

## **Divorce and Women's Risk of Health Insurance Loss**

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## **Abstract**

The full scope of the economic consequences of marital disruption may be broader than previous studies suggest, extending beyond monetary resources to health insurance coverage. Little is known about how marital transitions affect health insurance coverage. This study focuses on the linkages between divorce and women's risk of health insurance loss, because women are nearly twice as likely as men to be insured as dependents, often on a spouse's insurance policy. To enhance our understanding of health insurance dynamics and the economic consequences of divorce in the U.S., this project analyzes monthly marital histories and health insurance experiences of nonelderly women in the large nationally representative Survey of Income and Program Participation. Fixed-effects models are estimated to examine to what extent and for what length of time divorce jeopardizes women's health insurance coverage, and what factors moderate this risk.

## **Divorce and Women's Risk of Health Insurance Loss**

After a steady increase in marital disruption over the course of the 20<sup>th</sup> century, rates have plateaued, and about half of all marriages in the United States now end in separation or divorce (Raley & Bumpass 2003). Prompted by questions about the implications of unstable family structures for adult and child well-being, one body of demographic literature has demonstrated severe economic consequences of marital disruption for women and children. This literature has analyzed such outcomes as family income (Smock 1993; Smock, Manning & Gupta 1999), per capita income (Smock 1993), income-to-needs ratio (Bianchi, Subaiya & Kahn 1999; Smock, Manning & Gupta, 1999), poverty rate (Bianchi, Subaiya & Kahn 1999), and wealth (Hao 1996). The monetary resources a woman has at her disposal to support herself and her children, as indicated by these various measures, are substantially diminished following divorce or separation. However, the full scope of economic consequences of marital disruption may be greater than previous studies suggest, extending beyond monetary resources to other resources such as health insurance coverage.

Because nonelderly adults in the U.S. rely on a fragmented health care system structured primarily around employer-based health insurance, individuals may lose coverage due to "normal" life course events including job transitions, marital transitions, and health problems (Quadagno 2004). While much literature shows that job losses are predictive of insurance loss (e.g. Gruber & Madrian 1997), little is known about how marital transitions relate to health insurance. Given that half of all marriages in the U.S. end in separation or divorce, this topic merits further attention (Raley & Bumpass 2003). As women are nearly twice as likely as men to be insured as dependents (Kaiser Family Foundation 2008), this study focuses on the linkages between divorce and women's risk of health insurance loss. This paper enhances our understanding of health insurance dynamics and the economic consequences of divorce in the U.S. by analyzing monthly marital histories and health insurance experiences of nonelderly women in the large nationally representative Survey of Income and Program Participation. Fixed-effects models are estimated to examine to what extent and for what length of time divorce jeopardizes women's health insurance coverage, and what factors moderate this risk.

### **Background & Significance**

Health care in the U.S. is at the forefront of the domestic policy agenda, in large part due to the growth of the uninsured population (now over 46 million; DeNavas-Walt, Proctor, and Smith 2009) as well as the increasing instability of health insurance coverage. Health insurance is a vital health resource, as well as an important financial resource. As a health resource, insurance facilitates access to medical care; uninsured individuals are significantly more likely than those who have coverage to postpone or forego medical checkups, prescribed medications, and other needed medical care (Ayanian et al. 2000; Berk, Schur, & Cantor 1995; Jovanovic, Lin & Chang 2003). As a financial resource, insurance helps individuals and families to manage the cost of routine medical care and protects them against catastrophic costs in the event of major injuries or illnesses. Due to rapid rises in health care costs, the dangers of uninsurance now include both lack of access to care and burdensome medical debt. Being uninsured may be especially burdensome for divorced women, who may experience this vulnerability as a cumulative disadvantage in tandem with decreased monetary resources, increased financial stress, and reduced psychological and physical health following marital disruption.

