The Effects of the Massachusetts Health Reform on Financial Well Being

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Abstract: People who lack health insurance are exposed to potentially catastrophic financial risks should they become sick. Public policy that expands health insurance coverage can therefore improve the financial security and welfare of those affected by decreasing their risk of medical expenses. While the current literature has established a link between insurance coverage and the use of health services, the effect of health insurance on financial well-being remains largely unexplored. This paper evaluates how the provision of health insurance affects a variety of measures of financial well-being such as credit scores, debt levels, delinquencies and the likelihood of bankruptcy.

To explore the relationship between health insurance coverage and financial well-being, we analyze a major health care reform that occurred in Massachusetts in 2006. This reform aimed at achieving near-universal coverage within the state and, in many ways, served as a model for the Patient Protection and Affordable Care Act that followed at the national level in 2010. Because the Massachusetts law required all residents to obtain health insurance, counties and age groups with lower insurance coverage prior to the reform experienced larger increases in coverage as a result of the reform. Following a strategy similar to that used by Miller (2012)[1], we exploit this variation in the impact of the reform to measure the effect of insurance coverage on financial outcomes.

We use data from the credit reporting agency Equifax which has quarterly data on a 5 percent sample of the universe of individuals with credit histories covering the period starting with the first quarter of 1999 through the current period. In a preliminary analysis, using a small subset of outcomes and using just a 1 percent sample of the population, we find evidence that exposure to the reform reduced the number of delinquencies on consumer credit accounts per person as well as the amount delinquent. We also find suggestive evidence that the reform improved credit scores, reduced total debt and reduced bankruptcy. We have also conducted some basic robustness checks that lead us to believe that our identification strategy appears to be reasonably sound. For example, financial outcomes are similar in the Massachusetts counties with high fraction of uninsured individuals as in similarly high uninsured counties in other nearby states in the period prior to the reform. We also see no effects on individuals over the age of 65 who would not have been affected by the reform. In future work, we plan to use the 5 percent sample of Massachusetts, expand our set of financial outcomes as well as create better measures of the targeted population. We think this study will provide the best evidence to date on the ramifications of the lack of health insurance on financial well-being.

[1] See Sarah Miller, "The effect of insurance on emergency room visits: An analysis of the 2006 Massachusetts health reform," *Journal of Public Economics*, 96(11-12): 893-908.