Measures of income should include health insurance, study finds

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The value of health insurance should be included in official measures of U.S. income and poverty, because it will help us to better evaluate public policies like Obamacare, according to a new study by a Cornell economist and his colleagues. Using this methodology, they show that Obamacare will generate significant benefits for families in the lowest economic classes—benefits overlooked when using traditional calculations.

"Health care used to be not that big of a deal. And now it's a really big deal. We've spent an enormous amount of government money on it and we don't count it. And we should," said the study's lead author, Richard Burkhauser, the Sarah Gibson Blanding Professor of Policy Analysis in the College of Human Ecology.

The research shows when health care coverage—whether paid for by employers or by taxpayers' money—is factored in, all sorts of statistics shift. It indicates U.S. median income is rising, not falling, as government statistics show. The income disparity between the haves and have-nots is not as wide as previously thought. As an example of how public policies could be reinterpreted, most of the benefits of Obamacare—or the Affordable Care Act (ACA)—will go to those with incomes in the bottom three deciles of the population. Obamacare will add about $750 per year to the income of people in the bottom 60 percent.

The study's results show that the poor and the elderly are significantly better off than the government's current calculations indicate. For example, the mean income of people 63 and older in the bottom 10 percent is $6,646. But that figure fails to show they also have health insurance worth nearly $9,000 in addition, Burkhauser said.

"The ACA is a major, major change in the health care system, and it will mean millions and millions of people who don't have affordable coverage can go to the state exchanges and get that coverage. But that subsidy by the government to those people will not count in our government's measure of how they're doing. This paper argues we need to take that into consideration," Burkhauser said.

The researchers analyzed data from the Current Population Survey for 1995-2008, the data set most commonly used to capture yearly levels and trends in U.S. income and its distribution. They then added the value of health insurance coverage provided by employers and by Medicare and Medicaid—the government programs that provide health insurance to older and low-income people, respectively.

The paper has already helped change the way a major government agency measures U.S. income. In July, the Congressional Budget Office, the nonpartisan arbiter of the costs and consequences of government spending, changed its methodology in one of its reports, citing the arguments in an early version of the study as part of its justification for doing so.

Burkhauser emphasizes he and his colleagues have no political agenda in publishing the paper. "We're not trying to peddle anything," he said. "Rather, our aim is to illustrate the point that measures such as ours that value employer- or government-provided health insurance are useful in capturing the impact of health reforms on the levels and distribution of income."

The paper was published online in September in the journal *Contemporary Economic Policy*.

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