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Obamacare Medicaid Expansion to Worsen Hospital ER Burden

By Alex Wayne and Jeanna Smialek - Jan 3, 2014

Emergency rooms may be a preferred choice for care among 3.9 million people newly enrolled in the [U.S. Medicaid program](#) for the poor, according to a study that suggests Obamacare's costs may be higher than expected.

The concern is being raised by economists who said a state Medicaid expansion in [Oregon](#) five years ago led newly insured patients to visit ERs 40 percent more often than the uninsured. That finding, published in the journal *Science*, runs counter to government assumptions that the newly insured would choose lower-cost options for care, such as doctors' offices.

More than [19 million](#) people nationwide are projected by the government to join Medicaid this year, a 35 percent jump from last year as the Patient Protection and Affordable Care Act broadens eligibility. The rising participation is projected by the Obama administration to boost spending on the program by 18 percent this year and almost double it to \$957 billion by 2021.

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“That leaves policymakers with the difficult evaluation of comparing the substantial real costs of the program, with the substantial benefits to enrollees of having the coverage,” [Katherine Baicker](#), an economist at the Harvard School of Public Health who helped write the study, said in a phone interview.

Baicker and her fellow researchers found that people who gained Medicaid coverage used ERs more often for “a broad range of types of visits, conditions and subgroups,” including problems that could be treated in less costly settings.

Non-Emergency

About 21 percent of the Medicaid patients' ER visits were for emergency problems that couldn't have

been prevented, the study shows. Fifty-three percent of visits were for problems that either could have been treated outside a hospital ER or weren't emergencies.

"Before Jan. 1, it used to be the case that many people could not afford coverage or were denied coverage altogether due to pre-existing conditions," Emma Sandoe, a spokeswoman for the U.S. Centers for Medicare and Medicaid Services, said in an e-mail. "Today, those with coverage will have the peace of mind that they will be able to get the care they need or to afford a life-saving visit to the emergency room."

Baicker's study builds on previous research she has conducted on Oregon's Medicaid expansion, which offered a unique opportunity for randomized studies of the health program. Oregon used a lottery to draw names from a waiting list for its expansion, creating an experimental group -- people who won the lottery -- and a control group who remained without insurance.

'Gold Standard'

The studies are "the gold standard" for research on the effect of Medicaid coverage, said James Smith, a Rand Corp. economist who reviewed the latest report. The study "changes the terms of the debate" on Medicaid expansion, he said.

"It increases emergency department use and it increases costs," he said. "That doesn't mean it isn't a good thing to do, but that's what it does."

The 2010 Patient Protection and Affordable Care Act, which largely took full effect Jan. 1, marks the largest U.S. expansion of health insurance in more than 40 years. In addition to a more inclusive Medicaid program, the law set up government-run insurance exchanges where Americans can buy private health plans with the help of federal tax credits.

About 2.1 million people signed up for private plans in the first three months since the exchanges opened Oct. 1, the Obama administration said earlier this week.

Previous Findings

Previously, Baicker has reported that Oregonians who gained Medicaid coverage didn't see improvements in their physical health compared to people who remained without insurance, even though they used more health-care services. Medicaid coverage reduced financial strain on people who won the lottery compared to those who lost, and people who gained coverage reported better mental health than those who didn't, according to Baicker's work.

"We've shown that there are real benefits but also real costs to Medicaid," [Amy Finkelstein](#), a Massachusetts Institute of Technology economist and another author of the emergency department

study, said in a telephone interview.

“There was a hope and a claim by some advocates of expanding Medicaid that we should expand Medicaid because it will get people out of the emergency room and into primary care,” she said. “This study suggests that that is not a compelling argument for expanding Medicaid; that in fact, expanding Medicaid increases use of the emergency room.”

Governors who have agreed to expand their state Medicaid programs under the Affordable Care Act have often touted potential cost savings by diverting people from emergency rooms.

Medicaid patients who went to the emergency room weren't admitted to hospitals any more frequently than uninsured people, the study found. People with Medicaid may have more often used emergency departments to “get checked out” and assure themselves that they had no serious health problems, Smith of Rand Corp. said in a phone interview.

“That's a nontrivial benefit, actually, finding out exactly what's wrong with you,” he said. “But it's not free.”

To contact the reporters on this story: Alex Wayne in Washington at awayne3@bloomberg.net; Jeanna Smialek in Washington at jsmialek1@bloomberg.net

To contact the editor responsible for this story: Reg Gale at rgale5@bloomberg.net

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