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# ACCESS TO MEDICAID FOR HOUSEHOLDS APPROACHING RETIREMENT: THE ROLE OF HEALTH INSURANCE

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*Lack of health insurance and underinsurance threaten the near-term and long-term economic security of households approaching retirement. For lower income households near retirement but not yet eligible for Medicare, Medicaid may reduce financial hardship caused by medical bills, improve savings for retirement, and change use of Social Security benefits. Whether Medicaid significantly improves the financial health of households near retirement informs how Social Security beneficiaries will fare once they reach retirement.*

## **Medicaid and Financial Security for Households Near Retirement**

The Affordable Care Act (ACA) provided new insurance options and protection from high out-of-pocket health care spending. The ACA included an expansion of Medicaid eligibility for lower income adults without dependents. Medicaid provides relatively generous health insurance coverage with low or no cost-sharing. However, not all states chose to adopt the Medicaid expansion. Initially, since the passage of the ACA, 27 states expanded Medicaid; by 2022, only 39 states expanded Medicaid. This research explored if access to Medicaid improves the financial well-being of households headed by adults aged 45 through 64 over time, as well as during the COVID-19 pandemic.

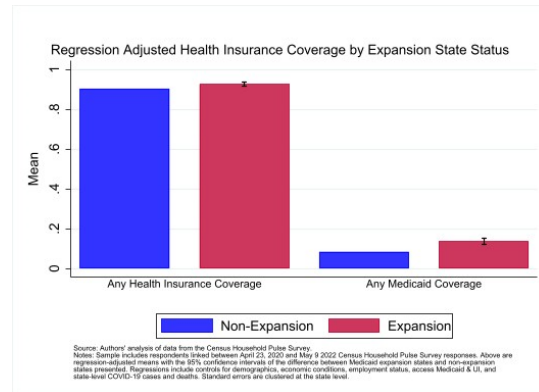
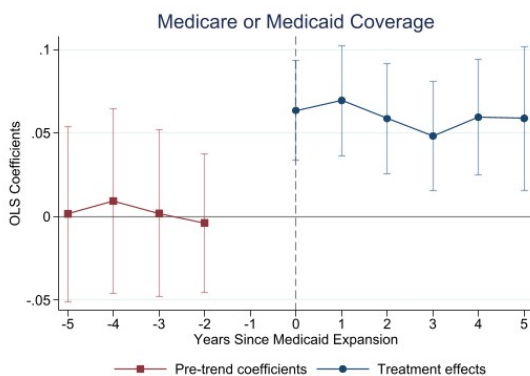
Using data from the 2013 through 2019 Survey of Household Economics and Decision-making (SHED), the research compared changes in outcomes over time for households near retirement residing in states that chose to adopt the Medicaid expansion to otherwise similar households in states that did not. The research examined a wide number of outcomes related to financial security, including: health insurance coverage, out-of-pocket medical spending, self-reported financial hardship, emergency savings, decisions to work or apply for Social Security benefits, and retirement savings.

The research also examined the experience of households near retirement during the COVID-19 pandemic with two different surveys: the Census Household Pulse Survey and a special COVID-19 supplement to the SHED. The study examined differences in health insurance coverage, self-reported financial hardship, emergency savings, and applications for Social Security benefits between states that adopted the Medicaid expansion by 2020 to those that had not.



## The ACA Increased Medicaid Coverage for Households Near Retirement

The Medicaid expansion led to significant gains in Medicaid coverage during the 2013 through 2019 period for households headed by adults aged 45 through 64. For households living in states that make Supplemental Security Income (SSI) recipients categorically eligible for Medicaid, there was a differential effect from the Medicaid expansion. Increases of Medicaid coverage continued during the COVID-19 pandemic.



## Households Near Retirement in Medicaid Expansion States Experienced Less Financial Hardship During the Pandemic

While Medicaid is linked with lower out-of-pocket spending, the study did not find significant evidence that out-of-pocket medical expenses declined for sample households of interest. Similarly, there were not significant improvements in other measures of financial security for households near retirement. During the COVID-19 pandemic, however, residing in a state that expanded Medicaid was associated with less difficulty in paying usual household expenses, lower levels of financial hardship, and a higher probability of covering an unexpected \$400 expense. These differences in financial security during the pandemic occurred without differences in labor market decisions or either Social Security benefit applications or receipt.

### Implications

- *The Medicaid expansion significantly increased Medicaid coverage to households near retirement.*
- *Despite Medicaid's relative generosity, the lack of significant declines in out-of-pocket medical spending and financial hardship over the long term suggests that lower income households with health care needs may need additional economic support.*
- *The COVID-19 pandemic highlights the importance of the safety net, including Medicaid, in improving the economic security of households.*
- *Understanding health insurance's role in promoting financial security will allow researchers, policymakers, and practitioners to understand the needs of current and future Social Security beneficiaries.*

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