

Medicaid and intergenerational economic mobility

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Research has shown that there is geographic variation in levels of economic mobility (change in economic status), but the reasons for this variation are not well understood. One potential cause is differential access to health insurance. Whereas studies have shown that health insurance coverage may reduce the transmission of economic disadvantage from parents to children, to date there has been no direct assessment of the effect of expanding insurance coverage on intergenerational economic mobility in the United States. In this article, I describe work done with Cassandra Robertson to explore whether the Medicaid expansions of the 1980s and 1990s had an effect on intergenerational economic mobility.¹

Medicaid expansions of the 1980s and 1990s

The Medicaid program was established in 1965 to help states provide health care to low-income people by providing health insurance coverage. In the 1980s and 1990s, federal and state changes to Medicaid greatly expanded the number of low-income infants and pregnant women eligible to receive this coverage. This expansion was associated with a number of positive changes, including sizable reductions in infant mortality and the incidence of low birth weight.² Among school-aged children, health disparities by income level were reduced, and there is evidence that these improved health outcomes continue as children become adults.³ Medicaid expansions have also been associated with positive outcomes for low-income children in areas other than health, such as improved educational achievement and attainment including high school completion, college attendance, and college completion.⁴ Finally, expanded coverage in early life has been associated with increased employment, higher wages, and reduced reliance on public assistance in adulthood.⁵ Overall, the expansion of Medicaid coverage has been linked to improved health, education, and labor market outcomes, all of which provide important pathways for economic mobility.

Economic mobility

To directly assess the effects of the Medicaid expansions in the 1980s and 1990s on economic mobility, I use new county-level mobility estimates published by the Equality of Opportunity Project generated using Internal Revenue Service data.⁶ Raj Chetty and colleagues compared the income rank of children at age 26 to their parents' income

rank years earlier. They found that the possibility of upward mobility for children in poor families varied greatly depending on where they grew up.⁷

Before the Medicaid expansions began, there was a wide range of eligibility by state; when the expansions occurred, there were also very different implementation timelines across states. Over the time period of the expansions, while the average increase in the proportion of the population eligible for Medicaid throughout the United States was 63 percent, the increase in eligibility in individual states ranged from 4 percent to 264 percent. Because the within-state trends in the percentage eligible for assistance reflects both changing policy and changes in underlying demographics, we separate out only the change attributable to policy. We then make use of the policy-dependent variation in Medicaid coverage across states and over time to isolate the effects of Medicaid expansion on economic mobility.

We found small but statistically significant improvements in a child's income rank associated with increases in Medicaid eligibility. Because the mean increase in Medicaid eligibility between 1980 and 1993 (the years for which data is available) is 20 percentage points, we frame our findings in terms of those associated with that size increase. For example, we find that for children whose parents were at the 10th percentile of the income distribution, a 20 percentage point change in Medicaid eligibility is associated with a 1.8 percentage point increase in their mean income rank. Thus, a child who at age 26 who would have been in the 13th income percentile would instead be near the 15th income percentile as a result of Medicaid expansion. For children whose parents were at the 25th percentile of the income distribution, the increase in mean income rank is slightly lower at 1.6 percentage points, and the effect continues to shrink as we move up the parental income distribution.

In addition to looking at children's rank in the income distribution as adults, we also looked at college attendance. Here we also find evidence suggesting that expanding Medicaid eligibility increased mobility, in this case by reducing the extent to which parental income predicted college attendance. So, for example, for children of parents at the 10th percentile of the income distribution, a 20 percentage point increase in Medicaid eligibility is associated with a 1.4 percentage point increase in college attendance. Again, this effect decreases as parental income rank increases.

Policy implications

Our findings suggest that expansions in Medicaid coverage for low-income pregnant women and infants in the 1980s

and 1990s improved the life chances of low-income children, by small but statistically significant amounts, and help explain variations in mobility by location and by when a child was born. Although there is still more work to be done in exploring all of the pathways through which Medicaid expansion may improve mobility outcomes, including birth weight, educational attainment, and incidence of teenage pregnancy, policies that increase early access to health insurance appear to hold promise for increasing intergenerational income mobility.■

¹R. L. O'Brien and C. L. Robertson, "Medicaid and Intergenerational Economic Mobility," working paper Harvard School of Public Health, Harvard University, 2017.

²J. Currie and J. Gruber, "Health Insurance Eligibility, Utilization of Medical Care, and Child Health," *The Quarterly Journal of Economics* 111, No. 2 (May 1996): 431–466.

³S. Miller and L. R. Wherry, "The Long Term Effects of Early Life Medicaid Coverage," working paper, University of Michigan, July 3, 2017.

⁴S. R. Cohodes, D. S. Grossman, S. A. Kleiner, and M. F. Lovenheim, "The Effect of Child Health Insurance Access on Schooling: Evidence from Public Insurance Expansions," *Journal of Human Resources* 51, No. 3 (August 1, 2016): 727–759.

⁵D. W. Brown, A. E. Kowalski, and I. Z. Lurie, "Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?" NBER Working Paper No. 20835, National Bureau of Economic Research, January 2015.

⁶The data described here may be downloaded at www.equality-of-opportunity.org.

⁷R. Chetty, N. Hendren, P. Kline, and E. Saez, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *The Quarterly Journal of Economics* 129, No. 4 (2014): 1553–1623.