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Do Government Subsidies to Low-income Individuals Affect Interstate Migration? Evidence from the Massachusetts Health Care Reform[★]

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Abstract

Following the passage of the Patient Protection and Affordable Care Act (ACA) of 2010, many – but not all – states decided to expand their Medicaid program in line with provisions of the new law. Will low-income individuals respond to the incentives of living in a state with better health subsidies by relocating to the state? This paper addresses this question by examining the population growth rate of low-income individuals in Massachusetts following the Massachusetts Health Care Reform (MHCR) of 2006. Like the ACA, the MHCR expanded the Medicaid program, and also provided subsidized health insurance for low-income individuals. Using difference-in-differences and triple-differences models and Internal Revenue Service tax return data, we show that the reform did not have a global effect on the movement of low-income individuals across all cities in Massachusetts. However, we also show that the reform did have a local (or border) effect on the movement into border cities of the state, an effect that is relatively large for cities very close to the border but disappears quickly once the distance to border goes beyond 15 miles.

Keywords: Massachusetts health care reform, interstate migration, Medicaid expansion, subsidized health insurance, border analysis

JEL classification: H24; I13; J11

1. Introduction

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