



Unintended Consequences

How Medicaid Expansion Diverts Healthcare Spending Away from Kids

Medicaid is a joint federal-state program that provides health insurance to low-income individuals and families, including children and their parents, people with disabilities, and the elderly. In August 2022, nearly 83.5 million people – one in four Americans – were enrolled in Medicaid.

The **Medicaid expansion** under the Affordable Care Act encouraged states to cover millions of non-disabled adults without dependents earning up to 138% of the federal poverty line by giving them much higher levels of federal funding support for covering this population relative to the previously eligible population.

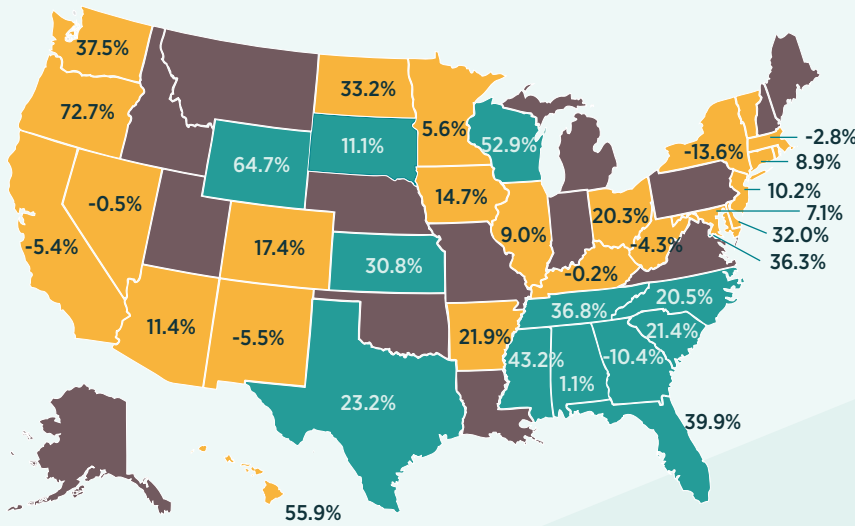
In January 2014, 25 states and Washington, DC expanded Medicaid. By September 2021, the new adult group consisted of 20.4 million people. Many expansion states experienced Medicaid enrollment growth of at least 25 percent from 2013 to 2020. As of today, 39 states have adopted the Medicaid expansion.

By sharply increasing the numbers of enrollees in expansion states without a comparable increase in the number of healthcare providers serving Medicaid patients, **the expansion of Medicaid may have exacerbated existing access-to-care problems for original beneficiaries.**

New research by economists at the Mercatus Center at George Mason University finds that the growth of Medicaid spending on children, the elderly, and people with disabilities has been less in expansion states compared with the same eligibility groups in non-expansion states.

MEDICAID SPENDING ON CHILDREN

The percent growth rate in per capita spending on children between FY 2013 and FY 2019 is generally higher in states that didn't expand Medicaid than in those that did.



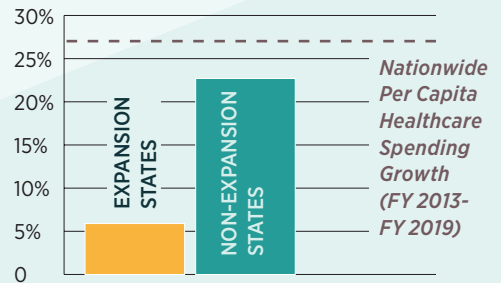
- expanded Medicaid in January 2014
- have not implemented Medicaid expansion
- expanded Medicaid after January 2014

The map shows percent changes in per capita Medicaid spending on children from 2013 to 2019. The gold states expanded Medicaid in January 2014. The teal states have not implemented Medicaid expansion. The brown states expanded Medicaid after January 2014; to avoid complications arising from inconsistencies in expansion timing, these states are excluded from the analysis. Due to data quality concerns, growth rates for Vermont and Rhode Island are not shown. (Note: South Dakota adopted Medicaid expansion by ballot initiative on November 8, 2022, but the state has not yet implemented the expansion. Therefore, South Dakota is classified as a non-expansion state for the purposes of this analysis.)

From FY 2013 to FY 2019, per capita Medicaid spending on children rose by 22.7% (from \$2,478 to \$3,041) in non-expansion states. This compares with a rise of only 5.9% (from \$2,996 to \$3,172) in expansion states, which is far below the amount of per capita spending growth (27.0%) for other Americans' health services.

COMPARING SPENDING: EXPANSION AND NON-EXPANSION STATES

The percent change in per capita spending on children is much lower in expansion states than in non-expansion states.



If expansion states had kept pace with non-expansion states in the growth of per capita Medicaid spending on children from FY 2013 to FY 2019, an additional **\$504 per capita** would have been spent on healthcare for children on Medicaid in expansion states, on average.

There is no evidence that changes in enrollment or spending in the CHIP program explains the disparities in Medicaid spending between expansion and non-expansion states.

THE ELDERLY From FY 2013 to FY 2019, per capita Medicaid spending on the elderly rose by 19.0% (\$18,559 to \$22,088) in non-expansion states. This compares with a rise of only 11.9% (\$20,786 to \$23,262) in expansion states. Here, the trends are less definitive than they are with children.

PEOPLE WITH DISABILITIES From FY 2013 to FY 2019, per capita Medicaid spending on the disabled rose by 23.3% (\$16,603 to \$20,474) in non-expansion states. This compares with only 14.7% (\$22,966 to \$26,349) in expansion states. Here again, the trends are less definitive than they are with children.

SOURCE: Charles Blahous and Liam Sigaud, "The Affordable Care Act's Medicaid Expansion Is Shifting Resources Away from Low-Income Children," Mercatus Policy Research, Mercatus Center at George Mason University, Arlington, VA, December 2022.