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Study finds the Affordable Care Act has not had the negative effect on jobs

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As the debate over the Affordable Care Act boiled over in Washington, D.C., this summer, a working paper written by Stanford economists threw cold water on a claim made by several of the law's critics: that it was killing American jobs. That argument was founded on early projections made by the Congressional Budget Office. But the working paper written by Gopi Shah Goda, Mark Duggan and graduate student Emilie Jackson showed that these predictions were inaccurate – the ACA has actually had little aggregate impact on the labor market. And just a few days after their paper was released, the so-called "skinny bill" to repeal the ACA was defeated in the Senate, leaving the law intact.

Duggan is the Wayne and Jodi Cooperman Professor of Economics as well as the Trione Director of the Stanford Institute for Economic Policy Research (SIEPR). Goda is a senior fellow at SIEPR and the institute's deputy director. They answered some questions about their research, the ACA's impact on the workforce and their expectations of what's to come.

What is the major takeaway from your research?

Duggan: While the Affordable Care Act had a significant effect on health insurance coverage, it did not have a substantial effect on the U.S. labor market as many had expected. There were negative forecasts predicting that individuals might decide to retire because they could obtain private health insurance at much lower prices. There were those

who thought companies might decide to shift their workers to part time in response to the employer mandate. And some expected that people might decide to work less because they could obtain health insurance essentially for free through Medicaid, if they lived in one of the states that expanded Medicaid coverage.

And those with a more positive expectation said the increase in insurance coverage would raise the demand for nurses and other health care professionals, thus boosting the number of jobs. Or individuals would now have a stronger incentive to start their own business because they would not have to rely on coverage from a large employer. Or in states that did not expand Medicaid, some people below the poverty line may choose to work more to obtain subsidies toward coverage on the exchange. Or simply individuals might get healthier as a result of the expansion in coverage and thus be better able to work.

There may be truth to every one of these predictions and many more. But the important thing is that, in the aggregate, they roughly balance out, so that employment and labor force participation are not very affected.

Why didn't the ACA shrink the workforce as predicted by the Congressional Budget Office?

Goda: Those forecasts were based on previous research that showed large impacts of Medicaid disenrollments on employment. While these studies were carried out using credible research designs, there are several reasons why the actual results differed from the studies' conclusions. First, the previous evidence was based only on changes in Medicaid and didn't take into account the impact of the insurance exchanges.

Second, some of the previous studies that showed the strongest effects

looked at employment differences occurring after Medicaid removed people from their rolls, rather than Medicaid expanding to cover more people. There are reasons to think that the employment effects would not be perfectly symmetric as a result of these two changes, because people may be more likely to find a job when disenrolled from Medicaid than they would be to leave their job once they become eligible for Medicaid.

Third, the policy uncertainty associated with the ACA due to multiple Supreme Court decisions and the difficulties in rolling out the health insurance exchanges may have led people to be reluctant to leave their jobs or make any large changes in labor supply. Finally, the previous evidence was limited to individuals in a handful of states that had changes in Medicaid. And these states may vary from the rest of the country.

Your study referenced that lower income individuals were actually incentivized to work more – not less as many believe would occur with government-supplied health care. Why?

Duggan: A person must be in a family with total income above a certain level to qualify for subsidies for private health insurance. The subsidies can be quite significant, potentially more than $10,000 for family coverage. People with incomes below that level may have increased their employment so they could purchase private coverage at affordable rates. (The threshold depends on whether individuals are in states that expanded Medicaid, such as California and New York, or in a state that did not expand Medicaid, such as Texas and Florida. In the expanding states, income for an individual would need to exceed $17,000 and for a family of four to exceed $34,000. The corresponding numbers in non-expanding states are $12,000 and $25,000).

The U.S. Senate has debated proposals involving the ACA from a full repeal to removing certain provisions. Which major provisions, if removed, would likely have a negative effect on the labor force?

Goda: Our findings suggest that the availability of subsidized health insurance on the exchanges may have – by itself – led to reductions in the size of the labor force. However, our research also highlights the importance of considering the potential interaction between the different provisions of the ACA. For instance, the effect of the Medicaid expansions may be different with and without the presence of subsidized health insurance from the exchanges.

If the ACA remains in its current form, would you expect the trends in your findings to continue beyond two years?

Duggan: I would expect our findings to hold up since most of the increase in health insurance coverage caused by the ACA had already occurred by 2015, which is the final year included in our study period. It will be interesting to see if states like Texas will now decide to expand their Medicaid programs. An examination of recent data from Gallup shows that the 10 states with the highest percentage of their populations uninsured in 2016 are all states that did not expand Medicaid: Alabama, Florida, Georgia, Idaho, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Wyoming.

More information: Mark Duggan et al. The Effects of the Affordable Care Act on Health Insurance Coverage and Labor Market Outcomes, *NBER* (2017). DOI: 10.3386/w23607

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