Comments on “Complementary Effects of ACA on Labor Supply”
by French, Von Gaudecker and Bailey Jones

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Three ways ACA (aka Obamacare) should/could affect dynamic decisions of households:

1. Medicaid coverage:
   ▶ extended to young, non-disabled poor households,
   ▶ no longer asset-tested.

2. Non-group insurance extended:
   ▶ Coverage standards.
   ▶ Community-rated.
   ▶ Subsidized premia.

3. Employer mandates to offer group insurance:
   ▶ subsidies for small firms.
   ▶ fines for non-compliers (small/medium firms)
   ▶ taxes for cross-subsidization (medium/large firms).
Focus on labor supply effects of ACA for **elders**:  
- **Extensive margin**:  
  - Affect decision to retire if employer-provided insurance ends or not at retirement.  
- **Intensive margin**:  
  - Affect number of hours worked if easier, less costly access to health insurance.  
- **Other elements not/less analyzed**:  
  - Other dynamic decisions: consumption/savings, health spending and outcomes, bequests, housing, . . . ,  
  - Earlier life cycle adjustments for younger workers.
Efficiency wages $w_t = w(N_t, H_t)$:
- Not innocuous, double whammy effects of $N_t$ choices.
- Not uniform across sectors (e.g. unionized, public service, minimum wages, ...).

Sectoral changes induced by ACA: Subsidize non-group, small employers, taxes/penalties on medium- and large:
- Affect costs $\implies$ labor demand, wages.
- Affect choices type of employment, wages processes.
- Not analyzed.
- Assumed to be negligible (no $EP_t \rightarrow no EP_{t+1}$).

Insufficient treatment taxes:
- Bulk of ACA financed through general revenues: $\tau \uparrow \rightarrow N^s$.

Strict no borrowing:
- Middle-aged are mostly homeowners, can use reverse mortgage, consumer credit, ....
- Use leverage constraint instead.
Comments model: Time use and preferences

Time use:

\[ L_t = L - N_t - \phi_{P,t}P_t - \phi_{RE,t}RE_t - \phi_{H,t}H_t \]  \( (1) \)

- Age-increasing fixed time costs of participation, re-entry, health. Why?
- Double-whammy effect of health shocks: Time and wages.
- Non standard: Omits pecuniary costs → different Lagrange multiplier → policy responses.

Preferences:

- Consumption floor in policy, but not in preferences.
- Use HARA preferences

\[ U(C) = \frac{(C - C_{min})^{1-\gamma}}{1-\gamma} \]  \( (2) \)
No endogenous health, no medical expenses:

- Autonomous age-dependent stochastic processes.
  - Can’t choose health expenditures or leisure to alter $H_t \rightarrow$ alter exposure to morbidity, mortality: $\implies$ no real self-insurance.
  - Key driver behing ACA reform (access to medical care, lower OOP costs) omitted from analysis.

- Ad-hoc specification of transition matrix:
  - Three phases (pre-65, 65, post-65) hard to justify.
  - Changes in attainable statuses hard to justify
  - Shrink rich info in SRHS (5 outcomes $\rightarrow$ 3 outcomes)

- Use all info, smooth, age-dependent transitions instead.
Solid work:

- Careful link with theory.
- Attention to details (e.g. data, heterogeneity, ...)

But insufficient details:

- Weighting matrix in SME?
- Age group averaging ($t = 51, 52, \ldots$ vs $t = 50, 55, \ldots$)?
- 2-step procedures: Standard errors bootstrapped?
- Why not use $C_t$ (e.g. via CAMS)?
- No details how MEPS merged (if merged) with HRS.
- Lose info in constructing $H_t$ from SRHS.
- Total spending includes LTC?
Insufficiently fletched-out:

- Link discussion better with initial question.
- Add hypothesis tests.
- Main findings buried deep into (incomplete) discussion.
- Highlight better key results:
  - Add life cycle of key variables with/without ACA.
  - Add discussion of robustness to key assumptions.
Comments general

Preliminary, needs rewriting:

- Emphasize better why should we care:
  - Long-term trend in more elders’ participation in labor markets.
  - Links with pension/savings adequacy.
- Unbalanced (p. 32 before reaching discussion ...).
- Results insufficiently linked to initial question.
Unanswered questions:

■ ACA geared towards *uninsured*: Younger agents [Pelgrin and St-Amour, 2016]
  ▶ Most important long-term effects of labor supply decisions.
  ▶ More flexibility in hours worked, type of work.
  ▶ More control over health outcomes.
  ▶ Bulk of labor market supply.
  ▶ Cannot be addressed with HRS, need PSID.

Elders’ response interesting, but not key policy object of ACA.

■ Effects on consumption and savings insufficiently addressed (e.g. with CAMS).

■ Effects on health spending and outcomes insufficiently addressed.