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Abstract

I estimate the impact of being diagnosed with a serious new health condition (cancer, diabetes, heart attack, chronic lung disease, or stroke) on household wealth, food consumption and total household income for households with and without health insurance at baseline, using data from the first four waves of the Health and Retirement Study. I find that health shocks do not have a significant effect on consumption; households are able to smooth the impact of these shocks. Whether they deplete wealth in order to do so is not entirely clear; the estimated effect of a health shock on wealth is large (about $28,000) for both insured and uninsured households, but is not statistically significant. The proportional effect on wealth is estimated to be larger for uninsured households (a drop of 20 percent) than for insured households (a drop of about 2 percent), but again, neither effect is significantly different from zero. Health shocks reduce household income by about $9,000 and reduce the probability of work by about ten percentage points; the labor supply response to a shock is about the same whether or not a household has insurance. There is no evidence that the uninsured face significantly higher economic risks than the insured in the event of a health shock.
1. Introduction

What are the economic consequences of not having health insurance? Policy debates about the uninsured often focus on how lack of health insurance affects access to medical care, without considering how uninsured households will pay for the medical care they receive. Uninsured households may have to reduce their consumption, dip into their savings, and/or increase their labor supply when they experience a bad health event. Little is known about the magnitude of these effects. How do the economic losses suffered by uninsured households in the event of poor health compare to those of insured households?

In this paper, I use data from the first four waves of the Health and Retirement Study, spanning the years 1992 through 1998, to examine the economic impact of serious new health conditions on a sample of households nearing retirement age. Specifically, I analyze whether a new diagnosis of cancer, diabetes, heart attack, chronic lung disease or stroke significantly affects consumption or wealth, and how this impact differs for individuals with and without health insurance at baseline. I also look at the effects of health shocks on household income and on labor supply and earnings.

I fail to reject that new diagnoses affect household food consumption, so it appears that households are able to smooth the impact of these shocks. Whether they deplete wealth in order to do so is not entirely clear; the estimated effect of a health shock on wealth is large (about $28,000) for both insured and uninsured households, but is not statistically significant. The proportional effect on wealth is estimated to be larger for uninsured households (a drop of 20 percent) than for insured households (a drop of about 2 percent), but again, neither effect is significantly different from zero. Health shocks reduce household income by about $9,000 and reduce the probability of work by about ten percentage points. The differences between the
effect on income and work for insured versus uninsured households are not statistically significant. That is, the labor supply response to a shock is about the same whether or not a household has insurance.

2. Background: How Do Households Respond to Health Shocks and Other Economic Shocks?

Health insurance is one of many mechanisms households may use to respond to the economic shocks associated with poor health. In addition to smoothing shocks through formal insurance contracts such as health insurance, they may also rely on informal insurance arrangements like transfers from family members or the depletion of assets accumulated in anticipation of risks to income and expenses. In this context it is not clear whether health insurance will play a central role in buffering the economic impact of poor health. One possibility is that both households with and without health insurance may be vulnerable to the economic risks associated with poor health. This could occur either because health insurance does not fully cover medical expenses or because medical expenses may be small relative to wages lost due to poor health. Health insurance would be necessary but not sufficient to protect households from economic risk. On the other hand, neither insured nor uninsured households may be at risk because informal insurance arrangements – transfers from relatives to help pay medical bills, for example, or the forgiveness of debt by hospitals – may reduce the impact of the economic shock for families without health insurance. A final possibility is that given the imperfections in the insurance market, households may choose to “self-insure” by accumulating assets instead of buying formal insurance, so that the consumption of these households will be unaffected by a health shock since they have prepared for this possibility and wealth would be
expected to decrease following a health shock. Households may also smooth consumption by increasing labor supply to pay the bills associated with a health shock.

Whether health insurance plays an important role in smoothing the economic impact of poor health is therefore an empirical question. The net effect of these mechanisms in buffering health shocks can be assessed by looking at whether or not they affect household consumption, which is one measure of the household’s economic well-being at a point in time; and at wealth, to determine whether consumption is maintained by depleting assets; and at labor supply, to see how households change their work behavior in response to health shocks.

A number of studies have explored the links between health, insurance, consumption and wealth. Beginning with studies that focus on the impact of health shocks on wealth, Smith (1999) compares the impact of health shocks on wealth for households with and without health insurance. Using the Health and Retirement Study and looking at the onset of serious health conditions between waves 1 and 2, he finds that household wealth declines an average of about $17,000 in response to a new condition, regardless of whether or not the household has insurance. He finds that insurance is associated with lower out-of-pocket spending ($1,912 for insured households versus $4,576 without insurance), but also lower total medical spending ($26,957 insured versus $42,166 uninsured.) Wu (forthcoming) also uses data from the first two waves of the HRS and finds a decline in married couples’ wealth of about $6,500 at the median associated with serious health shocks for wives, but no significant decline for husbands. Hurd and Kapteyn (2001) find that wealth increases by a smaller amount for HRS respondents whose self-reported health status declines between waves than for those whose health improves or remains the same. They find no correlation between changes in wealth and changes in health status in similar data on an older cohort, the Asset and Health Dynamics of the Oldest Old
(AHEAD). As they (and many other authors, including Smith 1999) point out, it is not clear which direction causation runs here. This is one reason for using clearly defined health events such as new diagnoses rather than self-reported changes in health status as a measure of health “shocks,” since the latter are clearly not exogenous. Adams et al. (2002) discuss the exogeneity problem at length and present empirical evidence on the links between health and wealth using data from the AHEAD.

A number of other studies examine the impact of health shocks on consumption. Cochrane (1991) uses data from the 1980 through 1983 waves of the PSID to test the hypothesis that consumption growth across households is independent of idiosyncratic shocks to income. In practice, this involves regressing changes in the natural log of food expenditures on different variables reflecting idiosyncratic shocks: involuntary job loss, weeks of job search given involuntary job loss, strike days, an involuntary move, and days of work lost by the household head due to illness (which includes days lost due to the illness of a family member). While he does not reject consumption insurance for job search, strike days, or an involuntary move, he does reject it for both involuntary job loss and days of illness. He also reports that the days of illness result is largely driven by long illnesses (greater than or equal to one hundred days), suggesting that households are well insured against short illnesses (“an obvious feature of most employment contracts”) but not against longer ones.

Gertler and Gruber (2002) reach a similar conclusion about the impact of mild versus severe disability on consumption in Indonesia. Regressing changes in the natural log of non-medical consumption on measures of changes in health status and a set of demographic control variables, they find that the results depend heavily on what measure of change in health status is used. Reported illness symptoms have no effect on consumption growth; reported changes in
functional status, however, have a significant negative effect that increases with the degree of impairment. They also find that the primary pathway through which this effect operates is through lost earnings, which they point out is not surprising in Indonesia where medical care is heavily subsidized by the government.

Stephens (2001) looks at the impact over time of disability of the household head on consumption, using data from the PSID. He finds that disability does not have an immediate effect on consumption, but that household consumption falls over time for the disabled relative to the non-disabled. He also reports, however, that the drop in consumption is smaller than what would be expected based entirely on the drop in reported earnings, which suggests that there is at least some degree of insurance although whether this is the result of formal or informal mechanisms is unclear.

The bottom line in these studies of health and consumption is that household consumption is affected by health shocks, so consumption insurance is imperfect. This result is particularly striking since the null hypothesis in the literature on consumption insurance is that households are insured against idiosyncratic risks by other households—that is, that economic shocks are smoothed across different households at a point in time. As noted by Hayashi, Altonji and Kotlikoff (1996), this hypothesis has no power against the possibility that household consumption is smooth because households are self-insuring. They test this proposition directly using data on changes in consumption and past and future wages from the Panel Study of Income Dynamics they reject the consumption insurance hypothesis of full risk-sharing across households, but fail to reject that consumption is smooth because of self-insurance. Their point is particularly relevant in light of the studies discussed above that show an association between poor health and reductions in wealth, which are also consistent with the notion that there is at
least some degree of self-insurance against health shocks. Moreover, the increasing empirical support for the precautionary saving hypothesis (Hubbard, Skinner and Zeldes 1994; Palumbo 1999) reinforces the conclusion that economic risks are not shared across households by either formal or informal mechanisms. To the extent that a precautionary motive for savings exists, consumption insurance must be imperfect; moreover, empirically, looking at the impact of shocks on consumption provides no evidence on whether the mechanism for smoothing is actually consumption insurance across households. Several studies have examined explicitly the link between health insurance coverage and saving behavior, to see whether households rely on savings as a substitute for health insurance in the way predicted by the precautionary saving hypothesis. Starr-McCluer (1996) finds that households with health insurance have higher wealth than uninsured households, which is consistent either with the idea that savings do not substitute for insurance or with the idea that insurance status is not exogenous. Gruber and Yelowitz (1999) rely on the Medicaid expansions of the late 1980s and early 1990s to provide exogenous variation in health insurance coverage and find that increases in Medicaid coverage are associated with decreases in saving, suggesting that households do use saving as a substitute for formal insurance. Again, the corollary of this finding is that health shocks will lower wealth.

Finally, many studies have looked at the impact of an individual’s health on his or her own labor supply. These studies are reviewed in Currie and Madrian (1999). As Currie and Madrian discuss, the estimated impact of poor health on labor supply depends on the population studied, and how both health and labor supply are measured, but effects are generally negative as one might expect. There are fewer studies that examine the impact of an individual’s health on the labor supply of other family members: an “added worker effect.” Charles (1999) reviews these studies, most of which find little evidence of an added worker effect. Charles uses data
from the first two waves of the HRS to analyze the same question. He uses limitations on activities of daily living as instruments for self-reported disability status and employs fixed effects estimation to account for unobservable heterogeneity in labor supply. In contrast to the earlier literature, he finds that the probability that women work and the number of hours they supply annually are significantly higher when their husbands are disabled, while men reduce their labor supply in response to wives’ disability.

In light of these results, my empirical analysis will focus on three sets of questions. First, is consumption smooth when serious health shocks occur for insured or uninsured households? Second, do health shocks affect wealth and if so, do uninsured households experience greater losses? Third, how do total household income and individual labor supply respond to health shocks for insured versus uninsured households? The next section describes the data I will use to address these questions.

3. The Data

The Health and Retirement Study (HRS) consists of a panel of households that have been interviewed every two years since 1992. The target population consists of individuals born between 1931 and 1941 so that most respondents are in their fifties in the first wave of the survey. Respondents—sampled individuals born during the target period and their spouses—are asked detailed questions about employment, income, wealth, health and a variety of other topics. Basic demographic information is collected for household members of all ages, as well as for children and parents of the respondents.

