

Does Medicaid Enhance Educational Achievements? Evidence from a Natural Experiment

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Objective:

Medicaid is a nationwide public health care program specifically designed for low-income individuals in the United States. Approximately 69 million people were enrolled in Medicaid in 2015. Medicaid and the Children's Health Insurance Program (CHIP) currently provide health coverage to over 31 million children, accounting for half of all low-income children in the United States.

Previous studies find increased health care utilization and improved health outcomes due to Medicaid expansions. However, there is little evidence of the effect of children health insurance program on long-term educational attainments.

This study adds to the literature by examining the long-term effect of Medicaid enrollment on educational attainments, i.e., high school and college completion by exploiting a policy discontinuity due to Medicaid expansion in 1990.

Identification Strategy:

To estimate the effects of Medicaid on educational attainments, we take advantage of a natural experiment, namely, the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). The eligibility expansion due to OBRA 1990 regulates that children born after October 1983 from families below 100% of the federal poverty line are eligible for Medicaid, while the cohorts born before October 1983 are not eligible. Hence this source of random variation enables us to examine the treatment effect of Medicaid on the cohorts born around the October 1983 by a regression discontinuity (RD) design.

To conduct the estimation, we pre-defined a window width of 24 birth quarters. Therefore, cohorts born 6 years before and after Oct. 1983 are included in the interval $[-24, 23]$. The window selection is associated with trade-offs between bias and variance, thus models with windows of 12 birth quarters and 6 birth quarters are also estimated for robustness check.

Data:

The data used in this study is from the American Community Survey 2014. The sample has been limited to respondents with household income below the 100% of the federal poverty line.

Results:

We present evidence that Medicaid enrollment decreased high school completion rates. However, we find little evidence of adverse impact of Medicaid on college completion. We also find heterogeneous effects by race/ethnicity. While Medicaid has no significant impact on educational achievement of blacks or Asian, Hispanics are negatively affected by Medicaid on both high school and college completion. Therefore, the short-term benefits provided by welfare programs may harm the recipients by crowding out their work ethic and eroding their human capital in the long term.