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The Effect of Public Health Insurance on Individual Consumption: Evidence from Medicaid Expansion

Allen Hardiman
University of Illinois at Urbana-Champaign

Abstract

This paper examines the impact of the Affordable Care Act Medicaid expansion on individual consumption by leveraging nationally representative panel data of near-elderly adults in the United States. I take advantage of the panel structure to control for unobservable differences across individuals and to identify individuals who are more likely to be impacted by the expansion ex-ante. Using a differencein-difference approach, I find that the ACA Medicaid expansion increases total monthly consumption by $144.13, which is equivalent to a 14.4 percent increase from the pre-expansion mean. This growth in total consumption is driven primarily by a rise in non-durable spending and housing consumption. Additionally, I observe that individuals in expansion states are 3.9 percentage points more likely to be homeowners than those in non-expansion states. These effects are driven by a reduction in out-of-pocket medical spending and an improvement in financial wellbeing.

Keywords: Medicaid, Health Economics, Affordable Care Act, Consumption