This paper uses the four completed waves of the HRS for which final data are available: 1992, 1994, 1996, and 1998. The initial sample consists of 7,607 households. I restrict the
analysis in this paper to the subsample of 4,422 households in which there are no changes to the household head or spouse over the four survey waves and no missing data on the main variables of interest. This excludes households in which one or both respondents die and households that experience a divorce, marriage or remarriage. While changes in household composition are a potentially important response to health shocks and may also have an independent effect on household economic well-being, I do not examine these here.¹

All monetary values are inflated to 1998 dollars using the CPI-U. Where available, the analysis uses values imputed by the HRS staff.² Otherwise, invalid observations—monetary and otherwise—are coded as missing. The HRS variables used in the analysis are defined as follows:

**Consumption:** The HRS does not provide a measure of consumption that is consistent in waves one through four. In the first and second waves, 1992 and 1994, respondents are asked about food stamps received in the month prior to the interview, as well as spending on food consumed at home, food eaten away from home and food delivered to the home during the same period. The measure of consumption that I use is the sum of these. However, in 1996 the question about food spending other than food stamps was asked at the household level rather than at the individual level as in waves one and two. This may have caused the increase in reported food spending in wave three that will be evident in the descriptive statistics. There is no reason to think that this change in reporting is correlated with either insurance status of new diagnoses of illness in a way that would bias the results. By 1998 the questions on food consumption had been phased out altogether, so the analysis of consumption relies on fewer observations than the analyses of wealth and labor market outcomes.

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¹ The death of one spouse has important economic implications for the spouse who survives; see Weir et al. (2000) for evidence on income and wealth of widows.
² Documentation on the process used to impute missing values is available on the HRS website: www.umich.edu/~hrswww
**Wealth:** Wealth is the sum of housing wealth (property value – housing debt) and non-housing wealth. Non-housing wealth is the sum of other real estate, business equity, stocks, bonds, Individual Retirement Accounts (IRAs), liquid assets, vehicles, and other assets, minus other debts. This variable refers to the household’s wealth at the time of the survey. It does not include the present value of pension wealth.

**Household income:** Total household income is the sum of wages and salaries earned by both head and spouse, pensions, annuities and government transfers such as Unemployment Insurance, Social Security and welfare, capital income, other sources of income such as alimony and child support, assistance from friends or family members, and income earned by other household members in the calendar year prior to the survey.

**Individual labor earnings:** Respondents are asked about their total labor earnings in the calendar year prior to the survey.

**Labor market variables:** Respondents are asked if they are working for pay at the time of the survey; this is my measure of whether or not a person is working. Individuals who are working are also asked about their usual hours on their main job and second job, if they have a second job; the measure of hours I use is the sum of usual hours on the first two jobs. Respondents who are working are also asked about usual weeks worked during the year.

**Health shocks:** Respondents are asked at baseline (1992) if they have ever been diagnosed with cancer, diabetes, heart disease, chronic lung disease or a stroke. In each of the three waves following 1992, respondents are asked if since the previous interview they have been diagnosed with any of these conditions. Individuals are labeled as healthy if they have never been diagnosed with one of these conditions, sick if they ever report any one of these conditions.
Being sick is therefore an absorbing state: that is, a respondent who has ever been diagnosed with one of these conditions is defined to be “sick” forever after.

**Health insurance:** In each wave of the HRS, respondents are asked about the status of their health insurance coverage. Respondents who report employer-sponsored or individually purchased insurance, and/or public insurance such as Medicare or Medicaid are classified as insured. As I will discuss in more detail later, I rely on information about insurance coverage of the household head and spouse, if any, at wave 1 to characterize households as “insured” or “uninsured” for purposes of this analysis.

**Other demographic variables in the HRS:** The HRS includes data on the size and demographic composition of the household, including the age and education of both the head and spouse and number of other household members in each wave.

All statistics are estimated using the wave 1 sampling weights associated with each household (for household-level variables) or individual (for individual-level variables).

**Descriptive statistics**

Table 1 presents descriptive statistics as of wave 1 for the households used in the analysis (that is, households where both the household head and the spouse, if any, are observed in all four waves with non-missing data for key variables of interest). Mean wealth at wave 1 for this subsample is about $246,000 (in 1998 dollars). Married couple households have, on average, more than twice the wealth of households with an unmarried head ($300,681 versus $125,773). Median wealth is much lower than mean wealth: $111,000 overall, $148,050 for couples and $41,400 for singles.
Average food spending in wave 1 is $426 and average annual household income is $51,211. As with wealth, mean household income of married-couples households is more than twice that of singles: $61,271 versus $28,944. About 75 percent of household heads and 63 percent of spouses are working at the time of the wave 1 survey; heads usually work about 44 hours per week and spouses about 37. The average worker in the sample works full-year (mean of 49 weeks for heads and 48 weeks for spouses).

Most households – 83.2 percent – have health insurance for both the head and spouse (if there is a spouse). Single heads are less likely than married heads to have insurance at wave 1 (81.1 percent versus 90.5 percent). A surprisingly large fraction of households – forty percent – have either a head or a spouse who has been diagnosed with one of the five serious conditions (cancer, diabetes, heart attack, chronic lung disease or stroke) when they are first interviewed at wave 1. The remaining sixty percent are at risk of experiencing a new diagnosis.

Table 2 presents the patterns of diagnosis, or “diagnosis histories,” observed over the four waves of the survey, for all households and by their insurance status. The diagnosis history shows whether or not a household has either a head or a spouse diagnosed with a serious condition in each wave. For example, a diagnosis history of 0011 means the household remained “healthy” (no diagnosis) through waves 1 and 2 but reported a new diagnosis in wave 3. Since new diagnosis is considered an absorbing state, diagnosis histories such as 0100 are by definition not possible. In each wave, about one-tenth of the sixty percent of households who were initially healthy will report that either the head or the spouse (if any) received a serious new diagnosis since the previous wage. The result is that by wave 4, only about forty-two percent of households remain healthy. Combined with the forty percent who begin the first interview already having received one of more of these diagnoses (a diagnosis history of 1111), this means
that 18 percent of households have a head or spouse who receives a new diagnosis during the six years that elapse between wave 1 and wave 4. Table 2 also shows these patterns separately for households where both the head and spouse are insured at wave 1 and where one or both are uninsured at wave 1. Somewhat surprisingly, these patterns of diagnosis are very similar for households where both head and spouse (if any) are insured and households that have an uninsured head or spouse, as shown in the last two columns of table 2. For both types of household, about forty percent enter the sample with a head or spouse who already has a serious condition. Conditional on entering the sample healthy, the probability of a shock occurring over the next six years is about thirty percent for both insured and uninsured households.

The bottom two panels of table 2 show diagnosis histories by insurance status for heads and for spouses separately. Insurance status here is defined as the individual’s insurance status at wave 1, rather than reflecting the insurance status of the other household respondent as in the first panel. Spouses are more likely than heads to enter the sample healthy and to remain that way throughout all four waves. This most likely reflects the fact that spouses are by definition all women, who tend to remain healthy longer than men do, while three-quarters of household heads are men. Again, patterns of diagnosis are fairly similar for insured versus uninsured individuals, although the similarity of the household-level patterns discussed above masks slight differences that become evident when heads and spouses are examined separately. Insured heads are slightly less likely than uninsured heads to enter the sample with a diagnosis (29.3 percent versus 31.4 percent). Conditional on entering the sample healthy, insured and uninsured heads are about equally likely to experience a health shock over the next six years: about 24 percent of either insured or uninsured heads experience a health shock. In contrast, insured spouses are more likely than uninsured spouses to enter the sample with a diagnosis (23.2 percent versus
21.9 percent). Insured spouses are also less likely than uninsured spouses to experience a shock, conditional on entering the sample healthy. About 15 percent of insured spouses and 17 percent of uninsured spouses who enter the sample healthy experience a shock by wave 4. Although these differences in the patterns of health shocks between the insured and uninsured highlight the possibility that insurance and health shocks are simultaneously determined, the differences are far smaller than (for example) the differences between the health status of the uninsured and insured that might be observed in a sample that included households of all ages rather than one defined so narrowly on the basis of age.

I categorize each household based on its diagnosis history as “healthy” (never receiving a diagnosis: diagnosis history 0000), “chronic” (someone in the household had already been diagnosed with a condition at wave 1: diagnosis history 1111) or “shock” (a new diagnosis occurs sometime between waves 1 and 4 in a previously healthy household: diagnosis histories 0111, 0011 and 0001). Table 3 summarizes the wave 1 characteristics of households by these health status categories and their wave 1 insurance status. Of particular interest is the initial economic status of uninsured households who are initially healthy and who will subsequently experience a new diagnosis: how much do these households have to lose? Table 3 shows that these households have mean wealth of $167,113 and median wealth of $50,000 at wave 1; their average household income is about $32,000. Seventy percent of heads and fifty percent of spouses in this group are working. So the answer is that they have quite a lot to lose. Estimates of the impact of uninsured health shocks will have to be evaluated relative to these initial levels among the group at risk.

Wave 1 characteristics by health status and insurance are also interesting because they shed light on the a number of baseline differences between these groups. First, it is immediately
evident in table 3 is that uninsured households regardless of their diagnosis history have lower wealth and household income and lower rates of work than insured households. Uninsured households are simply different from insured households on nearly every economic dimension. Second, among both insured and uninsured households, wealth and income are lower for households where someone has already been diagnosed with a serious condition at wave 1. This is, of course, consistent with either the notion that poor health lowers wealth accumulation and earnings or that low economic status is bad for health. Third, among insured households, those that will experience a new diagnosis look similar to those that will remain healthy throughout. In particular, their median wealth is very similar (about $134,000), earnings of head and spouse (if any) are similar (about $30,000 and $18,000 respectively); and household characteristics like household size, age of head, and fraction nonwhite are similar. On the other hand they are not identical. The fraction working and the mean education level of the head are different: individuals in households that will remain healthy are more likely to be working at wave 1 and the heads have higher levels of education. The similarities are important since they suggest that what I define to be health shocks may truly be “shocks:” unexpected events assigned randomly to households. But to the extent that there are differences in observable characteristics at wave one, the assumption that these health shocks are exogenous may be incorrect. Among uninsured households, for example, those who will experience a new shock have lower wealth and income to start out, as well as lower rates of work, than those who will remain healthy, suggesting that particularly among the uninsured what we measure as “shocks” may in fact be correlated with existing conditions and behaviors that have already begun to determine economic outcomes - or be determined by the household’s economic status – well before the “shocks” are observed in our sample.
Overall, the statistics in table 3 confirm what we might already have suspected to be true: that the economic situation of insured and uninsured households is quite different. This fact will be very important for understanding the impact of health shocks on the evolution of households’ economic well-being. In addition, within insured or uninsured households, those who will subsequently experience a shock also look somewhat different from those who will not, though this is less true for the insured than for the uninsured.

