

Accepted Manuscript

Employment-based health insurance and misallocation: Implications for the macroeconomy

David Chivers, Zhigang Feng, Anne Villamil

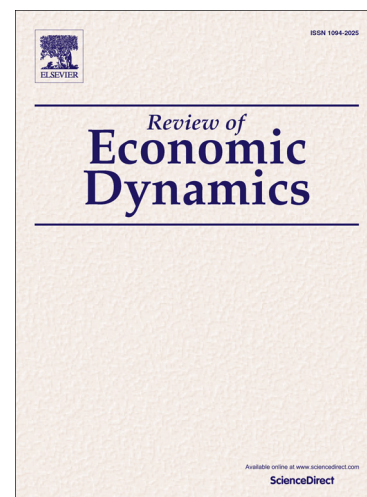
PII: S1094-2025(16)30027-8
DOI: <http://dx.doi.org/10.1016/j.red.2016.09.002>
Reference: YREDY 777

To appear in: *Review of Economic Dynamics*

Received date: 19 October 2015
Revised date: 2 September 2016

Please cite this article in press as: Chivers, D., et al. Employment-based health insurance and misallocation: Implications for the macroeconomy. *Review of Economic Dynamics* (2016), <http://dx.doi.org/10.1016/j.red.2016.09.002>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Employment-based Health Insurance and Misallocation: Implications for the Macroeconomy*

David Chivers[†]
Durham

Zhigang Feng[‡]
Nebraska

Anne Villamil[§]
Iowa

September 6, 2016

Abstract

Most working-age Americans obtain health insurance through the workplace. U.S. law requires employers to use a common price, but the value of insurance varies with idiosyncratic health risk. Hence, linking employment and health insurance creates a wedge between the marginal cost and benefit of insurance. We study the impact of this wedge on occupational choice and welfare in a general equilibrium model. Agents face idiosyncratic health expenditure shocks, have heterogeneous managerial and worker productivity, and choose whether to be workers or entrepreneurs. First, we consider a private insurance indemnity policy that removes the link between employment and health insurance, so only ability matters for occupational choice. By construction, this is the most efficient policy. We find a welfare gain of 2.28% from decoupling health insurance and employment. Second, we tighten the link by increasing employment-based health insurance from the current U.S. level of 62% to 100%, and find a welfare loss of - 0.61%.

JEL Classification: E23, I10, O40.

Keywords: Health Insurance, Occupational Choice, Entrepreneur, Misallocation, Uncertainty, Heterogeneity, Mandate, Patient Protection and Affordable Care Act

*We thank Tiago Cavalcanti, Sagiri Kitao, Felix Kubler, Makoto Nakajima and Constantine Yannelis for helpful discussions, and seminar participants at Arizona State University, Hong Kong University, Peking University, Purdue University, Shanghai University of Finance and Economics, University of Illinois, University of Iowa, University of Manchester, University of Oxford, Wuhan University, Zhongnan University of Economics and Law, and the SAET conference. We would also like to thank the Editor Matthias Doepke and the three anonymous referees for their thoughtful comments. Zhigang Feng worked on this article while he was on the faculty of University of Illinois at Urbana-Champaign, and he acknowledges computational support from David Kelly, Zongjun Hu and CCS at University of Miami.

[†]Durham University Business School, University of Durham, DH1 3LB, UK david.chivers@durham.ac.uk

[‡]Department of Economics, University of Nebraska at Omaha, NE 68106, z.feng2@gmail.com

[§]Department of Economics, University of Iowa, Iowa City, IA 52242, annevillamil@gmail.com

Download English Version:

<https://daneshyari.com/en/article/5104325>

Download Persian Version:

<https://daneshyari.com/article/5104325>

[Daneshyari.com](https://daneshyari.com)