

RESEARCH SUMMARY

ACA Medicaid Expansion Is Shifting Resources Away from Low-Income Children

Given the enormous taxpayer resources devoted to Medicaid, it is important to ensure the program fulfills its mission of delivering healthcare to the most vulnerable Americans. Among the groups intended to be served by Medicaid are low-income seniors, those with disabilities, and low-income children and their parents. In “The Affordable Care Act’s Medicaid Expansion Is Shifting Resources Away from Low-Income Children,” Charles Blahous and Liam Sigaud assess the negative impact of the expansion on children, one of the most vulnerable of these groups.

EXPANDING INSURANCE COVERAGE

The Affordable Care Act (ACA) was enacted into federal law on March 23, 2010, to expand health insurance coverage in the United States, including a substantial expansion of Medicaid. However, a US Supreme Court ruling rendered the Medicaid expansion optional for states. As a consequence, some states moved swiftly to expand Medicaid per the terms of the ACA while others did not.

Blahous and Sigaud examine patterns in Medicaid spending on different beneficiary categories and how those patterns have differed between expansion and nonexpansion states after enactment of the ACA.

DECREASING COVERAGE FOR THE MOST VULNERABLE

Spending growth patterns in nonexpansion states have remained remarkably stable since the ACA’s implementation, with the distribution of spending between children, the aged, the disabled, and other adults barely changing between fiscal year (FY) 2013 and FY 2019. By contrast, there have been significant changes subsequent to the ACA in the distribution of Medicaid spending in expansion states. In expansion states, the following occurred:

- Expansion sharply increased the number of enrollees but without a commensurate increase in the number of Medicaid service providers.
- There is strong evidence of a shift of financial resources away from certain vulnerable enrollee populations, the most notable being from low-income children. Per capita Medicaid spending growth on children in expansion states was less than one-third what it was in nonexpansion states and less than one-quarter of national average per-capita healthcare spending growth.
- Growth rates in Medicaid spending per capita on the aged were considerably lower than in nonexpansion states, and enrollment of the disabled in Medicaid also declined, although trends in these areas were less definitive than the sharp divergence with respect to spending on children.
- Per capita Medicaid spending growth on nonaged, nondisabled adults—the focus of the ACA’s Medicaid expansion—was higher in expansion states than in nonexpansion states.

ADDRESSING UNINTENDED CONSEQUENCES

The expansion of Medicaid had the good intention of promoting health. But well-intended policies can have unintended side effects. Medicaid expansion may well have had the unintended side effect of causing the perceived needs of adults to be prioritized over those of low-income children.

Policymakers must understand how Medicaid's financial resources are being shifted away from children as a byproduct of program expansion. When contemplating future Medicaid policy adjustments, they must consider how the opening of services to new enrollees affects the resources available to previously eligible enrollees. This is especially important in the case of low-income children, who are inherently vulnerable and for whom access to health services can have pronounced long-term effects.