Equilibrium Labor Market Search and Health Insurance Reform

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Paper: Overview

- Very ambitious but skillfully executed!
- Question: What are the macro consequences of the ACA?
- Construct a rich labor-search model (Burdett-Mortensen):
  - Firms differ in productivity and HI cost.
  - Firms offer: (HI or not, w).
  - Risk-averse workers face health and medical expense shocks.
  - Workers decide whether to accept or reject the offer.
- Estimate the model using pre-ACA data:
  - Use both worker-side and firm-side data for estimation.
- Study the effects of the ACA by introducing stylized ACA in their estimated model.

Paper: Main Results

Proportion (%)	Pre-ACA	ACA	No EM	No IM	MA
Uninsured rate	20.1	7.3	6.4	12.2	5.3
Employer HI	79.9	80.2	80.9	79.9	82.0
Exchange	–	12.5	12.7	7.9	12.7
Welfare (CEV)	\$6,152	\$6,133	\$6,184	\$6,164	\$6,146

Components of ACA in the model:

- Health Insurance Exchange (EX)
  Individuals can buy HI at Exchange, where premium is based on the entire pool.
- Individual Mandate (IM)
  Individuals either obtain HI or pay max{\$695, 2.5% of taxable income}.
- Employer Mandate (EM)
  Firms with $n \geq 50$ have to offer HI or pay penalty of \$2000$(n - 30)$.
- Income-Based Premium Subsidy (SUB)
  Individuals earning $<$ 133% (400%) of FPL pay up to 3.5% (9.5%) of income for HI.

Comment 1: Who are Missing?

Only the individuals satisfying below are considered for estimation:

- Male
- Age 26-46
- At most high school graduate
- Not student, self-employed, or in public sector or military
- Not receiving welfare benefits
- Receiving HI from employer under his/her name or uninsured
- Not in top/bottom 3% of income distribution

Health Insurance Choice: March CPS (1997)

Proportion (%)	CPS (All)	CPS (A&F)	Model (A&F)
Employer HI, primary	40.7	60.3	79.9
Employer HI, dependent	20.9	–	–
Individual private HI	12.8	–	–
Medicaid	8.0	–	–
Medicare	18.4	–	–
No HI	15.4	39.7	20.1

- A lot of individuals are dropped.
- ACA vs. individual private HI or Medicaid?
- Model's uninsured rate of 20.1% seems too low.

Comment 2: Test Model's Prediction using MA Reform

Proportion (%)	Data: MA		Model: MA	
	Pre	Post	Pre	Post
Uninsured rate	11.8	6.1	20.1	5.3
Employer HI	70.4	72.6	79.9	82.0
Exchange	5.3	4.4	–	12.7
Medicaid	11.1	15.7	–	–

Data: Kolstad and Kowalski (2012). March CPS 2004-2009. Nonelderly.

- Model's prediction for MA Reform = out-of-sample forecasting.
- Model correctly predicts $\downarrow$ uninsured rate and $\uparrow$ employer HI.
- However, uninsured rate declined for different reasons.
  - Missing: Medicaid expansion.
  - Difference between MA and US. Sample selection.
- Wage with/without HI?

Comment 3: Full-Time vs. Part-Time

Proportion (%)	CPS (All)	CPS (A&F)
% of Part-time (all firms)	17.7	4.7
% of Part-time (<100 employees)	22.6	6.4
% of Part-time (≥100 employees)	14.1	3.2

- Large fraction work PT (<35). More PT in smaller firms.
- Under the ACA (EM), employers don't need to cover PT.
  $\rightarrow$ Replacing FT by PT workers?
- Nakajima and Tüzemen (2013).

Comment 4: No Need to Finance ACA

- ACA does not cause a higher tax in the model.
  - CBO's current estimate: $1.4 trillion over the next decade.
- Even without an additional tax, ACA reduces average welfare!
  - HI not very valuable?
  - Pashchenko and Porapakkarm (2012): ACA as redistribution policy.

Comment 5: Firm Dynamics?

- (No) firm dynamics in the model.
  - Firms do not change employment size or HI decision.
- Firm dynamics in the data.
  - According to Brügemann and Manovskii (2010), 11% of all establishments stop offering HI within 2 years.
  - Even higher proportion for smaller establishments.

References

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