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Is the Affordable Care Act Affecting Retirement Yet?

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The Affordable Care Act (ACA), which created subsidized alternatives to employer-sponsored health insurance coverage beginning in 2014, was widely expected to reduce labor supply. Older workers may have been particularly likely to work less in response to new health insurance options, both because they are at an age when attachment to the labor force begins to weaken and because the ACA prohibition on charging premiums based on health status may have disproportionately benefited older individuals. Nonetheless, studies to date have failed to find any reductions in labor supply in response to the ACA while also documenting large gains in insurance coverage both in the full population of working-age adults. In this paper, we revisit the question of whether the ACA has affected labor supply of older Americans, using data that span more than four years after the policy's implementation. We also analyze changes in health insurance coverage for this group.

DATA AND ANALYSIS

Our analysis relies on data from the American Community Survey (ACS), the Current Population Survey (CPS), and the Health and Retirement Study (HRS). We use data from the ACS to analyze trends in health insurance for older Americans. We use data from the CPS and the HRS to analyze multiple dimensions of labor supply: labor force participation, employment, full-time work conditional on employment, as well as several measures of retirement including self-reported retirement and the receipt of retirement income. We look both for changes in the national trend in outcomes in 2014, when private health insurance coverage reforms were instituted nationwide, as well as for differential trends in states that chose to implement the ACA's Medicaid expansion in 2014 compared with those that did not.

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RESULTS

We find no changes in labor supply of older Americans either in response to subsidized marketplace coverage, which became available nationally in 2014, or in response to the expansion of Medicaid eligibility in some states but not others. We fail to find labor supply effects even for subgroups with less than a high school education or those with fair or poor health, who might have been expected to have a greater labor supply response. The lack of a labor supply response stands in contrast to the large gains in coverage observed in 2014.

CONCLUSION

These results suggest that, for Americans approaching retirement, the Affordable Care Act achieved its primary goal of increasing coverage without the unintended consequence of reducing labor supply.

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