Table four explores the evolution of the outcome variables of interest for households by their insurance status and diagnosis history. The first panel of table four contains mean wealth at each wave by insurance status and diagnosis history. For the insured, regardless of diagnoses, average wealth increases consistently. For the uninsured, average wealth is almost as likely to decrease as to increase, although these decreases are not clearly correlated, in this simple table, with the timing of diagnoses. This table highlights the fact that the insured and uninsured have different economic status not just at a point in time, as shown in table 3, but over time. This is true even for households that remain “healthy” by my definition: among insured households that never experience a new diagnosis, average wealth increases from $286,010 at wave 1 to $482,930 in wave 4. For uninsured households that remain healthy the change is from $266,553 to only $316,174. The changes in median wealth show a similar pattern: an increase from $133,500 to $186,000 for insured healthy households and from $73,000 to $76,000 for uninsured healthy households. The important point here is that the time path of wealth is quite different for households with and without health insurance, even in the absence of health shocks.

The third panel of table four presents similar statistics on consumption. Measured consumption for all households increases sharply in wave 3; this is most likely the result of the questionnaire change discussed above. The fourth panel of table four presents similar statistics
on household income, which do not reveal a clear pattern. The fifth panel of table four presents similar statistics on whether or not the household head works, which underscore the facts that (1) sick people are less likely to work, at any point in time, and (2) the probability of working declines over time for all subgroups in this sample.

4. The Impact of Health Shocks for Insured versus Uninsured Households

In order to estimate the impact of health shocks on the various economic outcomes of interest, I estimate household fixed-effects regressions with consumption, wealth and income as dependent variables. The fixed-effects estimates are not subject to bias arising from time-invariant unobservable characteristics that differ across insured and uninsured households. In effect, the impact of a shock is identified by comparing the economic status of a given household before an economic shock with the economic status of the same household after a shock has occurred. Identification does not rely on a comparison of economic outcomes across households that do and do not experience shocks, as in an OLS regression. The fixed-effects specification is:

$$Y_{ht} = a_h + b \cdot (\text{new diagnosis}_{ht}) + c \cdot (\text{new diagnosis to a household member who was uninsured at wave } l_{ht}) + d \cdot \text{head's age}_{ht} + f \cdot (\text{head's age}_{ht})^2 + g \cdot \text{head is working}_{ht} + h \cdot \text{number of other people in household } h + \epsilon_{ht}$$

where $h$ indexes households and $t$ indexes survey waves. This model constrains the coefficients on age, age squared, the number of others in the household and the head’s age to be the same for insured and uninsured households. Since these variables may in fact have quite different effects
for the two types of households, I also estimate an unconstrained version of the model that allows these coefficients to differ for insured and uninsured households:

\[ Y_{ht} = a_h + b \cdot (\text{new diagnosis}_{ht}) + c \cdot (\text{new diagnosis to a household member who was uninsured at wave } l_{ht}) + d_0 \cdot (\text{head's age}_{ht}) + f_0 \cdot (\text{head's age}_{ht})^2 + g_0 \cdot (\text{head is working}_{ht}) + h_0 \cdot (\text{number of other people in household } h) + d_1 \cdot (\text{household } h \text{ is uninsured at wave } l) \cdot \text{head's age}_{ht} + f_1 \cdot (\text{household } h \text{ is uninsured at wave } l) \cdot (\text{head's age}_{ht})^2 + g_1 \cdot (\text{household } h \text{ is uninsured at wave } l) \cdot (\text{head is working}_{ht}) + h_1 \cdot (\text{household } h \text{ is uninsured at wave } l) \cdot (\text{number of other people in household } h) + \epsilon_{ht} \]  

In both the constrained and unconstrained specifications, the coefficient \( b \) on the new diagnosis dummy is the estimate of the impact of a health shock to an uninsured person. The coefficient on the diagnosis*uninsured variable, \( c \), is the estimate of the additional impact when the health shock occurs to an uninsured person, so that \( b + c \) is the total impact of a shock for the uninsured.

There are two important points to notice about the measurement of insurance coverage in these regressions. The first is the distinction between household-level and individual-level measures of insurance coverage. The unit of observation for these regressions is the household-wave, and in the unconstrained regressions the control variables (employment status of the household head, age of head, number of others in the household) are interacted with a household-level variable measuring whether the household has either a head or a spouse who does not have insurance at wave 1. The term measuring the differential impact of the health shock for the uninsured, however, is defined at the individual level: did a shock occur to a person who was
insured at wave 1? This distinction affects only households where one respondent has insurance at wave 1 and the other does not. For example, suppose that at wave 1 the household head has insurance and his spouse does not. In wave 2 the head reports that he has been diagnosed with cancer. I would measure this event as a health shock to an insured individual, while the household would be considered an “uninsured” household. About ten percent of married couples (n = 307) have one spouse who is insured and one who is uninsured at wave 1.

The second important point about the treatment of health insurance coverage is that I characterize households and individuals based on their status at wave 1. I do this because I am interested in the net effect of health shocks over time, starting with cohorts of people who are insured or uninsured at baseline. Of course, one of the effects of a health shock may be that individuals gain or lose insurance coverage. By specifying the regressions in this way, I do not control for these effects. Instead, I measure the bottom-line effect of all the consequences of a health shock including any mediating changes in insurance status. Descriptive statistics on changes in insurance status by diagnosis history, shown in table 5, reveal three things. First, that insurance coverage is quite persistent: more than ninety percent of individuals who have insurance coverage at wave 1 remain covered throughout the entire period. Second, that lack of insurance coverage is less persistent: only about a quarter of the individuals who have no insurance coverage in wave 1 remain uninsured throughout the entire period. About half of those who are uninsured in wave 1 get coverage by wave 2 and remain insured through wave 4. Third, looking at transitions into and out of insurance coverage, there does not appear to be a pattern of losing coverage following a new diagnosis. On the contrary, for any diagnosis history, the likelihood of a transition into insurance coverage in the period after a diagnosis is about twice the probability of a transition out of coverage. To the extent that changes in insurance status mediate
the impact of health shocks, they are more likely to soften the blow. A detailed analysis of the impact of new diagnoses on insurance coverage is a subject for future research. For the time being it is reasonable to conclude based on the statistics in table five that loss of insurance following a new diagnosis is unlikely to be a major factor affecting the results of my analysis.

Table six presents regression results for the constrained and unconstrained models with consumption as the dependent variable. I fail to reject the constrained model (p = 0.8265), which is consistent with the idea that the age profile of food consumption is similar for insured and uninsured households – an idea that is both plausible a priori and supported by the descriptive statistics on consumption in table 4. For the sake of consistency with subsequent results, I will discuss results from the unconstrained model (column 2). A new diagnosis is estimated to increase consumption by $33 for insured households and to decrease it by $24 for uninsured households; neither coefficient is statistically significant. Thus, I fail to reject the hypothesis that consumption is smooth in response to new diagnoses regardless of insurance status. Ideally, it would be desirable to have additional measures of household consumption. Food is likely to be a relatively inelastic category of consumption and therefore offers a weak test of the consumption smoothing hypothesis. But the evidence based on this test suggests that households are able to smooth consumption in response to health shocks.³ This is also true when the model is estimated without controlling for changes in the employment status of the head (results not reported).

The next question is whether this smoothing is achieved by depleting wealth. Table seven presents the results of both the constrained and unconstrained models with wealth as the

³ Estimating the regression with the dependent variable measured as the natural logarithm of food spending (as in, for example, Cochrane [1991]) yields coefficients (standard errors) of 0.031 (0.038) on the new diagnosis variable and -0.067 (0.129) on the new diagnosis*uninsured variable. Thus, the formal test of the consumption insurance hypothesis fails to reject the hypothesis.
dependent variable. The constrained model corresponding to specification 1 suggests that a new diagnosis lowers the wealth of insured households by about $20,000, but this effect is not statistically significant. Uninsured households, by contrast, experience a large, significant loss of about $68,000 in wealth in response to a new diagnosis in the constrained model. The next column shows the effect of allowing the age profile of wealth to differ for insured and uninsured households: here, the estimated effect of a new diagnosis is a large but statistically insignificant reduction in wealth of $28,000 for both insured and uninsured households (p = 0.287). The difference between the constrained and unconstrained models is striking: allowing the age profile of to differ for insured versus uninsured households makes a big difference to the estimated effect of a new diagnosis. The intuition for why this matters so much is that increases in wealth over time are much lower for uninsured households even in the absence of a health shock. In the unconstrained model, the coefficients on age and age squared for insured households suggest an average increase of $23,564 at age 60 ( = 45,884 – 2*60*186), while the implied average increase for the uninsured is only $2,759 per year ( = [45,884 – 24,765] – 2*60*[186-33] ). Constraining these coefficients to be the same for the insured and the uninsured in effect makes the “diagnosis * uninsured” dummy absorb some of the lower age profile for the uninsured, since new diagnoses by definition occur over time. The result is a large coefficient on the uninsured * diagnosis variable in the constrained model.

This difference in the age profiles of wealth and the potential for misinterpreting the coefficient in the constrained model strongly suggest that the unconstrained specification is preferable a priori. This is confirmed by an F-test; the null hypothesis that the coefficients on the interaction terms are all jointly equal to zero can be rejected with p = 0.034 so the unconstrained specification is preferred.
The log specification yields results that are slightly different. Again the difference between the constrained and unconstrained models is dramatic, with the constrained specification being rejected ($p = 0.284$). In the unconstrained specification (column six of table seven), new diagnoses result in a small (two percent) statistically insignificant loss of wealth for insured households and a large (20 percent) but still statistically insignificant drop in wealth for uninsured households. Where the model estimated with the dependent variable in levels suggested about the same dollar decline in wealth for insured and uninsured, the log model suggests a much larger proportional decline for the uninsured. This difference is likely the result of two factors. First, the log transformation effectively reduces the influence of outliers on the regression coefficient. Second, a drop in wealth of a given magnitude has a larger proportional effect for the uninsured since as we have already seen, the initial levels of wealth for uninsured households are much lower. A loss of $28,000 means more to an uninsured household (whose median wealth is $50,000 among those who experience a shock) than to an insured household (whose median wealth is $101,000 among those who experience a shock). The differences between the level and log specifications are therefore important and both sets of results are interesting. This leads to an ambiguous conclusion about the nature of consumption smoothing, however. While both sets of results support the conclusion that the uninsured rely on wealth depletion to maintain smooth consumption (although admittedly without much precision), whether or not households with formal health insurance also rely on wealth depletion is unclear. The estimates with wealth measured in levels as the dependent variable are consistent with the idea that the insured deplete their wealth just as much as the uninsured do, in absolute terms.

4 Another possibility is that the restriction of the sample to observations with positive wealth only that is imposed by the log specification results in the difference. We can rule this possibility out by noting that results from the model estimated in levels using only the sample with positive wealth, shown in columns 3 and 4 of table 6, are very similar to the results estimated using the full sample.
The results with the natural log of wealth measured as the dependent variable allow us to reject with some precision the hypothesis that the insured lose a significant fraction of their wealth in response to a new diagnosis.