Nevertheless, findings from cross-sectional studies show that divorced and other unmarried women are more than twice as likely as married women to be uninsured (Jovanovic, Lin & Chang 2003; Meyer & Pavalko 1996). Descriptive longitudinal studies suggest that part of this differential in insurance coverage may result from insurance loss after marital disruption. For example, one study finds that 1/4 of women lose insurance within eight months after marital disruption, over 50% higher than the rate for men (Short 1998). However, the few studies published to date do not account for observed and unobserved selectivity. Women who experience marital disruption have greater socioeconomic disadvantage and poorer health relative to women who remain married, even prior to disruption (Smock, Manning & Gupta 1999; Canady & Broman 2003). They may also differ in unobservable ways (Smock, Manning & Gupta 1999). These selection issues threaten to confound the relationship between marital disruption and insurance status, as individuals with lower socioeconomic resources and poorer health are simultaneously more likely to divorce and more likely to be uninsured or experience insurance instability.

Although the selection problem precludes a causal interpretation of past findings, there are three reasons to hypothesize that divorce increases women's risk of health insurance loss. First, divorce may result in the loss of women's insurance "safety net," the availability of health insurance coverage through multiple avenues, including dependent coverage through a spouse's employer. Second, women's reduced economic resources following divorce may prevent them from purchasing continuation coverage or individual private market policies. Additionally, despite their financial hardship, divorced women find public health insurance is often not available. Childless adults are rarely eligible, and parents are typically eligible only at very low income levels (eligibility rules vary by state). Third, women covered as dependents on their husbands' employer-based policies typically become ineligible to continue dependent coverage after divorce (aside from temporary continuation coverage<sup>1</sup>). The current study focuses on divorce rather than marital dissolution (separation and divorce) because most separations reported on surveys are informal rather than legal, and thus involve no legal change in eligibility for dependent coverage. Indeed, this proves to be a source of endogeneity in the current study, as some couples choose to separate rather than divorce in order to maintain coverage. For this reason, the study's examination of health insurance loss after divorce *underestimates* the true latent risk of insurance loss.

### **Current Investigation**

The proposed study advances understanding of the relationship between marital disruption and health insurance coverage through a more rigorous treatment of the selection problem. Using monthly marital histories and health insurance experiences of nonelderly women in the U.S. from the 2004 SIPP dataset, we conduct fixed-effects logit models predicting women's health insurance coverage. Because fixed-effects models treat women as their own controls, multivariate analyses in the proposed study control for aspects of selection into divorce that are observable, as well as those which are unobservable and time-invariant.

The study aims to answer three key research questions: (1) Does divorce increase women's risk of health insurance loss? While findings cannot definitively establish a causal relationship, fixed effects models provide new evidence for such a relationship. (2) What is the temporal pattern of insurance loss and recovery, relative to time of divorce? An understanding of the duration of risk informs our broader understanding of health insurance dynamics. (3) How does the risk of

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<sup>1</sup>Per COBRA, most individuals have the right to retain coverage through their ex-spouses' employers for up to 36 months after divorce. However, COBRA is often prohibitively expensive at 102% of the full insurance premium.

insurance loss following divorce vary by source of health insurance and employment status prior to divorce? Women at greatest risk for insurance loss may be those who are insured as spousal dependents prior to divorce, and those who do not have access to coverage through their own employers.

## Data & Methods

We draw on data from the 2004 Survey of Income and Program Participation (SIPP) public-use dataset, a large panel study with information on demographic characteristics, labor force participation, income and asset levels, and health insurance coverage on nationally representative samples of adults in the U.S. The 2004 SIPP Panel followed approximately 112,000 original sample members ages 15 and older from February 2004 to January 2008, interviewing them over 12 waves spaced 4 months apart (Killian 2009).

Most core data in the SIPP, including marital status and health insurance coverage, are measured on a monthly basis (Westat 2001). For example, every four months for the duration of the panel, respondents are asked whether or not they held health insurance at any point during the previous four months. If they say yes, they are prompted to report in which months they held health insurance and the source of that insurance. Thus a particular strength of the SIPP is that it allows the construction of monthly marital and insurance histories across a large nationally representative sample of women in the United States for a period of 48 months. For women who experience both divorce and insurance loss, this temporal detail is necessary to determine precisely which event came first and how much time elapsed between the two.

