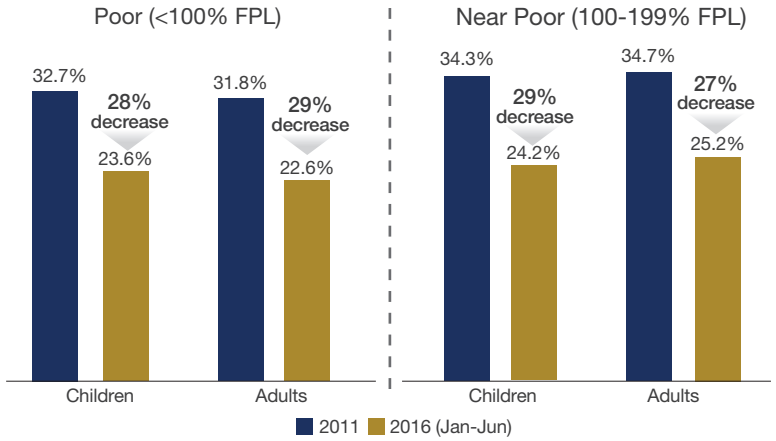
Medicaid: How Does It Provide Economic Security for Families?

Children make up the largest group of Medicaid beneficiaries, accounting for over 40 percent of all enrollees nationwide.[1] Medicaid also provides health coverage to a significant number of their parents.[2] By making health insurance accessible to children and parents, Medicaid keeps families healthy and also protects them from financial hardship. That economic security has the added benefit of insulating children from some of the adverse experiences of growing-up in poverty that can influence later outcomes in health and well-being.[3, 4, 5] For millions of families, Medicaid is a lifeline that keeps them living above the poverty threshold: in 2010, *Medicaid lifted an estimated 2.6 million to 3.4 million individuals out of poverty.*[6]

The fundamental purpose of health insurance is to protect families from economic insecurity and even bankruptcy as a result of the high costs of health care. Research shows that low-income households covered through Medicaid spend significantly less on health care than similar households without Medicaid coverage.[7] In fact, health care spending appears to crowd out other household spending as low-income non-Medicaid households spend a smaller share of their budget on food and housing than low-income Medicaid households.[8]

Recent expansions in Medicaid for children and adults correspond with a decline from 2011 to the first half of 2016 in the share of families reporting problems paying medical bills. *The percentage of poor and near poor children and adults who were in families having problems paying medical bills decreased by almost 30 percent* (see figure).[9, 10] A large and growing body of research finds Medicaid coverage improves numerous indicators of economic security.

The Share of Low-Income Families Having Trouble Paying Medical Bills Decreased by Almost 30 Percent



Source: Georgetown University CCF analysis of R.A. Cohen and E.P. Zammitti, "Problems Paying Medical Bills Among Persons Under Age 65: Early Release of Estimates From the National Health Interview Survey, 2011-June 2016," (National Center for Health Statistics, November 2016).

Medicaid limits exposure to high, out-of-pocket medical costs

Several studies indicate that Medicaid coverage successfully limits out-of-pocket costs for its enrollees. In the Oregon Experiment, which used a lottery to determine randomly who would receive Medicaid, gaining coverage effectively eliminated catastrophic expenditures (when out-of-pocket costs exceed 30 percent of income) and significantly decreased out-of-pocket spending.[11] Early research on the Affordable Care Act (ACA) shows that families who were most likely to gain coverage under the Medicaid expansion experienced a significant decline in having trouble paying medical bills between 2013 and 2015.[12]

Children living in rural areas particularly benefit from Medicaid's out-of-pocket limits. Parents in rural areas whose children had Medicaid/CHIP were about twice as likely to report that their children's out-of-pocket spending was "always reasonable" compared to parents in rural areas whose children had private coverage.[13]