The next questions are how household income and individual labor supply respond to new diagnoses. Table eight presents fixed-effect regression results for models with household income and the natural log of household income as dependent variables. Columns one and two of table eight present coefficients from the constrained and unconstrained models, respectively, with household income measured in levels as the dependent variable. Although the constrained model is not rejected in this case, again I will discuss the results from the unconstrained model for the sake of consistency. The fixed-effects regression results suggest that household income drops significantly - by nearly $9,000 - in response to a new diagnosis for insured households and by a smaller amount for uninsured households, although the difference in the coefficients for the insured and uninsured is not statistically significant. Recall that mean household income at wave one for households that will experience a shock is about $58,000 for the insured and $31,500 for the uninsured. The same model estimated with the dependent variable estimated in logs suggests a statistically significant drop of about 8.6 percent in household income for both insured and uninsured households in response to a new diagnosis. Table nine presents supporting results from similar regressions with the different components of household income as dependent variables; only the coefficients on the new diagnosis and new diagnosis * uninsured variables are reported. These regressions show that the only two components of household income that are significantly affected by a health shock are earnings of the head and spouse, which decline by about $4,600 for insured households and $2,100 for uninsured households; and, for insured households, capital income, which drops by about $4,000. The drop in earnings of the head and
spouse therefore explains about half of the total drop in household income. The loss in capital income is consistent with the earlier result that these households have lost some of their wealth. Other components of income (most notably transfers from other households, which we might have expected to increase if consumption insurance were effected by informal transfers from other households) do not change much for either insured or uninsured households in response to a health shock.

To shed light on the decline in earnings documented in table nine, I estimate individual-level fixed-effects models using data on all respondents for the following labor market outcomes: earnings, doing any work at the time of the survey, usual hours on main job if working, usual weeks on main job if working, and total individual earnings. As above, I estimate both constrained and unconstrained versions of each regression where the constrained version requires the coefficients on age and number of others in the household to be equal for insured and uninsured individuals. The specification of the constrained model for each outcome $W$ is:

$$W_{it} = \alpha_i + \beta \cdot (\text{individual has new diagnosis}_{it}) + \gamma \cdot (\text{health shock}_{it} \cdot \text{individual is uninsured at wave} \, l) + \delta \cdot \text{individual's age}_{it} + \lambda \cdot (\text{individual's age}_{it})^2 + \pi \cdot \text{number of other people in household} + \eta_{it}$$

where $i$ now indexes individuals and $t$ again indexes survey waves. The specification of the unconstrained model is:
\[ W_{it} = \alpha_i + \beta \cdot (\text{individual has new diagnosis}_{it}) + \]
\[ \gamma \cdot (\text{health shock}_{it} \cdot \text{individual is uninsured at wave 1}) + \]
\[ \delta_0 \cdot \text{individual's age}_{it} + \]
\[ \lambda_0 \cdot (\text{individual's age}_{it})^2 + \]
\[ \pi_0 \cdot \text{number of other people in household} + \]
\[ \delta_1 \cdot (\text{individual i is uninsured at wave 1}) \cdot \text{individual's age}_{it} + \]
\[ \lambda_1 \cdot (\text{individual i is uninsured at wave 1}) \cdot (\text{individual's age}_{it})^2 + \]
\[ \pi_1 \cdot (\text{individual i is uninsured at wave 1}) \cdot \text{number of other people in household} + \eta_{it} \]

Table ten presents results from individual-level fixed effects regressions with individual labor earnings as the dependent variable. The unconstrained model suggests a significant decline of about $2,500 for the insured and a smaller though not significantly different decline for the uninsured. The drop in the labor earnings of the newly diagnosed household member, then, explains slightly more than half of the drop in earnings of the head plus earnings of the spouse documented in table nine. This means that a new diagnosis for a married person must either be correlated with a new diagnosis for the person’s spouse, or must directly cause lower earnings for the spouse (for example, a wife quits her job to take care of her husband after his heart attack). I will return to this issue later.

In order to shed further light on the decline in earnings, table eleven presents results of models with work, hours, weeks and hourly wage as dependent variables\(^5\). The first two columns of table eleven, estimated using the full sample, have a dummy variable equal to one if the individual is working at the time of the survey. As was the case with wealth, the underlying time path of labor supply is very different for the insured than the uninsured. The age coefficients in the unconstrained model imply an annual decrease at age 60 in the probability of

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\(^5\) Recall that these are measured at the time of the interview while earnings are measured for the calendar year prior to the interview.
work of 3.4 percentage points for the insured \((= 0.2296 - 2 \times 60 \times 0.0022)\) and 14.1 percentage points for the uninsured \((= [0.2296 + 0.0011] - 2 \times 60 \times [0.0022 + 0.0009])\). Not surprisingly, the constrained specification is rejected with \(p = 0.0005\). The unconstrained specification suggests that a new diagnosis reduces the probability of work by about nine percentage points for the insured and by about eleven percentage points for the uninsured, although the difference between these effects is not statistically significant. None of the other labor market outcomes conditional on working (hours, weeks or wage) is significantly affected by a new diagnosis, as shown in columns three through eight of table eleven. The only effect of a new diagnosis on an individual’s labor market outcomes is to reduce the probability of work.\(^6\)

**Effects for husbands versus effects for wives in married couples**

Wu (forthcoming) documents the fact that between waves one and two of the HRS, new diagnoses for wives in married couples have a larger negative effect on wealth than do diagnoses for husbands.\(^7\) To explore this possibility further, I estimate the impact of diagnoses for heads and spouses on wealth, consumption, income and earnings of married couples. I too find that diagnoses to spouses have a larger impact on wealth than do diagnoses to heads, although the differences are mostly not statistically significant. Table twelve presents these results. For households with health insurance, a new diagnosis to the head results in a (statistically insignificant) reduction in wealth of about $37,000; diagnoses to spouses are associated with a loss of $52,000 in wealth (also statistically insignificant). The effects for uninsured households

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\(^6\) In light of the significant effect of a new diagnosis on work, we might wonder how the results on wealth, consumption and income reported in tables six through nine would change if estimated without controlling for work status of the household head. In fact, re-estimating the models for wealth consumption and income without controls for the head’s work status yields almost identical results. The largest change is the effect on ln(household income), where the estimated effect for the insured without controlling for work status is a 10.8 percent drop (compared with 8.6 percent in the regressions with work status controls reported in table 8).

\(^7\) In a married couple, head and spouse are by definition synonymous with husband and wife.
are smaller; the loss in wealth associated with a new diagnosis to an uninsured head is only about $3,000 and to an uninsured spouse is about $28,000. Again, the standard errors associated with the estimates are very large, so that none of the estimates is significantly different from zero, nor can very large effects on wealth be ruled out.

The effect of a new diagnosis on household income is larger for spouses than for heads as well. A new diagnosis for an insured spouse results in a significant drop in household income of about $10,000. With the dependent variable measured as the natural log of household income the effect of a new diagnosis to an insured spouse is also a significant drop of 0.15. The effects for insured heads are smaller: a significant drop of $6,803 in levels and an insignificant drop of 0.0667 in logs. The differences between the effects for insured and uninsured heads and spouses are all estimated too imprecisely to say with any confidence that being uninsured affects heads differently from spouses.

Unlike Charles (1999), I do not find evidence of an added worker effect for married women whose husbands experience a health shock. A new diagnosis for an insured head lowers his earnings by about $2,400 and his wife’s earnings by about $1,900. The effects of a wife’s diagnosis on her own and her husband’s labor supply are smaller but also negative: a reduction of about a thousand dollars for both the head and the spouse, though these coefficients are not statistically significant. Again, the coefficients on the interactions of diagnosis with uninsured are too imprecisely estimated to draw firm conclusions from them.

The probability of work (table thirteen) also shows no evidence of an added worker effect. Indeed, consistent with the reductions in earnings for both members of a couple in response to a new diagnosis for either that were documented in table twelve, we see very small and statistically insignificant effects of a spouse’s diagnosis on the probability that her husband works (an
increase of about three percentage points, with a standard error equal to 2.6 percentage points) and an effect of zero of head’s diagnosis on a spouse’s labor supply. The effects on own labor supply are slightly larger for insured heads than insured spouses: a drop of about eleven percentage points for insured heads and seven percentage points for insured spouses. The interaction terms suggest a larger negative effect on own labor supply for uninsured heads and a net effect for uninsured spouses that is close to zero, but again the coefficients are imprecisely estimated and we cannot rule out that the effect is the same for insured and uninsured individuals. There are no significant effects of either heads’ or spouses’ diagnoses on their own or their partner’s hours or weeks, conditional on working.

5. Conclusion

The results of this study can be summarized as follows. First, I cannot reject that household consumption remains smooth in the face of serious health shocks. Second, the evidence on whether this smoothing relies on wealth depletion rather than true cross-household consumption insurance is mixed. The impact of new diagnoses on wealth is estimated imprecisely and depends on the functional form of the dependent variable. The mean effect for both insured and uninsured households is about a $28,000 reduction in wealth. The log specification suggests a two percent reduction for insured households and a twenty percent reduction for uninsured households, but none of these estimates is significantly different from zero. These results are consistent with the idea that uninsured households rely more heavily on wealth depletion to smooth consumption in the event of a shock, but we cannot rule out the hypothesis that wealth is not affected by shocks for either group. Third, insured households have income that is about $9,000 per year lower after a shock occurs; about half of this is due to a reduction in earnings of
the household head and spouse and the other half due primarily to lower capital income. Fourth, both insured and uninsured individuals are about ten percentage points less likely to work as a result of a shock. Shocks have no significant effect on hours, weeks or wages conditional on continuing to work. Finally, I find no evidence of an “added worker effect” in response to a shock for married couples.

For both insured and uninsured households, the magnitude of the mean change in wealth is much larger than can be explained by the drop in income associated with a shock. This discrepancy suggests that out-of-pocket medical expenses may be high for both insured and uninsured households that experience a health shock. Alternatively, the effect on wealth may reflect an accelerated rate of gift-giving among those who experience a health shock: serious diagnoses like cancer and heart attacks may serve as a wake-up call to begin giving one’s wealth away. While everyone knows that you can’t take it with you, a serious health shock may provide information about how soon that may happen. Distinguishing between the impact of health shocks on out-of-pocket medical expenses and their effect on inter vivos transfers remains a subject for future research.

