

LSU professor publishes study on state Medicaid provision, federal subsidization

July 6 2016

"Federal Subsidization and State Medicaid Provision," a paper by LSU Economics and Policy Research Group Director Stephen Barnes, was recently accepted for publication by *Review of Economic Dynamics*.

It will be available in the July 2016 issue.

The paper, co-authored by Penn Wharton Public Policy Initiative Economist Jorge Barro, explores the determination of state Medicaid provision in the United States and quantifies the effects of federal subsidization on Medicaid provision.

The U.S. federal government matches every state at least \$1 for each \$1 that the state spends on Medicaid. Barnes and Barro measured the effect of the subsidy by constructing a multi-regional, heterogeneous-agent, dynamic general equilibrium model with incomplete insurance markets and calibrating it to the U.S. economy.

In the model, state governments take the federal subsidy as given and implement Medicaid policy according to the decision of the median voter. To measure the effect of the federal subsidy, Barnes and Barro set the [subsidy](#) to zero and found that state Medicaid coverage declined by 9 percent. They then studied the mechanism determining Medicaid provision and found a positive relationship between progressivity of the tax structure and Medicaid coverage.

"After the passage of the Affordable Care Act, Medicaid is becoming an

increasingly important part of the U.S. healthcare system," said Barnes, who is also an assistant professor in the LSU Department of Economics. "This paper helps inform public debate about how the design of this shared federal and state program impacts insurance coverage."

Provided by Louisiana State University

Citation: LSU professor publishes study on state Medicaid provision, federal subsidization (2016, July 6) retrieved 6 May 2024 from <https://medicalxpress.com/news/2016-07-lsu-professor-publishes-state-medicaid.html>

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