Medicaid and Financial Health

Kenneth Brevoort
Consumer Financial Protection Bureau

Daniel Grodzicki
Department of Economics, Penn State and Consumer Financial Protection Bureau

Martin B. Hackmann
Department of Economics, Penn State and NBER

Abstract

In this paper we explore the effects of the Medicaid expansion provision of the Affordable Care Act (ACA) on households’ financial health. Using a nationally representative panel of 5 million credit reports from a large credit bureau, we measure how borrowing outcomes of consumers residing in adopting states changed relative to consumers residing in non-adopting states. We find that the rate at which treated households accrued new medical debt, what we call the direct effect, fell by up to 45% following the expansion. Moreover, this effect was relatively, and significantly, larger in poorer communities. We further find that the reform led to a 0.5% reduction in the non-medical debt burden of treated consumers, which we call the indirect effect, and had some modest impact on bankruptcy rates and average credit scores, especially among poorer communities.