Another interesting lesson from this analysis concerns the importance of allowing the underlying trends in wealth and other economic outcomes to differ for the insured and uninsured. This is important econometrically because failure to do so by estimating only the constrained model yields a misleadingly large estimate of the impact of health shocks for uninsured households. Substantively, this suggests that the underlying economic landscape of an uninsured household is very different from that of an insured household – even in the absence of health shocks. Insurance coverage, clearly, is not exogenous to a household’s economic situation. Accurate inference cannot be drawn from an analysis that relies on a comparison of outcomes
across insured and uninsured household or even one that requires that insured and uninsured to behave “similarly” on dimensions other than insurance. Understanding the variation in insurance coverage – what it is that makes some individuals insured and others uninsured – is a high priority for future research.
6. References


Table 1
Health and Retirement Study: Households with no change to head or spouse in waves 1 - 4
Descriptive statistics on the sample at wave 1

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<th></th>
<th>All</th>
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<th>Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth</td>
<td>$246,252</td>
<td>$125,773</td>
<td>$300,681</td>
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<tr>
<td>Wealth - median</td>
<td>111,000</td>
<td>41,400</td>
<td>148,050</td>
</tr>
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<td>Food spending</td>
<td>426.1</td>
<td>310.2</td>
<td>468.5</td>
</tr>
<tr>
<td>Household income (mean)</td>
<td>51,211</td>
<td>28,944</td>
<td>61,271</td>
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<table>
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</thead>
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<tr>
<td>Earnings of head</td>
<td>24,939</td>
<td>17,730</td>
<td>28,196</td>
</tr>
<tr>
<td>Earnings of spouse, if any</td>
<td>16,093</td>
<td>-</td>
<td>16,093</td>
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<table>
<thead>
<tr>
<th></th>
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<th>Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraction of heads working</td>
<td>0.747</td>
<td>0.702</td>
<td>0.767</td>
</tr>
<tr>
<td>Usual hours of head if working</td>
<td>44.3</td>
<td>41.7</td>
<td>45.3</td>
</tr>
<tr>
<td>Usual weeks of head if working</td>
<td>49.4</td>
<td>49.0</td>
<td>49.6</td>
</tr>
<tr>
<td>Mean wage of head if working</td>
<td>36.4</td>
<td>20.7</td>
<td>43.0</td>
</tr>
</tbody>
</table>

<table>
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</thead>
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<tr>
<td>Fraction of spouses working</td>
<td>0.629</td>
<td>-</td>
<td>0.629</td>
</tr>
<tr>
<td>Usual hours of spouse if working</td>
<td>37.1</td>
<td>-</td>
<td>37.1</td>
</tr>
<tr>
<td>Usual weeks of spouse if working</td>
<td>48.2</td>
<td>-</td>
<td>48.2</td>
</tr>
<tr>
<td>Mean wage of spouse if working</td>
<td>21.8</td>
<td>-</td>
<td>21.8</td>
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<table>
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<th></th>
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<tbody>
<tr>
<td>Head is insured</td>
<td>0.875</td>
<td>0.811</td>
<td>0.905</td>
</tr>
<tr>
<td>Spouse (if any) is insured</td>
<td>0.877</td>
<td>0.000</td>
<td>0.877</td>
</tr>
<tr>
<td>Both are insured</td>
<td>0.832</td>
<td>0.811</td>
<td>0.842</td>
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</table>

<table>
<thead>
<tr>
<th></th>
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<th>Single</th>
<th>Couple</th>
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</thead>
<tbody>
<tr>
<td>Head is sick</td>
<td>0.297</td>
<td>0.321</td>
<td>0.286</td>
</tr>
<tr>
<td>Spouse (if any) is sick</td>
<td>0.230</td>
<td>0.000</td>
<td>0.230</td>
</tr>
<tr>
<td>Either is sick</td>
<td>0.402</td>
<td>0.321</td>
<td>0.439</td>
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<table>
<thead>
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<th>Single</th>
<th>Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of others in household</td>
<td>0.847</td>
<td>0.885</td>
<td>0.830</td>
</tr>
<tr>
<td>Age of head</td>
<td>57.0</td>
<td>56.0</td>
<td>57.4</td>
</tr>
<tr>
<td>Fraction married</td>
<td>0.689</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Head is nonwhite</td>
<td>0.169</td>
<td>0.282</td>
<td>0.118</td>
</tr>
<tr>
<td>Head is high school dropout</td>
<td>0.249</td>
<td>0.289</td>
<td>0.231</td>
</tr>
<tr>
<td>Head is high school graduate</td>
<td>0.321</td>
<td>0.336</td>
<td>0.315</td>
</tr>
<tr>
<td>Head has some college ed.</td>
<td>0.186</td>
<td>0.191</td>
<td>0.184</td>
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<tr>
<td>Head has college degree</td>
<td>0.105</td>
<td>0.070</td>
<td>0.121</td>
</tr>
<tr>
<td>Head has graduate education</td>
<td>0.139</td>
<td>0.114</td>
<td>0.150</td>
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Sample n: 4,422 1,386 3,036
Row percent: 1.000 0.311 0.689

Notes: Statistics are calculated using wave 1 household sample weights.
Dollar amounts are in 1998 dollars.
# Table 2
Health and Retirement Study
Evolution of diagnoses, waves 1-4, by wave 1 insurance status

<table>
<thead>
<tr>
<th>Insurance status at wave 1</th>
<th>Insured</th>
<th>Uninsured</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>“Diagnosis history” of household (head and spouse, if any)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0000</td>
<td>0.418</td>
<td>0.421</td>
<td>0.420</td>
</tr>
<tr>
<td>0001</td>
<td>0.072</td>
<td>0.061</td>
<td>0.063</td>
</tr>
<tr>
<td>0011</td>
<td>0.037</td>
<td>0.054</td>
<td>0.052</td>
</tr>
<tr>
<td>0111</td>
<td>0.068</td>
<td>0.062</td>
<td>0.063</td>
</tr>
<tr>
<td>1111</td>
<td>0.405</td>
<td>0.402</td>
<td>0.402</td>
</tr>
<tr>
<td>Sample n</td>
<td>3,619</td>
<td>803</td>
<td>4,422</td>
</tr>
<tr>
<td>Row percent:</td>
<td>0.832</td>
<td>0.168</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>“Diagnosis history” of head</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0000</td>
<td>0.517</td>
<td>0.540</td>
<td>0.537</td>
</tr>
<tr>
<td>0001</td>
<td>0.063</td>
<td>0.063</td>
<td>0.063</td>
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<tr>
<td>0011</td>
<td>0.035</td>
<td>0.051</td>
<td>0.049</td>
</tr>
<tr>
<td>0111</td>
<td>0.066</td>
<td>0.052</td>
<td>0.054</td>
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<td>1111</td>
<td>0.319</td>
<td>0.294</td>
<td>0.297</td>
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<tr>
<td>Sample n</td>
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<td>612</td>
<td>4,422</td>
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<tr>
<td>Row percent:</td>
<td>0.862</td>
<td>0.138</td>
<td>1.000</td>
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<tr>
<td><strong>“Diagnosis history” of spouse</strong></td>
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<td></td>
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<td>0.656</td>
<td>0.654</td>
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<tr>
<td>0001</td>
<td>0.053</td>
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<tr>
<td>0011</td>
<td>0.048</td>
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<td>0111</td>
<td>0.036</td>
<td>0.042</td>
<td>0.041</td>
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<tr>
<td>1111</td>
<td>0.207</td>
<td>0.234</td>
<td>0.230</td>
</tr>
<tr>
<td>Sample n</td>
<td>2,624</td>
<td>412</td>
<td>3,036</td>
</tr>
<tr>
<td>Row percent:</td>
<td>0.877</td>
<td>0.123</td>
<td>1.000</td>
</tr>
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</table>

Notes: Column percents are calculated using wave 1 household sample weights.
Table 3
Health and Retirement Study
Descriptive statistics on panel with no changes to head or spouse, observed all four waves

<table>
<thead>
<tr>
<th></th>
<th>Healthy</th>
<th>Chronic</th>
<th>Shock</th>
<th>Healthy</th>
<th>Chronic</th>
<th>Shock</th>
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</thead>
<tbody>
<tr>
<td><strong>Head and spouse (if any) insured</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Wealth - mean</td>
<td>$286,010</td>
<td>$207,173</td>
<td>$255,383</td>
<td>$266,553</td>
<td>$227,279</td>
<td>$167,113</td>
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<tr>
<td>Wealth – median</td>
<td>133,500</td>
<td>101,000</td>
<td>135,000</td>
<td>73,000</td>
<td>43,000</td>
<td>50,000</td>
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<td>Food spending</td>
<td>419.1</td>
<td>433.9</td>
<td>439.1</td>
<td>411.2</td>
<td>409.3</td>
<td>413.3</td>
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<tr>
<td>Household income (mean)</td>
<td>57,289</td>
<td>49,057</td>
<td>57,973</td>
<td>41,838</td>
<td>34,024</td>
<td>31,566</td>
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<tr>
<td>Earnings of head</td>
<td>31,441</td>
<td>21,732</td>
<td>29,866</td>
<td>17,506</td>
<td>9,348</td>
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<tr>
<td>Earnings of spouse, if any</td>
<td>18,877</td>
<td>15,931</td>
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<tr>
<td>Fraction working</td>
<td>0.844</td>
<td>0.664</td>
<td>0.794</td>
<td>0.741</td>
<td>0.576</td>
<td>0.697</td>
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<tr>
<td>Mean usual hours if working</td>
<td>44.4</td>
<td>44.5</td>
<td>45.2</td>
<td>43.9</td>
<td>41.0</td>
<td>42.6</td>
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<tr>
<td>Mean usual weeks if working</td>
<td>49.6</td>
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<td>47.8</td>
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<td>Fraction working</td>
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<tr>
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<td>39.3</td>
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<td>14.3</td>
<td>7.0</td>
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<tr>
<td><strong>Head is insured</strong></td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>0.245</td>
<td>0.276</td>
<td>0.246</td>
</tr>
<tr>
<td><strong>Spouse is insured</strong></td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>0.179</td>
<td>0.256</td>
<td>0.222</td>
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<tr>
<td><strong>Head and spouse, if any, are insured</strong></td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Head is sick</strong></td>
<td>0.000</td>
<td>0.731</td>
<td>0.000</td>
<td>0.000</td>
<td>0.775</td>
<td>0.000</td>
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<tr>
<td><strong>Spouse is sick</strong></td>
<td>0.000</td>
<td>0.533</td>
<td>0.000</td>
<td>0.000</td>
<td>0.484</td>
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<tr>
<td><strong>Either is sick</strong></td>
<td>0.000</td>
<td>1.000</td>
<td>0.000</td>
<td>0.000</td>
<td>1.000</td>
<td>0.000</td>
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<tr>
<td><strong>No. of others in household</strong></td>
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<td>0.7</td>
<td>0.8</td>
<td>1.3</td>
<td>1.1</td>
<td>1.2</td>
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<tr>
<td><strong>Age of head</strong></td>
<td>56.0</td>
<td>57.9</td>
<td>57.3</td>
<td>56.0</td>
<td>57.8</td>
<td>56.3</td>
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<td><strong>Fraction married</strong></td>
<td>0.601</td>
<td>0.757</td>
<td>0.787</td>
<td>0.566</td>
<td>0.724</td>
<td>0.677</td>
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<tr>
<td><strong>Head is nonwhite</strong></td>
<td>0.145</td>
<td>0.149</td>
<td>0.146</td>
<td>0.279</td>
<td>0.276</td>
<td>0.294</td>
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<tr>
<td><strong>Head is high school dropout</strong></td>
<td>0.158</td>
<td>0.256</td>
<td>0.242</td>
<td>0.363</td>
<td>0.492</td>
<td>0.446</td>
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<tr>
<td><strong>Head is high school graduate</strong></td>
<td>0.329</td>
<td>0.346</td>
<td>0.283</td>
<td>0.299</td>
<td>0.265</td>
<td>0.341</td>
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<tr>
<td><strong>Head has some college ed.</strong></td>
<td>0.204</td>
<td>0.180</td>
<td>0.214</td>
<td>0.158</td>
<td>0.137</td>
<td>0.074</td>
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<tr>
<td><strong>Head has college degree</strong></td>
<td>0.127</td>
<td>0.099</td>
<td>0.118</td>
<td>0.080</td>
<td>0.031</td>
<td>0.079</td>
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<tr>
<td><strong>Head has graduate education</strong></td>
<td>0.182</td>
<td>0.120</td>
<td>0.143</td>
<td>0.100</td>
<td>0.076</td>
<td>0.060</td>
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<tr>
<td><strong>Sample n</strong></td>
<td>1,488</td>
<td>1,486</td>
<td>645</td>
<td>331</td>
<td>332</td>
<td>140</td>
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<tr>
<td><strong>Row percent:</strong></td>
<td>0.350</td>
<td>0.334</td>
<td>0.148</td>
<td>0.070</td>
<td>0.068</td>
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</table>

