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The Value of Medicaid

Medicaid is under assault these days from nearly every direction. Governors complain that they cannot afford to put up their share of the money. Congressional Republicans led by Paul Ryan want to reduce the federal contribution by \$771 billion over the next decade and shift more costs to the states and low-income Americans. President Obama has expressed willingness to cut Washington's contribution by \$100 billion over that period to help reduce the deficit.

Meanwhile, conservative critics of Medicaid — and of health care reform's requirement to expand it — have made the outlandish claim that it provides such poor care that enrollees would be better off having no coverage.

They cite a few studies that seemed to show that, in some cases, patients on Medicaid had worse outcomes than those without any insurance. They claim this is because Medicaid pays so poorly that many doctors refuse to treat the patients, who are then unable to get care or go to the least-skilled doctors.

Those claims have now been refuted by a new study of Oregon's program, conducted under the leadership of Katherine Baicker, a Harvard health economics professor who was an adviser to President George W. Bush, and Amy Finkelstein, an economics professor at M.I.T. It found that Medicaid patients reported both better health and more financial stability than uninsured poor people.

The research was made possible by unusual circumstances in Oregon, where officials had only enough money to expand Medicaid enrollments by about 10,000 people in 2008. They used a lottery to decide who got coverage among the almost 90,000 people who applied. That made it possible to conduct a "gold standard" clinical trial in which two randomly selected groups with the same demographic characteristics could be compared — those who won the lottery and those who did not. None of the studies cited by the critics had randomly selected control groups.

The Oregon study provides striking results for its first year. The group that gained Medicaid coverage was significantly more likely to have received care from a hospital or a doctor, or to use prescription drugs, belying the notion that enrollees could not find providers. The insured group was far more likely to get preventive care, like mammograms, and to have a regular doctor.

Those people were also more likely to report being in better physical and mental health. And they were better off financially: less likely to pay out of pocket, have unpaid medical bills sent to collection agencies, or need to borrow money or ignore other bills to pay for medical care.

The critics rightly point out that just because the Medicaid enrollees reported that their health was better does not mean that it actually was better. In the second year, researchers are measuring actual blood pressure, cholesterol levels, blood sugar and other physical data.

The study estimated that the additional care the new enrollees got drove up spending (from all sources) on the average individual by about \$775, roughly 25 percent, above the \$3,200 average for the uninsured control group.

Any politicians eager to find savings by denying poor people access to Medicaid should recognize that they will be harming the health and financial well-being of highly vulnerable Americans. Expanding Medicaid will increase spending in the short run. But the nation will benefit from a healthier, more productive population that, in the long run, may have less need for costly medical services.