

## Public health insurance and medical treatment: the equalizing impact of the Medicaid expansions

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### Abstract

We investigate the impact of expanding public health insurance on the medical treatment received by women at childbirth, using Vital Statistics data on every birth in the US over the 1987–1992 period. The effects of insurance status on treatment are identified using the tremendous variation in eligibility for public insurance coverage under the Medicaid program over this period. Among low education mothers who were largely uninsured before being made eligible for Medicaid, eligibility for this program was associated with significant increases in the use of a variety of obstetric procedures. Among women with more education, however, there is a countervailing effect on procedure use. Most of these women had private insurance before becoming Medicaid-eligible, and some may have been ‘crowded out’ onto the public program, moving from insurance which reimburses medical care more generously to insurance with much less generous reimbursement. This movement was accompanied by reductions in procedure use. Thus, on net, the Medicaid expansions had an equalizing effect, increasing the treatment intensity of the previously uninsured while lowering it among the previously insured. © 2001 Elsevier Science B.V. All rights reserved.

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### 1. Introduction

The share of the US population without health insurance coverage has grown by 15% over the past 8 years to 17.4% (Employee Benefits Research Institute, 1996).

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This decline in insurance coverage has motivated calls for expanded public insurance as a means of guaranteeing access of the uninsured to high quality medical care. Past research suggests that expansions in public insurance can indeed increase contacts of the uninsured with the medical system. A large number of studies further suggest that those with *private* insurance coverage are treated more intensively than the uninsured. These studies, however, are able to control for differences in the underlying health of insured and uninsured patients in only a limited way. In studies of the effects of insurance coverage on the treatment of hospitalized patients, it is also difficult to control for selection into hospital on the basis of health status. Perhaps for these reasons, the available evidence regarding the effects of *public* insurance coverage on treatment intensity is mixed.

Moreover, no previous work has considered a potentially countervailing effect of public insurance expansions on treatment intensity. Expansions in public insurance can be associated with reduced private insurance coverage among the target population. This ‘crowdout’ of private insurance coverage may lead to *reductions* in treatment intensity, as public coverage generally reimburses providers at a much lower level than does private coverage. Thus, overall, the impacts of public insurance expansions on treatment intensity may be ambiguous.

In this paper, we address both of these issues in the context of the treatment of childbirth. The main advantage to our approach is that we are able to exploit the tremendous variation in insurance status that arose from expansions of the Medicaid program, the public insurance program that covers low-income women and children.<sup>1</sup> Among pregnant women, eligibility for Medicaid coverage has greatly expanded since 1987, and this expansion has occurred at a differential pace across the states. These eligibility changes can be used to identify the effect of insurance status on treatment, producing estimates that are not contaminated by unobserved individual heterogeneity. Moreover, since virtually every woman in the United States delivers her baby in a hospital, and hospitals are essentially required to treat women in labor, it is possible to obtain a picture of treatment patterns that is not contaminated by the selection of patients into the hospital.

We do so using excellent national data on the treatment of childbirth that is available from the National Center for Health Statistic’s (NCHS) uniform birth certificate data. These data cover the full census of births in the US in each year, and provide information on several common interventions used during childbirth.

We find that recent expansions of the Medicaid program had significant effects on the medical treatment of child birth. We focus first on mothers who are teens, high school dropouts, or unmarried high school graduates, a group that was largely without insurance before becoming eligible for Medicaid. In this group, eligibility expansions increased the generosity of insurance coverage, and we find that

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<sup>1</sup>The Medicaid program also covers other low income groups, the elderly and the disabled; low income women and children represent the vast majority of enrollees, although they account for a minority of program spending.

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