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Medicaid Expansion and its Effects on the Unemployed

By Shanthi Ramnath

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Ushered in by the 2010 Affordable Care Act, the expansion of Medicaid has extended the reach of this medical insurance safety net program, previously aimed at persistently low-income populations, to millions of Americans who suffer job loss.

Medicaid's enrollment criteria are determined by states, and not all states have accepted the ACA expanded criteria and monies. So, in effect, there are currently states that have Medicaid programs that could extend health insurance to many of those who have lost their coverage due to sudden job loss, and there are states where an income limit or other criteria would disqualify these same people.

In an upcoming updated working paper, my co-authors and I show that after becoming involuntarily separated from their employer, people living in a state that accepted the Medicaid expansion offered by the Affordable Care Act (ACA) were 16 percentage points more likely to find medical coverage within a month and 36.6% more likely to find coverage over a 24-month period.

Perhaps more illustrative of the impact, the share of those in non-expansion states who are uninsured one month after losing employer-based health coverage was 38% larger than in expansion states. And when extended to a 24-month period, this number grew to 50%.

Our analysis finds important differences by gender and marital status as well: Women and single people were more likely to use Medicaid as the first source of medical coverage, while men and married people were more likely to move back to employer coverage. Further, the expansion states show reduced uninsured periods for the unemployed.

Although our working paper focuses on the impact on uninsurance spells, our findings point to the Medicaid expansion leading to better health outcomes and reduced financial instability—both documented findings of not having health insurance.

Our study leverages a new dataset that the ACA created, which requires large employers and insurers to report monthly health insurance coverage for employees/subscribers. This high-frequency data allows us to observe insurance gaps with much greater precision than from annually reported data.

Background

Prior to the enactment of the ACA, job loss was associated with a 20 percentage point increase in the likelihood of uninsurance. For people under 65 years of age with no employer coverage claiming unemployment benefits, the only option for health insurance was a prohibitively expensive private market. Among many insurance reforms, the ACA raised the income levels allowed in its funding of state-administered Medicaid programs, which previously covered only people with very low incomes. It also created a subsidized public market for insurers, making coverage available to many more Americans.

We exploit the fact that the state of Virginia, which did not implement the Medicaid expansion until 2019, had the monthly federally mandated insurer data required by the ACA starting in 2015 and extending through the expansion. This allows us to see the policy effect without having to account for the many differences that exist if we are forced to compare different states. This same-state data experiment allows us to draw more causal conclusions about the impact of the ACA Medicaid policy.

Our work compares employee separations in 2018 versus 2019. We find that the Virginia Medicaid expansion increased the likelihood of regaining coverage within the same year by 17% and reduced the duration of uninsurance by 12%. Moreover, low-wage workers were 33% more likely to regain coverage after losing their job in the first expansion year compared to the previous year. And people were 1.5 times more likely to transition to Medicaid as a first source of coverage due to the expansion.

Importantly, we find that low-wage workers (in the bottom quartile of wage distribution prior to their employer insurance plan separation) were more than three times more likely to find coverage within a month of losing their jobs than those in the top quartile. Consistent with this, there was a 26.0 percentage point increase in the likelihood that Medicaid served as first source of coverage for this group. Low-wage workers were nearly four times more likely to move to a Medicaid plan than high-wage workers.

Overall, women in Virginia were 21% more likely in the first expansion year to find coverage by the end of the year they separated from their employer, and men, 13% more likely. Single people were 25% more likely to find coverage after job loss than in the year prior to expansion.

Policy and research considerations

This research establishes a causal link between ACA’s Medicaid expansion and increased health care coverage for the unemployed. It is an important link not only for health outcomes and financial stability, but also it may be a path for labor market researchers to examine. Health insurance options during periods of unemployment likely impact job matching and labor market efficiencies. It is important to note that this research did not analyze all the costs and savings states incurred from the expansion. Further research could help policymakers better evaluate social safety net expansions.

Given that additional states are debating the addition of work requirements for people to receive Medicaid—which would negate this coverage benefit for the unemployed—further research comparing states’ Medicaid requirements with health and labor outcomes would also be useful.

Notes

¹ The original version of our working paper is [available online](#).

² For example, see [Kressin et al. \(2020\)](#), and [Gai and Jones \(2020\)](#).

³ For example, see [Schaller and Huff Stevens \(2015\)](#), and [Schaller and Zerpa \(2019\)](#).

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