Dr. Alice Chen

Abstract:

Public insurance programs are large components of the United States health care system, with considerable growth in recent years. Existing research has examined demand-side effects of ACA Medicaid expansions, but supply-side implications are not well-understood. Using a model of uncertain demand, we show how firms choose between fixed- and variable-cost labor investments. We empirically test the model predictions via a difference-in-differences identification strategy that leverages the most recent Medicaid expansions and detailed staffing information on over 125,000 physician practices from 2008-2016. We find no substitution toward less expensive provider types whose employment carries fixed costs in the short-run; instead, practices are 4-8% less likely to employ nurse practitioners and physician assistants post-expansion. States with the least generous Medicaid fees drive the negative labor demand effects. (JEL I11, J21, J44)