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Job mobility among parents of children with chronic health conditions: Early effects of the 2010 Affordable Care Act

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ABSTRACT

We examine the effects of the 2010 Patient Protection and Affordable Care Act's (ACA) prohibition of preexisting conditions exclusions for children on job mobility among parents. We use a difference-in-difference approach, comparing pre-post policy changes in job mobility among privately-insured parents of children with chronic health conditions vs. privately-insured parents of healthy children. Data come from the 2004 and 2008 Survey of Income and Program Participation (SIPP). Among married fathers, the policy change is associated with about a 0.7 percentage point, or 35 percent increase, in the likelihood of leaving an employer voluntarily. We find no evidence that the policy change affected job mobility among married and unmarried mothers.

1. Introduction

In the United States, parents of children with chronic illness and disability often face challenges in obtaining continuous, adequate, and affordable private health insurance coverage for their children. The United States has an employment-based health insurance system, and, as others have noted, this kind of system has both advantages and disadvantages for people with chronic health conditions (Gruber, 2000).[1] Because private insurance is generally tied to employment, one disadvantage is that individuals who place a relatively high value on health insurance may not leave employers when they find a more productive job match elsewhere because of concerns about losing or disrupting health insurance for themselves and their dependents. Concerns about this "job lock" phenomenon have been the motivation behind federal and state legislation enacted during the 1980s and 1990s intended to improve the portability of private health insurance coverage and to weaken, to some extent, the link between employment and insurance. Despite this legislation, anecdotal and survey-based evidence indicates that job lock has continued to be a problem among parents of children with chronic health conditions (USDHHS, 2013; AMCHR Fact Sheet, 2010).

The Patient Protection and Affordable Care Act (ACA), enacted in March 2010, included the early implementation of a set of private insurance market reforms and consumer protections, some of which were intended to reduce job lock among parents of privately insured children with chronic illness and disability. In this paper, we examine the effects of one such provision that already has been implemented: the ACA's prohibition of preexisting conditions exclusions for children.[2] This provision of the ACA requires that health insurance plans in all markets must cover claims related

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[1] The main advantage is the pooling of risks, as employers have the potential to bring together large groups of individuals for reasons unrelated to their health status. This reduces adverse selection problems and spreads administrative costs across large groups of people, lowering the price of insurance (Gruber and Madrian, 1993). Moreover, employer-sponsored health insurance is exempt from federal, state, and payroll taxes.

[2] Pre-existing conditions are health problems for which treatment is used or prescribed in a certain time period (e.g., six months) before a person applies for new health insurance coverage.

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to children's pre-existing conditions; insurance companies cannot refuse to enroll children due to pre-existing conditions, or charge premium surcharges for children's preexisting conditions; and insurance companies cannot impose waiting periods for coverage of children's pre-existing conditions. This part of the ACA went into effect for children under age 19 on 9/23/10 (6 months post signing of the ACA on 3/23/10), and applies to all new and existing health insurance policies excluding individual policies that were purchased on or before 3/23/10. This provision of the ACA goes further than previous federal and state policies of this kind in that it eliminates exclusion of preexisting conditions all together for children (including waiting periods), and the law applies to almost all private health insurance policies.

Using data from 2004 and 2008 Survey of Income and Program Participation (SIPP), we use a difference-in-difference approach, comparing pre-post policy changes in job mobility among privately insured parents of children with chronic health conditions vs. privately insured parents of healthy children. The findings indicate that the ACA's prohibition of preexisting conditions exclusions for children was effective in increasing job mobility among privately insured parents of chronically ill children. Among married fathers, the policy change is associated with about a 0.7 percentage point, 35 percent increase, in the likelihood of leaving an employer within a 4 month SIPP wave. We find no evidence that the policy change affected job mobility among married and unmarried mothers.