Notes: Statistics are calculated using wave 1 household sample weights.
Dollar amounts are in 1998 dollars.
Table 4
Health and Retirement Study, waves 1 - 4
Evolution of outcome variables over time, by insurance and health status

<table>
<thead>
<tr>
<th></th>
<th>Wave 1</th>
<th>Wave 2</th>
<th>Wave 3</th>
<th>Wave 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wealth – mean</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Insured, healthy</td>
<td>286,010</td>
<td>329,668</td>
<td>389,221</td>
<td>482,930</td>
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<tr>
<td>Insured, chronic</td>
<td>207,173</td>
<td>232,942</td>
<td>260,154</td>
<td>306,286</td>
</tr>
<tr>
<td>Insured, shock</td>
<td>255,383</td>
<td>284,338</td>
<td>300,990</td>
<td>359,929</td>
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<tr>
<td>Uninsured, healthy</td>
<td>266,553</td>
<td>246,188</td>
<td>273,828</td>
<td>316,174</td>
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<tr>
<td>Uninsured, chronic</td>
<td>227,279</td>
<td>169,558</td>
<td>245,232</td>
<td>203,885</td>
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<tr>
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<td>167,113</td>
<td>191,485</td>
<td>175,124</td>
<td>157,795</td>
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<td>All insured</td>
<td>248,909</td>
<td>282,772</td>
<td>321,719</td>
<td>390,147</td>
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<tr>
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<td>233,071</td>
<td>205,489</td>
<td>244,799</td>
<td>242,707</td>
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<td>269,807</td>
<td>308,815</td>
<td>365,411</td>
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<td><strong>Wealth – median</strong></td>
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<tr>
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<td>133,500</td>
<td>160,000</td>
<td>173,000</td>
<td>186,000</td>
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<td>120,530</td>
<td>123,000</td>
<td>134,500</td>
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<td>155,000</td>
<td>155,000</td>
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<td>72,500</td>
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<td>41,200</td>
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<tr>
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<td>144,800</td>
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<td><strong>Food spending – mean</strong></td>
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<td>Insured, healthy</td>
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<td>$637</td>
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<td>434</td>
<td>439</td>
<td>657</td>
<td>-</td>
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<tr>
<td>Insured, shock</td>
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<td>-</td>
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<tr>
<td>Uninsured, healthy</td>
<td>411</td>
<td>391</td>
<td>589</td>
<td>-</td>
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<td>Uninsured, chronic</td>
<td>409</td>
<td>358</td>
<td>578</td>
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<td>375</td>
<td>559</td>
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<tr>
<td>All insured</td>
<td>429</td>
<td>438</td>
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<td>-</td>
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<tr>
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<td>375</td>
<td>579</td>
<td>-</td>
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<td>Total</td>
<td>426</td>
<td>428</td>
<td>646</td>
<td>-</td>
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<td><strong>Household income – mean</strong></td>
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<td>Insured, healthy</td>
<td>57,289</td>
<td>76,346</td>
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<td>56,450</td>
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<td>51,226</td>
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<td>57,973</td>
<td>69,761</td>
<td>59,275</td>
<td>52,676</td>
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<tr>
<td>Uninsured, healthy</td>
<td>41,838</td>
<td>51,593</td>
<td>42,650</td>
<td>46,533</td>
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<tr>
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<td>40,494</td>
<td>37,738</td>
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<td>55,804</td>
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<tr>
<td>All insured</td>
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Table 4, continued
Evolution of outcome variables over time, by insurance and health status

<table>
<thead>
<tr>
<th>Earnings of household head</th>
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<tr>
<td>Insured, healthy</td>
<td>31,441</td>
<td>30,250</td>
<td>25,972</td>
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<td>16,578</td>
<td>7,882</td>
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<td>13,051</td>
<td>22,674</td>
<td>8,538</td>
<td>8,004</td>
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<tr>
<td>All insured</td>
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<table>
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<th>Fraction of heads who work</th>
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</thead>
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<td>Insured, healthy</td>
<td>0.845</td>
<td>0.767</td>
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<td>0.649</td>
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<td>0.589</td>
<td>0.530</td>
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</tr>
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<td>0.700</td>
<td>0.674</td>
<td>0.653</td>
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<tr>
<td>All insured</td>
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<tr>
<td>All uninsured</td>
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<tr>
<td>Total</td>
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<td>0.676</td>
<td>0.618</td>
<td>0.551</td>
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<table>
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<th>Mean usual hours of working heads</th>
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<tr>
<td>Insured, healthy</td>
<td>44.4</td>
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<td>40.1</td>
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<td>42.8</td>
<td>40.9</td>
<td>40.1</td>
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<tr>
<td>Insured, shock</td>
<td>45.2</td>
<td>44.7</td>
<td>42.0</td>
<td>38.8</td>
</tr>
<tr>
<td>Uninsured, healthy</td>
<td>43.9</td>
<td>41.7</td>
<td>41.0</td>
<td>40.7</td>
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<tr>
<td>Uninsured, chronic</td>
<td>41.0</td>
<td>40.1</td>
<td>37.3</td>
<td>37.7</td>
</tr>
<tr>
<td>Uninsured, shock</td>
<td>42.6</td>
<td>39.9</td>
<td>45.5</td>
<td>44.8</td>
</tr>
<tr>
<td>All insured</td>
<td>44.6</td>
<td>43.5</td>
<td>41.7</td>
<td>39.8</td>
</tr>
<tr>
<td>All uninsured</td>
<td>42.7</td>
<td>40.8</td>
<td>40.5</td>
<td>40.4</td>
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<td>44.3</td>
<td>43.1</td>
<td>41.5</td>
<td>39.9</td>
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</table>

<table>
<thead>
<tr>
<th>Mean usual weeks of working heads</th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>49.6</td>
<td>49.2</td>
<td>48.6</td>
<td>48.4</td>
</tr>
<tr>
<td>Insured, chronic</td>
<td>49.5</td>
<td>49.4</td>
<td>48.9</td>
<td>48.2</td>
</tr>
<tr>
<td>Insured, shock</td>
<td>50.1</td>
<td>49.8</td>
<td>49.0</td>
<td>48.1</td>
</tr>
<tr>
<td>Uninsured, healthy</td>
<td>48.5</td>
<td>48.6</td>
<td>47.4</td>
<td>49.1</td>
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<tr>
<td>Uninsured, chronic</td>
<td>47.5</td>
<td>47.9</td>
<td>48.3</td>
<td>47.0</td>
</tr>
<tr>
<td>Uninsured, shock</td>
<td>47.8</td>
<td>47.4</td>
<td>47.7</td>
<td>49.0</td>
</tr>
<tr>
<td>All insured</td>
<td>49.7</td>
<td>49.3</td>
<td>48.7</td>
<td>48.3</td>
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<tr>
<td>All uninsured</td>
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<td>48.2</td>
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<td>48.4</td>
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<tr>
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<td>49.4</td>
<td>49.2</td>
<td>48.6</td>
<td>48.3</td>
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</table>
Table 4, continued
Evolution of outcome variables over time, by insurance and health status

<table>
<thead>
<tr>
<th>Mean hourly wage of working heads</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured, healthy</td>
<td>30.8</td>
<td>33.2</td>
<td>22.7</td>
<td>34.7</td>
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<tr>
<td>Insured, chronic</td>
<td>51.9</td>
<td>18.9</td>
<td>23</td>
<td>23.8</td>
</tr>
<tr>
<td>Insured, shock</td>
<td>36.9</td>
<td>20.3</td>
<td>23.1</td>
<td>20.9</td>
</tr>
<tr>
<td>Uninsured, healthy</td>
<td>20.4</td>
<td>16.2</td>
<td>13.4</td>
<td>15.9</td>
</tr>
<tr>
<td>Uninsured, chronic</td>
<td>21.3</td>
<td>12.9</td>
<td>13.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Uninsured, shock</td>
<td>17.4</td>
<td>10.7</td>
<td>9.8</td>
<td>14.4</td>
</tr>
<tr>
<td>All insured</td>
<td>39.3</td>
<td>25.9</td>
<td>22.9</td>
<td>28.7</td>
</tr>
<tr>
<td>All uninsured</td>
<td>20.2</td>
<td>14.1</td>
<td>12.9</td>
<td>15.6</td>
</tr>
<tr>
<td>Total</td>
<td>36.4</td>
<td>24.1</td>
<td>21.3</td>
<td>26.5</td>
</tr>
</tbody>
</table>

Notes: Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
### Table 5
Are transitions into and out of insurance correlated with health shocks?
Distribution of individuals across insurance histories, by diagnosis history

