

Medicaid and Financial Health

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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.