The sample for the current study includes original 2004 SIPP panel women between the ages of 25 and 64 who are observed to be married at some point during the panel. The age restriction of 25 to 64 yields a sample of adults no longer eligible for insurance through their parents as dependents,<sup>2</sup> and not yet eligible for Medicare. Near-elderly sample members who become age 65 over the course of the panel are retained in the sample, but only their contributed person-months prior to age 65 are analyzed. Similarly, young adults who become age 25 over the course of the panel are retained in the sample, but only their contributed person-months after age 25 are analyzed. The restriction to women married at some point during the panel allows the comparison of divorced women's pre- and post-divorce insurance coverage. If women are not married in the first month of the panel (e.g. single, divorced, missing), they enter into the analysis sample at the first month in which they are observed to be married (in the appropriate age range). The final analysis sample includes 21,237 women between the ages of 25 and 64 who are observed to be married during the 2004 SIPP panel and included in the current study.

The key outcome variable for this study, health insurance coverage, indicates whether a woman holds health insurance coverage in the current month, and if so, what type of insurance. Four types of health insurance coverage are tabulated: (1) private health insurance through a woman's own employer; (2) private health insurance through a husband's employer; (3) other forms of private health insurance (e.g. individual insurance policies); and (4) public insurance (e.g. Medicaid). Note that employer-based coverage in (1) and (2) includes coverage through a current employer, a former employer, or a labor union. Whereas many datasets lack details on health insurance source, SIPP identifies whether an employer-based insurance policy is held in a woman's own name or in her spouse's name. This information is essential to examine how the source of a woman's insurance prior to divorce impacts her risk of insurance loss following

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<sup>2</sup> In the Kaiser/HRET Survey of Employer-Sponsored Health Benefits 2008, 93% of surveyed firms set the age limit for dependent coverage for full-time student dependents of employees to age 25 or younger (Claxton et al. 2008).

divorce. The key predictor variable is divorce, as indicated by transition in self-reported marital status between adjacent survey waves, from married to divorced.

### *Proposed Analyses*

Using fixed-effects logit models, we estimate women's probability of being insured in month  $t$ , conditional on marital status and disruption and relevant time-varying covariates. Fixed effects models hold constant time-invariant characteristics (e.g. race); time-varying covariates to be included in models include employment status, log earnings, age, self-reported health, presence and age of children, length of marriage, and an indicator variable for whether the woman's observed marriage is her first marriage. Estimating fixed-effects models helps to remove the influence of unobserved differences between married and divorced women on study results. Specifically, it accounts for the component of divorced women's lower propensities to hold health insurance that can be explained by their time-invariant disadvantages (e.g. poorer health, lower SES).

We estimate a sequence of models, starting with the unconditional gross association between divorce and health insurance coverage. We then sequentially add to the model demographic covariates and employment and earnings characteristics; the full model helps to elucidate the linkage between divorce and risk of health insurance loss. We also estimate models that include interaction effects between divorced status and insured through husband's employer prior to divorce, and divorced status and employed full-time prior to divorce. These interaction coefficients provide insight into how risk of insurance loss may be moderated by source of coverage and employment status prior to divorce

To investigate the temporal pattern of health insurance loss and recovery, additional analyses limit the sample to women who divorce during the panel, re-center the observations such that  $t=0$  represents the month of divorce, and predict insurance coverage in the current month based on time relative to divorce. Because the SIPP employs a stratified two-stage cluster sampling design, all analyses are weighted using person-month level weights, and standard errors are calculated using robust estimation to account for data clustering.

### *Expected Findings*

Preliminary analyses conducted preliminary analyses by the authors using observations from the earlier 2001 SIPP panel. Results suggest that divorce jeopardizes health insurance coverage for non-elderly women in the United States, and that women insured as dependents under their husbands' employer-based insurance plans prior to divorce are those most vulnerable to insurance loss after divorce. Preliminary analyses also find that risk of insurance loss is greatest in the month after divorce, that recovery is gradual overall, and that the rate of recovery differs substantially by source of health insurance prior to marital disruption.

### **Policy Implications**

Findings have the potential to reveal an unknown fracture in the U.S. health insurance system, adding to cumulative evidence that the system is inadequate for a population in which many members experience multiple marital and employment changes over the life course. More broadly, the study expands our understanding of health insurance dynamics and help inform promising avenues for health care reform.

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