

The Impact of the Affordable Care Act on Household Health Spending: Evidence from the Consumer Expenditure Survey

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Abstract

The Affordable Care Act (ACA) has made affordable health insurance available to millions of Americans, both through expanded Medicaid coverage for very low-income adults and through the availability of new, subsidized private coverage for low and middle-income households. These new options have resulted in large increases in coverage, and therefore should have effects on household health spending. Possible effects include reductions in average health insurance and out-of-pocket medical spending, as well as reductions in the dispersion of spending. We measure changes in household out-of-pocket medical expenditures and health insurance premiums before and after 2014 using the 2010-2014 consumer expenditure survey. We use both interrupted time series and difference-in-differences designs, comparing households by state Medicaid expansion status, state health insurance marketplace type (state-based vs. federally facilitated), and state-level prevalence of narrow network marketplace plans. Our analysis focuses on low-skilled workers who were less likely to have had employer-sponsored health insurance before the ACA.

Our results suggest that total out-of-pocket health expenditures fell more in Medicaid expansion states than nonexpansion states among households headed by a low-skilled worker. These reductions appear to be driven by lower out-of-pocket spending on prescription drugs and medical care. Comparing expenditures in states with state-based versus federally facilitated marketplaces, we found that health expenditures fell more among households headed by a low-skilled worker in states with state-based marketplaces. The reduction appears to be driven by health insurance premium spending. Finally, although we saw no statistically significant differences in premiums or total health spending, we did find that out-of-pocket medical expenditures were higher among households in states with a higher prevalence of narrow network plans. Our results add to existing studies on the ACA Medicaid expansion and household finances by demonstrating differences in out-of-pocket spending by features of the state-based health insurance marketplace. In subsequent work we will determine if estimated changes in out-of-pocket medical expenditures and premiums translate to changes in consumption and economic wellbeing.

