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## Does Medicaid Make People Healthier?

[Peter Suderman](#) | July 8, 2011

Does Medicaid, the joint federal-state health insurance program for the poor and disabled, actually result in better health? Given that ObamaCare relies on the program for roughly half of its health insurance expansion, it's an important question. And there's a case to be made that on [certain specific health measures](#), it doesn't.

But a number of the program's defenders—as well as those who've argued in favor of the health care overhaul's Medicaid expansion—are taking the initial results of a major new study on the program's effects as strong evidence that the program creates real health benefits for its beneficiaries. At *The New York Times*, for example, Dave Leonhardt [writes](#) that the study “suggests that the law is likely to improve the health and well-being of many of the uninsured.” Others have echoed this line, arguing that the study proves Medicaid makes a clear difference. They're substantially overstating the study's conclusions so far.

The most interesting question isn't whether Medicaid made a difference. Clearly it makes some difference on a variety of measures. It's whether it actually improved overall health, and whether it did so in a cost-effective manner. The truth is, we still don't really know.

The [study](#) in question looked at the effects of Medicaid in Oregon, which in 2008 chose 10,000 individuals to enroll in Medicaid via lottery. The random nature of assignment made it easy to control for outside factors and avoid the strong selection bias that normally makes such

experiments dicey.

The study does indeed show that individuals enrolled in Medicaid used far more in the way of health care services of just about every kind except emergency room visits. Presumably as a result of the increase in utilization, total spending on health care shot up by about 25 percent amongst the Medicaid population.

But greater utilization of care is not the same as better health. For that, Medicaid advocates have turned to the study's finding that, enrollment in Medicaid "is associated with improvements across the board in our measures of self-reported physical and mental health, averaging two-tenths of a standard deviation improvement."

So those who won the Medicaid lottery are reporting that they feel better about their health. Does that mean they're actually healthier? Not necessarily. According to the study, the results "may also reflect improvements in objective, physical health, but this is more difficult to determine with the data we now have available." At this point, in other words, the researchers just don't know.

Moreover, they believe there's a real possibility (though far from a certainty) that the increased self-reported happiness may simply be a psychic artifact of health coverage. "The self-reported physical health measures could reflect a more general sense of improved well-being rather than actual improvements in objective health," the authors write. Indeed, the study finds evidence to support this conclusion: Self-reported health status improved immediately after enrollment—and before enrollees reported increased utilization of care. The level of improvement was equal to about two-thirds of the total increase in self-reported health states. The fact that enrollees were reporting substantially better health before getting any additional care suggests that the happier self-reporting reflects good feelings about personal health far more than any objective changes in medical care or condition.

Now, the study also shows a fair amount of financial smoothing: Health insurance certainly makes it easier for individuals to pay for health care, and reduces the chance of major financial shock. This is consistent with findings about the introduction of Medicare—findings which showed no statistically significant decrease in mortality following the program's introduction. This is by far the clearest benefit of health insurance.

But that financial smoothing must be balanced against the study's other findings: Greater utilization of health services and increased spending to pay for it, no reduction in emergency room visits (as is so often promised), and uncertain physical health benefits.

So far, the study has only examined one year's worth of data. In later years, we'll see more study of objective health measures. But even if the results do show some increase in objective health

measures, that won't necessarily provide clear evidence that Medicaid is fiscally prudent public policy. As Cato's Michael Cannon writes, "For Medicaid to be cost-effective, it must (A) produce benefits and (B) do so at the same or a lower cost than the alternatives."

The Oregon Health Insurance Experiment is an important piece of evidence in the study of the effects of health coverage. But it's far from proof that health insurance actually improves health, or that government-run health insurance programs like Medicaid are worth the price the public pays for them.