

Did Obamacare Make More Young People Entrepreneurs?

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Congress passed the Patient Protection and American Affordable Care Act (Obamacare) in 2010. The law is the most significant expansion of access to medical care in the United States in decades, and it includes a provision requiring employers to allow the non-dependent children of their employees to remain on employer-provided health care plans until age 26.

Many [journalists](#) have argued that this provision will induce young people that would have otherwise sought jobs with established companies offering health care to instead become entrepreneurs. [Previous studies](#) have found statistically significant increases in business ownership at 65 when individuals qualify for Medicare and are no longer dependent on their employer or their spouse's employer for health care coverage.

In my paper, I examine whether there has been a similar effect for young adults 26 or younger who have had the opportunity to stay on the health care plans of their parents' employers since late 2010. I use regression discontinuity techniques to analyze data from the Bureau of Labor Statistics Current Population Survey. I also use an updated version of a matching technique described by [Madrian and Lefgren](#) (1999) to match 2011 and 2012 data to create a two-year panel data set of re-surveyed individuals under 26 years old.

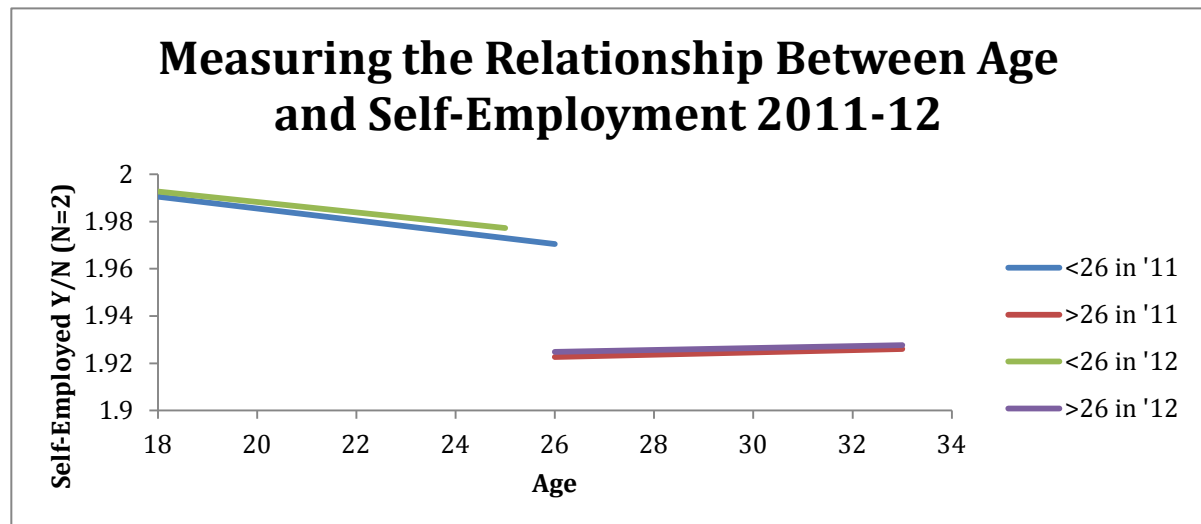
Between 2011 and 2012, private health care coverage rates increased for all groups under that age 26 cutoff, except for 25 year-olds. However, though private health insurance coverage increased for individuals under 26, self-employment did not. There also was no difference in self-employment rates in states like Massachusetts that covered individuals under 26 prior to 2011 and those that only started requiring private employers to offer coverage as a result of Obamacare.

Similarly, localized linear regressions before and after respondents' 26th birthdays in the matched panel data showed no significant differences. In fact, the coefficients and standard deviations are remarkably consistent between the two sets of matched data. This suggests there was no lagged effect on self-employment similar to that on private health insurance coverage sign-ups and provides further evidence that Obamacare's effect on self-employment among individuals under 26 was weak.

This null finding does not conclusively demonstrate that Obamacare failed to increase entrepreneurship among those under 26. Subsequent analyses should look for datasets that encompass larger numbers of young people who are self-employed and examine how closely self-employment and entrepreneurship are linked. Self-employment measures whether people can start and sustain their own business ventures. It does not, however, take into account other kinds of risky professional moves that could be characterized as entrepreneurial. For example, a young person joining a tech start-up, but not in a founding role, is not self-employed but is engaging in entrepreneurial risk-taking behavior.

Measuring the Relationship Between Age and Self-Employment

Regressions at X=26 in 2011 to 2012 (Matched CPS Data 2011-12)



*This graph shows that between 2011 and 2012 there was almost no change in the projected relationship between age and whether or not an individual would be self-employed. This suggests that Obamacare did not encourage a significant number of people under 26 to become entrepreneurs.