

Joint Household Labor Supply and Health Care Reform

Hanming Fang
University of Pennsylvania

Andrew Shephard
University of Pennsylvania

Preliminary

Abstract:

Health insurance in the United States has traditionally been provided in form of employer sponsored health insurance, with workers having the option to extend coverage to their spouse and dependents. Provisions in the Affordable Care Act significantly alter the incentive for firms to offer insurance to the spouses of employees. We extend the empirical equilibrium job search literature to an environment where multiple household members are searching for jobs. The distribution of job offers is determined endogenously, with compensation packages comprising of a wage and menu of insurance offerings (premiums and coverage) that workers select from. The model allows for a rich characterization of the labour market, with both household and firm heterogeneity. The model is estimated using MEPS, SIPP and Kaiser Family Foundation Survey data sets using a multi-step estimation procedure. Counterfactual experiments using the estimated model are conducted to provide a quantitative assessment of the impact of the Affordable Care Act on firms' insurance offerings and on household outcomes.