Is the Affordable Care Act Affecting Retirement Yet?

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ACA Insurance Coverage Provisions

- ACA introduced affordable alternatives to employer-sponsored insurance
  - In some states (25 initially, 34* now): Medicaid eligibility expanded to 138FPL
    - Private coverage marketplaces, with tax credits from 100 to 400FPL
    - Private market consumer protections (guaranteed issue/renewal, modified community rating)
- Economic theory predicts that the ACA should have increased retirement.
  - Reduced need to work FT to obtain benefits; increased implicit marginal tax rate; income effect.

- Large empirical literature finds strong effect of insurance on retirement
  - “availability of retiree health insurance raises the odds of retirement by 30 to 80 percent” (Gruber and Madrian literature review, 2004)

- Based on this evidence, CBO predicted significant labor supply response.
  - “CBO estimates that the ACA will reduce the total number of hours worked, on net, by about 1.5 percent to 2.0 percent during the period from 2017 to 2024, almost entirely because workers will choose to supply less labor...” (CBO 2014)
...but, early studies on the ACA have found no evidence of that.

- Employment/hours, working-age population:
  - Gooptu et al (2016); Duggan et al (2017); Frisvold & Jung (2017); Mas & Leung (2018)

- Employment/retirement, older adults:

- This is a puzzle!
  - Was it just too soon? Maybe we weren’t looking hard enough?

- This project: we look harder, using more recent data.
This study

- Outcomes analyzed:
  - Insurance coverage
  - Labor market outcomes—stocks
  - Labor market outcomes—flows (not presented today)
  - Labor market outcomes—age profiles

- Focus is on 50 to 64-year-olds
  - In addition to all individuals, we do separate analyses for less-educated (not presented) and those in fair/poor health.
Data and Methods

- Data: American Community Survey (ACS) & Current Population Survey (CPS)
  - Insurance coverage outcomes from ACS (2008-2016)
  - Labor force participation, employment, retirement from monthly CPS (2008-2018)

- Defining expansion and non-expansion states
  - Expansion states include those that already had high eligibility limits, those that implemented ACA before 2014, and those expanding January 2014
  - Non-expansion states are the 19 states that have still not expanded
  - Seven states that expanded after January 2014 are excluded
Insurance Coverage: ACS, unadjusted

Medicaid

Year 2008 to 2016

- Non-Expansion
- Expansion

Coverage trends over the years.
Insurance Coverage: ACS, unadjusted

Non_Group

Year: 2008 to 2016

- Non-Expansion
- Expansion
Insurance Coverage: ACS, unadjusted

Uninsured

Year:

Non-Expansion  Expansion
Insurance Coverage Results: Summary

- Significant coverage gains not only in 2014, but also in 2015 and 2016 in both groups of states.

- Differences in coverage source between expansion, non-expansion states.

- Percent uninsured fell more in expansion states, but the difference is small.
Labor Market Outcomes: CPS Basic Monthly

Working


Non-Expansion Expansion
Labor Market Outcomes: CPS Basic Monthly

Retired

Non-Expansion
Expansion
Labor Market Outcomes, CPS-ASEC

**Full Sample**

**Fair/Poor Health**

**In_the_labor_force**

- Non-Expansion
- Expansion
Labor Market Outcomes, CPS-ASEC

Full Sample

Retired

Fair/Poor Health

Retired

Non-Expansion

Expansion
Expansion states: LFP declined slightly before 2014, was relatively flat thereafter. Retirement declined (insignificantly) after 2013.

Non-expansion states: LFP declined (insignificantly) from 2013 to 2015, then recovered. Retirement increased (insignificantly) after 2013.

We would expect a stronger effect of ACA on people in fair/poor health and full sample. Graphs do not provide clear evidence of this.
Age Profiles—CPS ASEC

Age profiles of ln_the_labor_force before and after 2014
Outcome: All, not regression adjusted

Expansion

Non_Expansion

Source: CPS ASEC
Age Profiles—CPS ASEC

Age profiles of Full_time_if_worker before and after 2014
Outcome: All, not regression adjusted

Expansion

Non_Expansion

Source: CPS ASEC
Age Profiles—CPS ASEC

Age profiles of Receiving_Social_Security before and after 2014
Outcome: All, not regression adjusted

Source: CPS ASEC
Age Profile Results: Summary

- No obvious changes after 2014

- No obvious difference between expansion, non-expansion states

- Where we see small changes, they are not consistent with the expected impact of the ACA. (For example, FT work is up post-2014, including workers over age 65.)
Is it still too soon?
- Significant uncertainty about future of ACA during this time (and still)
- Potential retirees may be understandably cautious

Or, are effects too small to jump out of such simple descriptive analyses?
- For some populations and outcomes, large differences between expansion & non-expansion states makes for a convincing DiD design. That is not the case here.
Thank you!