2. Background

2.1. Employer-based private health insurance and job mobility

One well-documented disadvantage of an employment-based private health insurance system is "job lock" or the possibility that individuals stay in jobs that they otherwise would leave, or stay in the labor force when they otherwise would leave the labor force, due to concerns about disrupting or losing health insurance coverage. According to economic theory, in a perfectly competitive labor market, the compensating wage differential associated with a particular employer-sponsored health insurance benefit will be just equal to how much the marginal worker, who is just indifferent between wages and health insurance, values that benefit (Rosen, 1986; Gruber, 2000). But some individuals value health insurance more than the worker at the margin – these workers will value their total compensation packages (wages plus health insurance) more than the cost to the employer of providing it. Workers who place a relatively high value on health insurance coverage may not take a higher wage job which does not offer, or offers less suitable, health insurance coverage. This problem arises because it is too costly for employers to offer compensation packages that exactly meet workers' individual health insurance needs, and also because the cost of providing insurance varies widely across firms (Gruber, 2000; Gruber and Madrian, 1993). Theoretically, the result is that workers are matched to jobs that are less than optimal, reducing their productivity and the efficiency of the labor market as a whole.

There is a large empirical literature on job lock which has been reviewed elsewhere.[3] Many job lock studies are based on the idea that certain household characteristics lead a worker to value insurance more highly than other similar workers, making the worker more vulnerable to job lock. These characteristics include: having a family member with a chronic health condition; having a larger family; and having a spouse without his/her own employer-sponsored health insurance coverage. Based on this idea, researchers have estimated models of job mobility and wages which include indicators of employed-sponsored health insurance coverage for the worker and the worker's spouse, indicators for family health conditions, interactions between own health insurance and family health conditions, interactions between own health insurance and spousal health insurance, and an extensive set of other personal and job characteristics. The estimated coefficients on the interaction terms provide evidence regarding job lock, since job lock would imply that insured workers with ill family members, larger families, or spouses without their own employer-sponsored health insurance would stay in jobs longer, and stay in jobs with lower wages, compared to similar insured workers, in order to avoid disruption of health insurance coverage.[4]

For example, Berger et al. (2004) use this approach to test for job lock using data from the 1987 and 1990 panels of the SIPP. In models of job duration and wages, they find that having both employer-sponsored health insurance coverage and an ill family member is not associated with these outcomes. They argue that this is the most direct test of job lock in their framework, and the findings do not support the existence of job lock. This is consistent with work using a similar framework by Kapur (1998) and Adams (2004), but not consistent with earlier work by Madrian (1994), who finds that job lock reduces job turnover by 25 percent for married men with employer-sponsored health insurance. In general, studies based this kind of empirical approach show mixed evidence of job lock, with some studies showing that employer-sponsored health insurance reduces job mobility by 25–35 percent and other studies showing no evidence of job lock (Gruber and Madrian, 2002).

Other studies indirectly test for job lock by evaluating whether health insurance policy changes that improve continuity of insurance coverage between jobs affect job mobility and wages. This is the same approach used in the present study. Gruber and Madrian (1994) test whether state continuation of coverage laws passed in the 1970s and early 1980s affect job mobility among employed males. They find that 12 months of continued coverage increases job mobility by 9 percent in a 4-month time period. Sanz de Galdeano (2006), however, draws on state-level variation in policies before the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was passed, and finds that passage of HIPPA did not affect job mobility among employed men and women.

Finally, Bansak and Raphael (2008) examine the effect of the introduction of the State Children's Health Insurance Program (SCHIP) on job lock among low-income, married fathers using the 1996 and 2001 SIPP panels. They argue that the introduction of SCHIP should affect job mobility primarily for fathers who do not have another source of private health insurance coverage through their spouse. Using a difference in difference approach, the authors compare job mobility pre-post SCHIP among fathers who had wives without their own employer-sponsored health insurance vs. fathers whose wives had their own employer-sponsored health insurance. The find that the introduction of SCHIP is associated with a 5–6 percent increase in voluntary job separation, supporting the idea that job lock does exist and can be influenced by public policies.

Our paper builds on this study, which suggests that health insurance policies that expand coverage options for children may increase the job mobility of parents. The focus of the present paper is a recent national policy change – the ACA's elimination of preexisting conditions exclusions for children in 2010 – which was intended to improve the continuity of private insurance coverage specifically for children with chronic conditions. We also focus on a

[3] Recent reviews include: Gruber and Madrian (2002) and Rashad and Sarpong (2006).

[4] The primary disadvantage of this empirical approach is omitted variables bias – having a spouse without his/her own employer-sponsored health insurance coverage, for example, may be correlated with unmeasured household characteristics that also directly affect job mobility.