Affordable Care Act Medicaid Expansions and Self-Reported Indicators of Financial Health

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In the United States, the lack of health insurance for millions is a major social problem. In 2010, nearly 48 million non-elderly individuals were uninsured (Finegold et al., 2021). The lack of health insurance coverage can lead to severe financial repercussions for those who experience serious illness or injury. Uninsured individuals often face difficulties such as falling behind on both medical and non-medical bills, limited access to credit, and a higher risk of bankruptcy (Dobkin et al., 2018; Hu et al., 2018).

The 2010 Patient Protection and Affordable Care Act (ACA) expanded the eligibility to enroll in Medicaid – one of the two major public health insurance programs in the country – to lower-income non-elderly adults without disabilities and dependent children. This expansion played a key role in bringing down the number of uninsured Americans to about 28 million in 2015 (Finegold et al., 2021). As Medicaid expansion specifically targeted lower-income individuals, for whom illness imposes a significant financial burden, one justification of the ACA was to increase the financial protection of the insured (Hu et al., 2018).

A growing body of literature finds positive effects of Medicaid expansion on multiple indicators of financial health (Allen et al., 2017; Caswell & Waidmann, 2019; Hu et al., 2018). These studies, some of which utilized credit bureau datasets, used indirect indicators of financial health (e.g., credit score, debt sent to third-party collection agencies, bankruptcy, etc.) as outcome variables. Although existing studies contribute to our understanding of the role health insurance coverage plays in enhancing indirectly measured financial health, it is not quite clear how the newly insured directly evaluate their own finances. Individuals may have divergent perceptions of their finances even though they are in identical situations. For example, Keese, 2012 finds that subjective debt burden depends on many non-financial factors. Indicators of financial health directly evaluated by people matter because these measures are more robust and significant predictors of mental health than indirect indicators (Asebedo & Wilmarth, 2017). Therefore, investigating the impact of Medicaid expansion using evaluative indicators of financial health can be helpful in terms of developing a holistic understanding of the impact of public health insurance expansion on consumer and family economic well-being.

This paper investigates the association between 2014 Medicaid expansions and multiple indicators of financial health directly evaluated by the newly eligible. I use data from the National Financial Capability Study (NFCS) 2009, 2012, 2015, 2018, and 2021 waves conducted by the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation (FINRA Investor Education Foundation, 2022). This paper makes two contributions to the literature: 1) it uncovers how the newly eligible assessed their financial health in the post-2014 years, and 2) it examines the temporal heterogeneity in the association, which helps explore whether the association varies in more and less stable economic environments.

I estimate models using difference-in-differences and event study designs, which utilize temporal and spatial heterogeneity in Medicaid expansions. Event study findings suggest a link between 2014 Medicaid expansions and lower perceived difficulty with expenses and indebtedness in 2021 – the second year of the COVID-19 pandemic. However, based on both difference-in-differences and event study findings, it appears that 2014 Medicaid expansions were not associated with how the newly eligible evaluated their financial satisfaction and indebtedness in the post-2014 years. Overall, the findings of this study indicate that although expanded health insurance coverage may work as a buffer against perceived difficulty in paying for usual household expenses during financially challenging times, it may not change how the newly eligible evaluate their overall financial satisfaction. These findings have implications for policymakers and researchers seeking to improve the well-being of resource-constrained households.

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