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## POLICY SPOTLIGHT

# The Unintended Consequences of the Affordable Care Act

How the ACA's Medicaid expansion diverted resources from low-income children

CHARLES BLAHOUS AND LIAM SIGAUD | AUGUST 2025

**E**normous taxpayer resources are devoted to Medicaid, so it is important to ensure the program fulfills its mission of delivering healthcare to the neediest Americans. Among the groups Medicaid is supposed to serve are low-income seniors, people with disabilities, and low-income children and their parents. Our research suggests that the expansion of the Affordable Care Act (ACA) has negatively affected one of the most vulnerable of these groups: low-income children.

### Expanding Insurance Coverage

The ACA was enacted on March 23, 2010, to expand health insurance coverage in the United States, including a substantial expansion of Medicaid to cover millions of additional non-elderly adults without disabilities. However, a Supreme Court ruling rendered the Medicaid expansion optional for states. Consequently, some states moved swiftly to expand Medicaid per the terms of the ACA, while others did not.

Charles Blahous and Liam Sigaud examined patterns in Medicaid spending on various beneficiary categories and how those patterns differed between expansion and nonexpansion states between 2013—before Medicaid expansion took effect—and 2019.<sup>1</sup> They found that per capita Medicaid spending on children grew much more slowly in expansion states than in nonexpansion states—implying that financial resources that may otherwise have gone toward low-income children were diverted to new expansion enrollees. This is an important, and previously overlooked, unintended consequence of Medicaid expansion.

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<sup>1</sup> See 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, December 13, 2022). Scan the QR code below for the full analysis, including sources.



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## Lower Spending Growth on the Most Vulnerable

Medicaid spending growth patterns in nonexpansion states have remained remarkably stable since the ACA's implementation, with the distribution of spending among children, aged individuals, disabled individuals, and other adults remaining mostly unchanged. By contrast, there have been significant changes in the distribution of Medicaid spending in expansion states:

- Expansion sharply increased the number of Medicaid enrollees without a commensurate increase in the number of service providers.
- There is strong evidence of a shift of financial resources away from certain vulnerable enrollee populations in expansion states, with the most notable shift being away from low-income children. Per capita Medicaid spending growth on children in expansion states was less than one-third of 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 aged individuals were also lower in expansion states than in nonexpansion states, and reported enrollment of disabled people in Medicaid also declined in expansion states.
- 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 access to care and health. But well-intended policies can have unintended side effects. By adding millions of non-elderly, non-disabled adults to the Medicaid program without ensuring a proportional increase in the supply of health care services, expansion shifted resources away from the vulnerable groups for whom Medicaid was originally intended.

When contemplating future Medicaid policy adjustments, policymakers 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 especially vulnerable and for whom access to health services, or lack thereof, can have pronounced long-term effects.