

Health Insurance, Household Debt, and Inequality: Evidence from the Survey of Consumer Finances

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Families without health insurance are potentially more likely to take on debt and to suffer financial distress when a family member becomes seriously ill or injured. Thus, differences in health insurance status likely reinforce disparities in income and wealth across households because uninsured families face the possibility of more severe financial consequences as a result of a negative health shock.

This paper uses household-level data from the U.S. Survey of Consumer Finances (SCF) to explore the consequences of access to health insurance on several monetary and non-monetary measures of well-being and how differences in these measures between insured and uninsured households have evolved over time. The SCF is widely regarded as a key source of information on the balance sheets of U.S. families, but comparatively little research has taken advantage of health-related data in the SCF, including its information on both government and private health insurance coverage.

Using data from the 1989 through 2004 SCF surveys, we first examine how rates of health insurance coverage, self-reported health status, and, for uninsured households, reported reasons for not having health insurance coverage have changed over time. Taking advantage of the SCF's detailed information on household debts, we consider the correlation between health insurance coverage and measures of financial stress such as the amount of debt owed for medical expenditures, recent delinquency on debt payments, debt-to-income ratios, and bankruptcy. We examine these relationships for households overall as well as within subgroups defined by age, income and other demographic characteristics. As an additional contribution, by calculating the amount of debt owed directly to doctors and hospitals, we are able to provide a rough gauge of how much aggregate consumer debt statistics, which do not capture debts owed to service providers, might change if this type of debt were included in the aggregate estimate. Finally, drawing on the growing empirical and theoretical literature that examines multidimensional measures of inequality, we consider how estimates of inequality based on the distribution of wealth or income alone may differ from those using a broader measure of inequality that additionally encompasses health-related measures of well-being such as health insurance coverage.