#### Diagnosis history of head (n = 4,422)

<table>
<thead>
<tr>
<th>Insurance history of head:</th>
<th>0000</th>
<th>0001</th>
<th>0011</th>
<th>0111</th>
<th>1111</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000</td>
<td>0.0302</td>
<td>0.0181</td>
<td>0.0090</td>
<td>0.0271</td>
<td>0.0230</td>
<td>0.0261</td>
</tr>
<tr>
<td>0001</td>
<td>0.0121</td>
<td>0.0127</td>
<td>0.0065</td>
<td>0.0131</td>
<td>0.0116</td>
<td>0.0118</td>
</tr>
<tr>
<td>0010</td>
<td>0.0041</td>
<td>0.0018</td>
<td>0.0063</td>
<td>0.0000</td>
<td>0.0052</td>
<td>0.0042</td>
</tr>
<tr>
<td>0011</td>
<td>0.0155</td>
<td>0.0219</td>
<td>0.0234</td>
<td>0.0246</td>
<td>0.0226</td>
<td>0.0189</td>
</tr>
<tr>
<td>0100</td>
<td>0.0042</td>
<td>0.0023</td>
<td>0.0000</td>
<td>0.0019</td>
<td>0.0045</td>
<td>0.0038</td>
</tr>
<tr>
<td>0101</td>
<td>0.0044</td>
<td>0.0055</td>
<td>0.0031</td>
<td>0.0021</td>
<td>0.0073</td>
<td>0.0051</td>
</tr>
<tr>
<td>0110</td>
<td>0.0031</td>
<td>0.0098</td>
<td>0.0089</td>
<td>0.0000</td>
<td>0.0037</td>
<td>0.0038</td>
</tr>
<tr>
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<td>0.0519</td>
<td>0.0307</td>
<td>0.0834</td>
<td>0.0561</td>
<td>0.0509</td>
</tr>
<tr>
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<td>0.0063</td>
<td>0.0077</td>
<td>0.0077</td>
<td>0.0024</td>
<td>0.0019</td>
<td>0.0049</td>
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<tr>
<td>1001</td>
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<td>0.0178</td>
<td>0.0000</td>
<td>0.0084</td>
<td>0.0085</td>
<td>0.0086</td>
</tr>
<tr>
<td>1010</td>
<td>0.0036</td>
<td>0.0000</td>
<td>0.0062</td>
<td>0.0000</td>
<td>0.0018</td>
<td>0.0028</td>
</tr>
<tr>
<td>1011</td>
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<td>0.0212</td>
<td>0.0426</td>
<td>0.0156</td>
<td>0.0237</td>
<td>0.0216</td>
</tr>
<tr>
<td>1100</td>
<td>0.0074</td>
<td>0.0029</td>
<td>0.0118</td>
<td>0.0082</td>
<td>0.0058</td>
<td>0.0069</td>
</tr>
<tr>
<td>1101</td>
<td>0.0228</td>
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<td>0.0168</td>
<td>0.0123</td>
<td>0.0135</td>
<td>0.0208</td>
</tr>
<tr>
<td>1110</td>
<td>0.0159</td>
<td>0.0127</td>
<td>0.0178</td>
<td>0.0176</td>
<td>0.0167</td>
<td>0.0162</td>
</tr>
<tr>
<td>1111</td>
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<td>0.7655</td>
<td>0.8093</td>
<td>0.7832</td>
<td>0.7940</td>
<td>0.7936</td>
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<tr>
<td>Total</td>
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<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
</tr>
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#### Diagnosis history of spouse (n = 3,036)

<table>
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<th>Insurance history of spouse:</th>
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<th>0001</th>
<th>0011</th>
<th>0111</th>
<th>1111</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000</td>
<td>0.0272</td>
<td>0.0287</td>
<td>0.0198</td>
<td>0.0120</td>
<td>0.0276</td>
<td>0.0265</td>
</tr>
<tr>
<td>0001</td>
<td>0.0075</td>
<td>0.0220</td>
<td>0.0026</td>
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<td>0.0100</td>
</tr>
<tr>
<td>0010</td>
<td>0.0021</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0021</td>
<td>0.0021</td>
</tr>
<tr>
<td>0011</td>
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<td>0.0775</td>
<td>0.0177</td>
<td>0.0255</td>
<td>0.0159</td>
<td>0.0157</td>
</tr>
<tr>
<td>0100</td>
<td>0.0018</td>
<td>0.0000</td>
<td>0.0105</td>
<td>0.0000</td>
<td>0.0010</td>
<td>0.0018</td>
</tr>
<tr>
<td>0101</td>
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<td>0.0116</td>
<td>0.0047</td>
<td>0.0000</td>
<td>0.0023</td>
<td>0.0033</td>
</tr>
<tr>
<td>0110</td>
<td>0.0052</td>
<td>0.0121</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0042</td>
<td>0.0048</td>
</tr>
<tr>
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<td>0.0927</td>
<td>0.0788</td>
<td>0.0559</td>
<td>0.0455</td>
<td>0.0590</td>
</tr>
<tr>
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<td>0.0119</td>
<td>0.0105</td>
<td>0.0289</td>
<td>0.0038</td>
<td>0.0093</td>
<td>0.0115</td>
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<tr>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0040</td>
<td>0.0043</td>
</tr>
<tr>
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<td>0.0018</td>
<td>0.0000</td>
<td>0.0109</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0016</td>
</tr>
<tr>
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<td>0.0229</td>
<td>0.0079</td>
<td>0.0050</td>
<td>0.0243</td>
<td>0.0200</td>
</tr>
<tr>
<td>1100</td>
<td>0.0106</td>
<td>0.0083</td>
<td>0.0057</td>
<td>0.0032</td>
<td>0.0105</td>
<td>0.0100</td>
</tr>
<tr>
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<td>0.0192</td>
<td>0.0163</td>
<td>0.0102</td>
<td>0.0247</td>
<td>0.0194</td>
<td>0.0190</td>
</tr>
<tr>
<td>1110</td>
<td>0.0166</td>
<td>0.0063</td>
<td>0.0092</td>
<td>0.0476</td>
<td>0.0195</td>
<td>0.0179</td>
</tr>
<tr>
<td>1111</td>
<td>0.7916</td>
<td>0.7513</td>
<td>0.7695</td>
<td>0.8097</td>
<td>0.8026</td>
<td>0.7926</td>
</tr>
<tr>
<td>Total</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

Notes: Column percents are calculated using wave 1 household sample weights.
Table 6
Effect of new diagnosis on consumption in the HRS, waves 1-4

<table>
<thead>
<tr>
<th>Independent variables:</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>New diagnosis</td>
<td>35.13</td>
</tr>
<tr>
<td></td>
<td>(24.65)</td>
</tr>
<tr>
<td>New diagnosis to person who was uninsured at wave 1</td>
<td>-75.73</td>
</tr>
<tr>
<td></td>
<td>(73.27)</td>
</tr>
<tr>
<td>Age of head</td>
<td>-26.11</td>
</tr>
<tr>
<td></td>
<td>(49.44)</td>
</tr>
<tr>
<td>(Age of head)^3</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>(0.41)</td>
</tr>
<tr>
<td>Head is working</td>
<td>12.95</td>
</tr>
<tr>
<td></td>
<td>(14.78)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>49.88</td>
</tr>
<tr>
<td></td>
<td>(31.36)</td>
</tr>
<tr>
<td>Age of head</td>
<td></td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
</tr>
<tr>
<td>(Age of head)^3</td>
<td>-</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
</tr>
<tr>
<td>Head is working</td>
<td>-</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>-</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
</tr>
<tr>
<td>p-value on F test</td>
<td>-</td>
</tr>
<tr>
<td>Household fixed effects included?</td>
<td>Y</td>
</tr>
<tr>
<td>Number of households</td>
<td>4,376</td>
</tr>
<tr>
<td>Number of obs.</td>
<td>11,169</td>
</tr>
</tbody>
</table>

Notes: Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
Table 7
Effect of new diagnosis on wealth in the HRS, waves 1 - 4

<table>
<thead>
<tr>
<th>Independent variables:</th>
<th>Wealth (observations with wealth&gt;0 only)</th>
<th>ln(wealth)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>New diagnosis</td>
<td>-20,029</td>
<td>-28,460</td>
</tr>
<tr>
<td></td>
<td>(25,470)</td>
<td>(26,755)</td>
</tr>
<tr>
<td>New diagnosis to person who was uninsured at wave 1</td>
<td>-68,627</td>
<td>379</td>
</tr>
<tr>
<td></td>
<td>(20,141)</td>
<td>(29,404)</td>
</tr>
<tr>
<td>Age of head</td>
<td>43,300</td>
<td>45,884</td>
</tr>
<tr>
<td></td>
<td>(27,141)</td>
<td>(33,278)</td>
</tr>
<tr>
<td>(Age of head)^2</td>
<td>-193</td>
<td>-186</td>
</tr>
<tr>
<td></td>
<td>(210)</td>
<td>(259)</td>
</tr>
<tr>
<td>Head is working</td>
<td>-811</td>
<td>430</td>
</tr>
<tr>
<td></td>
<td>(6,092)</td>
<td>(6,934)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>1,090</td>
<td>7,695</td>
</tr>
<tr>
<td></td>
<td>(14,921)</td>
<td>(18,389)</td>
</tr>
<tr>
<td>Age of head</td>
<td>-</td>
<td>-24,765</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>- (43,373)</td>
<td>- (48,520)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-33</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>- (346)</td>
<td>- (386)</td>
</tr>
<tr>
<td>Head is working</td>
<td>-</td>
<td>-11,286</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>- (12,321)</td>
<td>- (17,267)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>-24,351</td>
<td>-36,724</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>- (23,308)</td>
<td>- (26,739)</td>
</tr>
<tr>
<td>p-value on F test</td>
<td>-</td>
<td>0.0340</td>
</tr>
</tbody>
</table>

Household fixed effects included? | Y | Y | Y | Y | Y | Y |
Number of households | 4,422 | 4,422 | 4,289 | 4,289 | 4,289 | 4,289 |
Number of obs. (household-waves) | 17,688 | 17,688 | 16,174 | 16,174 | 16,174 | 16,174 |

Notes: Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
Table 8  
Effect of new diagnosis on household income in the HRS, waves 1 - 4 

```
<table>
<thead>
<tr>
<th>Independent variables:</th>
<th>Household income</th>
<th>ln(HH income)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>New diagnosis</td>
<td>-8,504</td>
<td>-8,724</td>
</tr>
<tr>
<td></td>
<td>(2,759)</td>
<td>(2,803)</td>
</tr>
<tr>
<td>New diagnosis to person who was uninsured at wave 1</td>
<td>3,497</td>
<td>5,776</td>
</tr>
<tr>
<td></td>
<td>(6,883)</td>
<td>(7,478)</td>
</tr>
<tr>
<td>Age of head</td>
<td>17,850</td>
<td>18,804</td>
</tr>
<tr>
<td></td>
<td>(3,729)</td>
<td>(4,489)</td>
</tr>
<tr>
<td>(Age of head)^2</td>
<td>-144</td>
<td>-151</td>
</tr>
<tr>
<td></td>
<td>(31)</td>
<td>(37)</td>
</tr>
<tr>
<td>Head is working</td>
<td>2,823</td>
<td>2,567</td>
</tr>
<tr>
<td></td>
<td>(1,020)</td>
<td>(1,066)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>9,288</td>
<td>9,865</td>
</tr>
<tr>
<td></td>
<td>(2,007)</td>
<td>(2,386)</td>
</tr>
<tr>
<td>Age of head</td>
<td>-</td>
<td>-6,565</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td></td>
<td>(7,849)</td>
</tr>
<tr>
<td>(Age of head)^2</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td></td>
<td>(66)</td>
</tr>
<tr>
<td>Head is working</td>
<td>-</td>
<td>830</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td></td>
<td>(2,760)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td></td>
<td>-2,759</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td></td>
<td>(3,552)</td>
</tr>
</tbody>
</table>

p-value on F test                                         -              | 0.6843         | -              | 0.0552       |

Household fixed effects included?                         Y              | Y              | Y              | Y
Number of households or individuals                      4,422          | 4,422          | 4,422          | 4,422        
Number of obs.                                           17,688         | 17,688         | 17,541         | 17,541       
```

