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Health insurance coverage and the macroeconomy

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Abstract

This paper investigates the relationship between the macroeconomy and health insurance coverage for non-elderly Americans. We find that, for men, state unemployment rate is positively correlated with the probability of health insurance coverage in general and through an employer in particular, and that these correlations are only partly explained by changes in employment status. In contrast, the insurance coverage of women and children appears to be insulated from fluctuations in the unemployment rate by public health insurance programs like Medicaid and State Children's Health Insurance Program (SCHIP). We estimate that 984,000 Americans, nearly all of whom were adult men, lost health insurance due to macroeconomic conditions alone during the 2001 recession.

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1. Introduction

In March 2001, the longest economic expansion in U.S. history ended, and a recession began that lasted until November 2001 ([Business Cycle Dating Committee, 2003](#)). This, combined with recent policy interest in the uninsured ([Committee on the Consequences of Uninsurance, 2001, 2004](#)), raises the question: What is the relationship between macroeconomic climate and health insurance coverage among the non-elderly U.S. population? This paper answers that question, plus these others: How does the effect of the macroeconomy on insur-

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ance coverage differ for men, women and children? What aspect of the macroeconomy matters: state unemployment rate or real per capita gross state product (GSP)? Does the macroeconomic climate primarily affect rates of uninsurance through changes in employment?

Policymakers should be concerned about the loss of health insurance coverage for several reasons. First, some who lose employer-provided health insurance will join the rolls of public health insurance programs such as Medicaid and State Children's Health Insurance Program (SCHIP), increasing the strain on the budgets of those programs. Second, uninsured persons may receive less medical treatment than the insured (Doyle, 2001). Third, uninsured persons may impose costs on the health care system by receiving their care in relatively inefficient ways, such as using the emergency room for conditions that could have been treated with an office visit (Weissman et al., 1992). Fourth, uninsured individuals are at risk of severe financial loss, including bankruptcy, in the event of illness (Jacoby et al., 2000).

Only a few studies focus on the link between macroeconomic conditions and health insurance coverage. Gruber and Levitt (2002), a Kaiser Family Foundation brief, studied aggregate March Current Population Survey (CPS) data for 1980–2000 and found that every percentage point rise in unemployment was associated with an increase of 1.2 million uninsured persons. Holahan and Garrett (2001) estimate that a percentage point increase in unemployment is associated with a rise in Medicaid enrollment of 1.5 million. Marquis and Long (2001) find mixed evidence that county unemployment rates are correlated with employer offers of health insurance and employer contributions to health insurance. Glied and Jack (2003) study state-level CPS data and find that unemployment rates are more strongly correlated with insurance coverage for well-educated than less-educated workers, in part because workers with less education are at all times less likely to be offered employer-provided health insurance.

A limitation of several of these previous studies is their use of the CPS data. The CPS records whether the respondent was covered by health insurance at any point in the last 12 months; thus, one cannot use the CPS to determine health insurance coverage in a specific month. A contribution of this paper is to provide estimates derived from reports of health insurance coverage in a specific month matched with macroeconomic conditions during that month.

The previous literature is also limited by its use of cross-sectional data and inability to remove unobserved time-invariant heterogeneity. This paper contributes to the literature by analyzing longitudinal data and controlling for person-specific fixed effects.

Our results indicate that increases in unemployment rate lower the probability of health insurance coverage for adult men. A substantial fraction, but not all, of this correlation is explained by changes in employment status. In contrast, the insurance coverage of women and children appears to be insulated from fluctuations in the unemployment rate by public health insurance programs like Medicaid and SCHIP. For men, women, and children, real per capita gross state product is uncorrelated with the probability of coverage.

2. Conceptual framework and methods

We utilize two measures of the macroeconomy in our empirical work. In using state unemployment rate as our primary measure of the macroeconomy, we follow the literature

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