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The Effect of Health Reform on Retirement

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Most Americans obtain health insurance as a fringe benefit of employment. Prior to the Affordable Care Act (ACA), few alternatives to employer-sponsored coverage were available for early retirees. This may have discouraged retirement before age 65, the age of near-universal eligibility for Medicare; many studies have suggested a link between retirement and the availability of other coverage options. Beginning in 2014, the Affordable Care Act (ACA) made alternatives to employer-sponsored health insurance available through two channels.

First, the ACA established a health insurance marketplace for nongroup coverage, known as an “exchange,” in every state. These marketplaces encourage price competition among insurers, impose minimum standards on what health insurance plans must cover, limit how much older enrollees can be charged compared to younger ones, and provide substantial subsidies for individuals with income below 400 percent of poverty (about \$60,000 or a two-person family in 2014). Exchanges should substantially lower the cost of nongroup coverage for most early retirees.

Second, about half of all states are taking advantage of an ACA provision that allows them to expand Medicaid coverage to low-income adults (those with family incomes below 138 percent of the poverty level, or about \$22,000 for a couple in 2014). Taken together, these provisions imply a dramatic increase in the availability of affordable alternatives to employer-sponsored coverage for workers nearing retirement. To the extent that older

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workers had been remaining in jobs only because those jobs provided health insurance, these new alternatives might be expected to increase retirement or other reductions in labor supply, such as a shift from full-time to part-time work.

In this paper, we present evidence from the Current Population Survey (CPS) on trends in retirement and part-time work for individuals ages 55 through 64. The data we analyze cover the period from January 2005 through June 2015, and we are interested in whether these trends changed after the ACA's major coverage provisions took effect in January 2014. We found no change in patterns of retirement or part-time work after January 2014 compared with what they had been before. We also found no change in these patterns in states that have expanded Medicaid compared with those that have not. The Affordable Care Act may start to affect older Americans' decisions about when to retire and how many hours to work as people become more familiar with these new policies, but for the first year and a half that these new programs were available, they appear to have had little or no effect on older workers' decisions about retirement and part-time work.

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