Medicaid reduces families' difficulties paying bills

Research shows that Medicaid reduces the difficulties that families face paying their bills. One study found that there was a significant reduction in the number of unpaid, non-medical bills for individuals living in areas most impacted by the ACA's Medicaid expansion, those with concentrated low-income, uninsured populations.[14] In the Oregon Experiment, Medicaid coverage decreased by more than half the share of individuals who had to borrow money to pay bills or who skipped payments on bills.[15]

Medicaid plays a particularly important role for children living in rural areas. Parents in rural areas whose children were privately insured were more than twice as likely to report problems paying medical bills compared to parents in rural areas whose children were enrolled in Medicaid/CHIP.[16]

Medicaid coverage reduces debt and related bankruptcies

Medicaid coverage helps keep families out of debt. Using consumer credit data, researchers found that Medicaid expansion under the ACA significantly reduced the amount of non-medical debt sent to third-party collection agencies by an estimate of $600 to $1,000.[17] In the Oregon Experiment, gaining Medicaid reduced the probability of having any medical debt by more than 20 percent.[18] Medicaid plays a particularly important role driving down debt in families with children. A study found the adoption of Medicaid, which mostly occurred between 1966 and 1970, decreased the probability that low-income households with children would have any medical debt by 11 percentage points compared to moderate income households.[19]

Health care costs are consistently found to be one of the most significant drivers of bankruptcies. One study estimated that more than 60 percent of all bankruptcies in 2007 were due to medical costs.[20] However, Medicaid coverage can help reduce this problem. Examining Medicaid expansions between 1992 and 2004, one study found a 10-percentage point increase in Medicaid eligibility would decrease bankruptcies by 8 percent.[21] As with other indicators of economic security, children were particularly affected by Medicaid's bankruptcy shield. The study found that ZIP codes with more children and ZIP codes with higher shares of households with incomes under $40,000 were the most affected by bankruptcy reductions, suggesting that decreases in bankruptcies was concentrated in families impacted by expansions in Medicaid.[22]

This brief was authored by Karina Wagnerman, with helpful reviews by Joan Alker and Phyllis Jordan. Design and layout provided by Nancy Magill.

Endnotes

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[2] G.M. Kenney, et al., "A Look at Early ACA Implementation: State and National Medicaid Patterns for Adults in 2014," The Robert Wood Johnson Foundation and The Urban Institute (September 2016).

[3] G.W. Evans and R.C. Cassells, "Childhood Poverty, Cumulative Risk Exposure, and Mental Health in Emerging Adults," *Clinical Psychological Science*, 2:3 (October 2013): 287-296.

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[8] Ibid.

[9] Poor families have household incomes below 100% of the Federal Poverty Level (FPL). Near poor families have household incomes at or above 100% and below 200% FPL. Children are under 18 years old. Adults are between 18 and 64 years old.

[10] R.A. Cohen and E.P. Zammitti, "Problems Paying Medical Bills Among Persons Under Age 65: Early Release of Estimates From the National Health Interview Survey, 2011-June 2016," (National Center for Health Statistics, November 2016).

[11] K. Baicker et. al., "The Oregon Experiment—Effects of Medicaid on Clinical Outcomes," *The New England Journal of Medicine* 368 (May 2013): 1713-1722.

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[14] L. Hu et al., "The Effect of the Patient Protection and Affordable Care Act Medicaid Expansions on Financial Well-Being," National Bureau of Economic (April 2016).

[15] K. Baicker et al., "The Oregon Experiment—Effects of Medicaid on Clinical Outcomes," *The New England Journal of Medicine* 368 (May 2013): 1713-1722.

[16] E.C. Ziller, J.D. Lenardson, and A.R. Burgess, "The Role of Public Versus Private Health Insurance in Ensuring Health Care Access & Affordability for Low-Income Rural Children," (Portland, ME: University of Southern Maine, Muskie School of Public Service, Maine Rural Health Research Center; January, 2017), PB-67.

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[22] Ibid.