

Spillover effects in welfare program participation

Yavor Ivanchev

To provide a welfare cushion for unemployed and low-income Americans, the Affordable Care Act (ACA) has furnished options for subsidized health insurance coverage, including a provision that allows states to expand their Medicaid programs. Since the act's implementation, some states have chosen to participate in the Medicaid expansion, whereas others have opted out. While previous research has focused mainly on examining the expansion's impacts on labor market outcomes and rates of health insurance coverage, much less attention has been paid to the provision's spillover effects on people's participation in safety net programs unrelated to the ACA. In ["The impact of expanding public health insurance on safety net program participation: evidence from the ACA Medicaid expansion"](#) (National Bureau of Economic Research, Working Paper 26504, November 2019), Lucie Schmidt, Lara Shore-Sheppard, and Tara Watson take a deeper dive into this topic.

The authors identify various ways in which the Medicaid expansion could affect people's participation in non-ACA welfare programs. One possibility is that workers living in jurisdictions that have adopted the expansion would see incentives to lower their earnings in order to meet Medicaid eligibility requirements, thus indirectly becoming eligible for other public safety nets. Likewise, an informational and transactional channel, whereby Medicaid coverage increases beneficiaries' awareness of other welfare programs and reduces their transaction costs, could make them more willing to apply to and take advantage of such programs. On the flip side, however, newly implemented Medicaid provisions, in particular those establishing higher income eligibility thresholds for certain participating groups, may reduce eligibility for other forms of income-based public assistance, working in the opposite direction.

To assess Medicaid expansion's implications for real-life outcomes, the authors focus on the provision's effects on workers' participation in two other major public programs—the Earned Income Tax Credit (EITC), which provides tax credits (cash assistance) to low-income individuals, and the Supplemental Nutrition Assistance Program (SNAP), which helps less well-off people meet their nutritional needs. The study's research design is based on pairwise comparisons of adjoining counties, with each pair containing one county that is affected by the Medicaid expansion and a bordering one that is not. This more granular geographic setup provides greater uniformity in background conditions, helping isolate the unique effects of the expansion. The study's main analyses rely on county-level data from the Internal Revenue Service (for the EITC) and the U.S. Department of Agriculture (for SNAP).

The authors' quantitative results show that, besides seeing rising rates of health insurance coverage, workers in counties affected by the Medicaid expansion tend to increase their participation in both cash and food assistance programs. However, while this spillover effect is statistically significant for SNAP, it is smaller and less precisely estimated for the EITC. In addition, a supplemental analysis using data from the American Community Survey suggests that the primary channel through which the Medicaid expansion drives higher participation in SNAP is

based on information-flow and transaction-cost mechanisms rather than changes in labor supply. On the whole, the authors conclude that “access to one safety net program may increase participation in others, highlighting the important connections across the safety net.”