Affordable Care Act Could Cause People to Leave Their Jobs

Columbia University's Mailman School of Public Health

New study makes predictions using insights from 2005 Medicaid cuts in Tennessee

As a consequence of the Affordable Care Act, between 500,000 and 900,000 Americans may choose to stop working. That possibility is predicted in a new analysis of an analogous situation in reverse: the abrupt end of Tennessee's Medicaid expansion in 2005. That year, Tennessee dropped 170,000 of its citizens from Medicaid. It was the largest Medicaid disenrollment in the history of the program.

Economists from the Columbia University Mailman School of Public Health, Northwestern University Kellogg School of Management, and the University of Chicago Booth School of Business have released a full analysis online as a working paper distributed by the National Bureau of Economic Research.

In 1994, Tennessee expanded its Medicaid public health insurance program, called TennCare, to provide for uninsured and uninsurable adults regardless of age, income or family status. As a result, Tennessee's Medicaid program became one of the most generous in the country. But nine years later, largely due to budgetary constraints the program was ended in 2005. Approximately 170,000 residents lost coverage.

Those who lost coverage were disproportionately single, childless adults with incomes slightly higher than the federal poverty line. That population is very similar to uninsured Americans who are likely to gain coverage under the Affordable Care Act.

Perk Over Paycheck

In an analysis of employment records in Tennessee, the researchers determined that close to half of those who lost TennCare coverage in 2005 went on to find insurance through an employer. Moreover, the researchers found that as soon as TennCare coverage ended, there was a spike in Google searches for "job openings" in the state of Tennessee.

"This shows that there are many people out there who look for work simply because they need health insurance. For them, the perk matters more than the paycheck," says Tal Gross, PhD, co-author of the paper and assistant professor of Health Policy and Management at the Mailman School.

The authors call this phenomenon "employment lock," the idea that people must keep working so they can keep their health insurance. They believe it happens because the individual market for health insurance is flawed—if you're a single

person on your own, health insurance can be really expensive and you're worried about being denied coverage or an insurer dropping you due to health reasons. So you opt to find a job instead.

"The fact that people are working solely to get health insurance signals a failure of the private health insurance market," explains Dr. Matthew J. Notowidigdo, PhD, assistant professor at the University of Chicago Booth School of Business and a study co-author. "That's one of the reasons why the Affordable Care Act was created."

With Medicaid rapidly expanding under the Affordable Care Act, the researchers foresee that such a progression could happen in reverse: the option of public health insurance may lead some Americans to retire or to leave their jobs. This doesn't make the Affordable Care Act a "job killer," as some have suggested; it just provides an alternative way to procure health insurance that doesn't require people to work for the "perk."

"When the Affordable Care Act is enacted, it's possible that hundreds of thousands of people may choose to leave the labor force or retire earlier than they otherwise would have because they now have access to health insurance outside of their jobs," explains Craig Garthwaite, PhD, assistant professor at Northwestern University's Kellogg School of Management and a study co-author. "It's giving people important options that otherwise wouldn't exist without the ACA."

What's Next

The full impact of the ACA on the jobs picture will only be apparent after it is put in place. And results will vary geographically as some states are choosing to opt-out of the Medicaid expansion. Regardless, the ACA will be on a much bigger scale than the Tennessee Medicaid contraction and will affect a greater proportion of the population.

"There is little doubt that the ACA will affect the employment picture," concludes Dr. Gross. "Historically, health insurance in the United States has been tightly linked to employment, and the ACA weakens that link."

For more information, visit Columbia University's Mailman School of Public Health [1].

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