Children eligible for expanded Medicaid contribute more in taxes as adults

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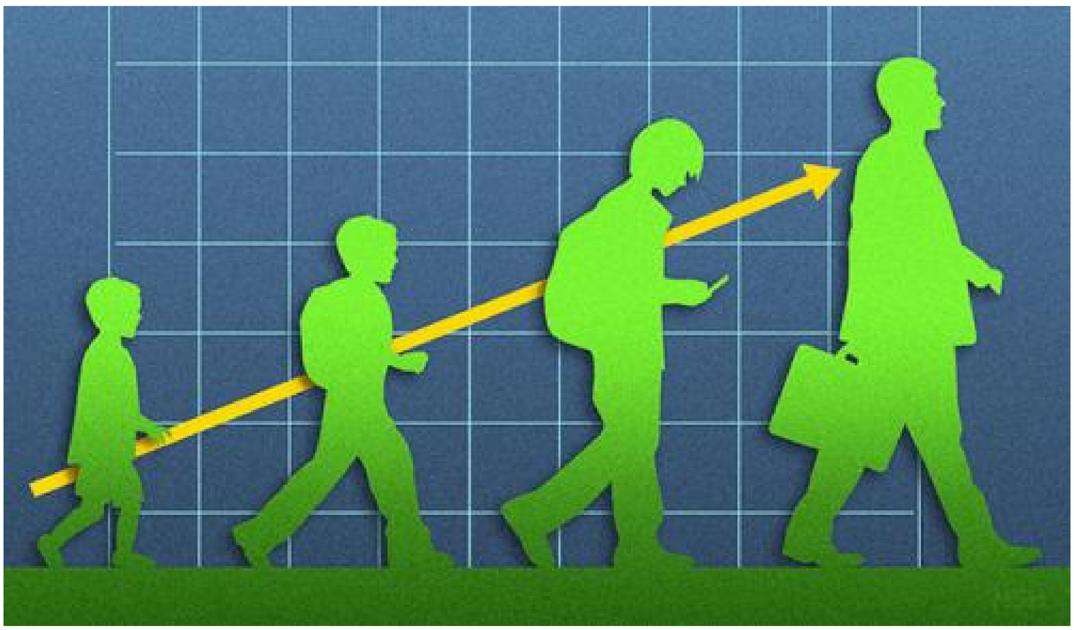

A new study examined the long-term impact of expanded Medicaid benefits for children. Credit: Yale University

A new study finds that children who received expanded Medicaid benefits in the 1980s and 1990s contributed more to the U.S. tax system as adults. They also were more likely to attend college and less likely to die prematurely in adulthood.

The study is based on an analysis of tax returns for nearly all children born in the United States from 1981 to 1984. It compared children from similar backgrounds who were eligible for Medicaid for different lengths of time, depending on where and when they were born.

Medicaid, which began in 1965, is a public health insurance program for low-income people. It expanded dramatically in the 1980s and again in the 1990s, with the establishment of the State Children's Health Insurance Program. Historically, states have set different eligibility thresholds for Medicaid.

Yale University economist Amanda Kowalski, one of the study's co-authors, said the research has implications for today's Medicaid landscape, as well. "Although it will take years to know the long-term impact of current expansions of Medicaid undertaken as part of the Affordable Care Act, this study shows that the investments that the government made in Medicaid in the 1980s and 1990s are paying off in the form of higher tax payments now," Kowalski said.

According to the study, the federal government recouped 14 cents for each dollar spent on childhood Medicaid by the time the children reached age 28. Assuming these higher tax payments persist, the federal government would recoup 56 cents on each dollar by the time these children reach age 60.

Children eligible for more years of Medicaid made higher combined income and payroll tax payments as adults, the study found. They also collected less from the Earned Income Tax Credit, and females had higher cumulative wages.

In addition to Kowalski, who also is affiliated with the *National Bureau of Economic Research* (NBER), the study's co-authors are David Brown and Ithai Lurie, from the Office of Tax Analysis at the U.S. Department of the Treasury. The study was released Jan. 12 as an NBER Working Paper.

The findings, interpretations, and conclusions expressed in the study are entirely those of the authors and do not necessarily represent the views of the U.S. Department of the Treasury.

Provided by Yale University