Crowd-out of Private Long-Term Care Insurance after Medicaid Expansion

Jules Dupuy, Thomas Barnay, and Mireille Jacobson

Abstract

This paper investigates the impact of the Medicaid expansion under the 2010 Affordable Care Act on the private market for long-term care insurance. While previous theoretical works have highlighted the role of public insurance system in crowding out the private demand for insurance, we exploit the quasi- experimental framework of the staggered change in income eligibility threshold of Medicaid starting in 2014, to empirically assess the extent of this crowd-out. After developing a theoretical framework which questions the inevitability of the Medicaid crowd-out, we use the RAND Health and Retirement Study (HRS) between 1996 and 2020 to implement a difference-in-difference model based on the Callaway and Sant'Anna method. We estimate an overall seemingly 33% crowd-out of private long-term care insurance in the general population, driven by a decrease in high-income individuals and men mostly. We do not find any evidence of changes in private insurance demand among the newly eligible population. Rather than crowding out private long-term care insurance, the Medicaid expansion has provoked changes in insurance behaviors of the non-target population.