Notes: Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
Table 9  
Effect of new diagnosis on components of household income in the HRS, waves 1 - 4

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Earnings of head &amp; spouse</th>
<th>Unemployment insurance/Workers’ comp.</th>
<th>Social security &amp; Pension income</th>
<th>SSI/Welfare</th>
<th>Capital income</th>
<th>Other sources of income</th>
<th>Income of other household members</th>
<th>Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>New diagnosis</td>
<td>-4,601</td>
<td>-113</td>
<td>113</td>
<td>12</td>
<td>-3,849</td>
<td>-111</td>
<td>-608</td>
<td>-95</td>
</tr>
<tr>
<td></td>
<td>(1,881)</td>
<td>(71)</td>
<td>(537)</td>
<td>(55)</td>
<td>(1,902)</td>
<td>(71)</td>
<td>(1,367)</td>
<td>(169)</td>
</tr>
<tr>
<td>New diagnosis to person who</td>
<td>2,524</td>
<td>-256</td>
<td>-284</td>
<td>294</td>
<td>4,193</td>
<td>-263</td>
<td>195</td>
<td>321</td>
</tr>
<tr>
<td>was uninsured at wave 1</td>
<td>(5,594)</td>
<td>(309)</td>
<td>(948)</td>
<td>(200)</td>
<td>(5,315)</td>
<td>(199)</td>
<td>(1,899)</td>
<td>(275)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Household fixed effects included?</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
</tr>
</thead>
<tbody>
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<td>Number of households</td>
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<td>4,422</td>
<td>4,422</td>
<td>4,422</td>
<td>4,422</td>
<td>4,422</td>
<td>4,422</td>
<td>4,422</td>
</tr>
<tr>
<td>Number of observations (household-waves)</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
<td>17,688</td>
</tr>
</tbody>
</table>

Notes:  
1. Regressions correspond to equation (2) in text and include the following additional regressors: age of household head, age^2 of household head, number of other people in the household, and the interactions of each additional regressor for a dummy variable for whether the household head or spouse is uninsured at wave 1.  
2. Statistics are calculated using wave 1 household sample weights.  
3. Dollar amounts are in 1998 dollars.
Table 10
Effect of new diagnosis on individual earnings in the HRS, waves 1 - 4

<table>
<thead>
<tr>
<th>Independent variables:</th>
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<th>(2)</th>
</tr>
</thead>
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<td>-2,738</td>
<td>-2,556</td>
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<tr>
<td></td>
<td>(1,177)</td>
<td>(1,191)</td>
</tr>
<tr>
<td>New diagnosis to person who was uninsured at wave 1</td>
<td>2,698</td>
<td>1,372</td>
</tr>
<tr>
<td></td>
<td>(2,835)</td>
<td>(2,797)</td>
</tr>
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<td>Age of head</td>
<td>10,062</td>
<td>11,328</td>
</tr>
<tr>
<td></td>
<td>(1,515)</td>
<td>(1,686)</td>
</tr>
<tr>
<td>(Age of head)$^2$</td>
<td>-93</td>
<td>-105</td>
</tr>
<tr>
<td></td>
<td>(13)</td>
<td>(14)</td>
</tr>
<tr>
<td>Head is working</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>62</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>(332)</td>
<td>(386)</td>
</tr>
<tr>
<td>Age of head</td>
<td>-</td>
<td>-10,079</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
<td>(3,290)</td>
</tr>
<tr>
<td>(Age of head)$^2$</td>
<td>-</td>
<td>88</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
<td>(28)</td>
</tr>
<tr>
<td>Head is working</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
<td>(28)</td>
</tr>
<tr>
<td>Number of other people in household</td>
<td>-</td>
<td>-266</td>
</tr>
<tr>
<td>* Anyone uninsured at wave 1</td>
<td>-</td>
<td>(680)</td>
</tr>
</tbody>
</table>

p-value on F test 0.0030

<table>
<thead>
<tr>
<th>Household fixed effects included?</th>
<th>Y</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of individuals</td>
<td>6,705</td>
<td>6,705</td>
</tr>
<tr>
<td>Number of obs. (individual-waves)</td>
<td>26,820</td>
<td>26,820</td>
</tr>
</tbody>
</table>

Notes: Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
Table 11
Effect of new diagnosis on the probability of work and on hours, weeks and wages for workers in the HRS, waves 1 - 4

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Any work</th>
<th>Hours</th>
<th>Weeks</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New diagnosis</td>
<td>-0.1023</td>
<td>-0.0932</td>
<td>-1.16</td>
<td>-0.96</td>
</tr>
<tr>
<td>(0.0203)</td>
<td>(0.0204)</td>
<td>(0.69)</td>
<td>(0.70)</td>
<td>(0.51)</td>
</tr>
<tr>
<td>New diagnosis * 0.0532</td>
<td>-0.0187</td>
<td>5.15</td>
<td>3.26</td>
<td>2.66</td>
</tr>
<tr>
<td>(0.0559)</td>
<td>(0.0580)</td>
<td>(1.98)</td>
<td>(2.06)</td>
<td>(1.19)</td>
</tr>
<tr>
<td>Uninsured at wave 1</td>
<td>0.2168</td>
<td>0.2296</td>
<td>7.53</td>
<td>7.84</td>
</tr>
<tr>
<td>(0.0246)</td>
<td>(0.0262)</td>
<td>(1.14)</td>
<td>(1.20)</td>
<td>(0.75)</td>
</tr>
<tr>
<td>Age 0.2168</td>
<td>0.2296</td>
<td>7.53</td>
<td>7.84</td>
<td>2.72</td>
</tr>
<tr>
<td>(0.0246)</td>
<td>(0.0262)</td>
<td>(1.14)</td>
<td>(1.20)</td>
<td>(0.75)</td>
</tr>
<tr>
<td>Age² -0.0021</td>
<td>-0.0022</td>
<td>-0.07</td>
<td>-0.07</td>
<td>-0.03</td>
</tr>
<tr>
<td>(0.0002)</td>
<td>(0.0002)</td>
<td>(0.01)</td>
<td>(0.01)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Number of other people in household -0.0067</td>
<td>-0.0058</td>
<td>0.04</td>
<td>0.10</td>
<td>-0.02</td>
</tr>
<tr>
<td>(0.0048)</td>
<td>(0.0054)</td>
<td>(0.20)</td>
<td>(0.22)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Age * uninsured at wave 1 -</td>
<td>0.0011</td>
<td>-2.23</td>
<td>-</td>
<td>1.74</td>
</tr>
<tr>
<td>(0.0006)</td>
<td>(3.63)</td>
<td>(2.52)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age² * uninsured at wave 1 -</td>
<td>-0.0009</td>
<td>0.02</td>
<td>-</td>
<td>-0.01</td>
</tr>
<tr>
<td>(0.0121)</td>
<td>(0.03)</td>
<td>(0.02)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of others * uninsured at wave 1 -</td>
<td>-4.7301</td>
<td>-0.32</td>
<td>-</td>
<td>-0.29</td>
</tr>
<tr>
<td>(0.7141)</td>
<td>(0.47)</td>
<td>(0.30)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**p-value on F test on interactions**

| - | 0.0005 | - | 0.0359 | - | 0.1432 | - | 0.6266 |

**Person fixed effects included?**

| Y | Y | Y | Y | Y | Y | Y | Y | Y |

**Number of people**

| 6,705 | 6,705 | 5,022 | 5,022 | 5,022 | 5,022 | 5,001 | 5,001 |

**No. of observations (person-waves)**

| 26,820 | 26,820 | 15,977 | 15,977 | 15,977 | 15,977 | 15,388 | 15,388 |

**Notes:** Statistics are calculated using wave 1 household sample weights. Dollar amounts are in 1998 dollars.
### Table 12
Are the effects of a new diagnosis symmetric for head and spouse in married couples?
Effects on wealth, consumption, household income and earnings in the HRS, waves 1 - 4

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Wealth</th>
<th>Wealth if &gt;0</th>
<th>ln(wealth)</th>
<th>Food</th>
<th>Household income</th>
<th>ln(hh inc.)</th>
<th>Head’s earnings</th>
<th>Spouse’s earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New diagnosis for head</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-37,463</td>
<td>-41,723</td>
<td>-0.0585</td>
<td>-1.88</td>
<td>-6,803</td>
<td>-0.0667</td>
<td>-2,406</td>
<td>-1,906</td>
<td></td>
</tr>
<tr>
<td>(33,837)</td>
<td>(34,685)</td>
<td>(0.0465)</td>
<td>(27.19)</td>
<td>(3,279)</td>
<td>(0.0528)</td>
<td>(1,743)</td>
<td>(1,303)</td>
<td></td>
</tr>
<tr>
<td>New diagnosis for spouse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-51,838</td>
<td>-50,806</td>
<td>-0.0613</td>
<td>33.40</td>
<td>-10,083</td>
<td>-0.1526</td>
<td>-1,117</td>
<td>-700</td>
<td></td>
</tr>
<tr>
<td>(39,732)</td>
<td>(41,793)</td>
<td>(0.0509)</td>
<td>(36.60)</td>
<td>(4,077)</td>
<td>(0.0588)</td>
<td>(2,138)</td>
<td>(1,112)</td>
<td></td>
</tr>
<tr>
<td>New diagnosis for head and head is uninsured at wave 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34,531</td>
<td>38,501</td>
<td>-0.0443</td>
<td>-37.20</td>
<td>12,680</td>
<td>0.0169</td>
<td>2,572</td>
<td>-3,259</td>
<td></td>
</tr>
<tr>
<td>(42,677)</td>
<td>(44,803)</td>
<td>(0.2236)</td>
<td>(67.12)</td>
<td>(9,093)</td>
<td>(0.1907)</td>
<td>(5,112)</td>
<td>(2,667)</td>
<td></td>
</tr>
<tr>
<td>New diagnosis for spouse and spouse is uninsured at wave 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24,140</td>
<td>19,663</td>
<td>-0.1458</td>
<td>-75.01</td>
<td>8,294</td>
<td>-0.0890</td>
<td>-167</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>(51,238)</td>
<td>(56,388)</td>
<td>(0.1821)</td>
<td>(139.78)</td>
<td>(10,282)</td>
<td>(0.2058)</td>
<td>(5,274)</td>
<td>(2,792)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Household fixed effects included?</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
<th>Y</th>
</tr>
</thead>
</table>

| Number of households | 3,036 |
| Number of observations (household-waves) | 12,144 |

Notes:
1. Regressions include the following additional regressors: age of household head, age\(^2\) of household head, number of other people in the household, and the interactions of each additional regressor for a dummy variable for whether the household head or spouse is uninsured at wave
2. Statistics are calculated using wave 1 household sample weights.
3. Dollar amounts are in 1998 dollars.
Table 13
Are the effects of a new diagnosis symmetric for head and spouse in married couples?
Effects on the probability of work, hours and weeks in the HRS, waves 1-4

<table>
<thead>
<tr>
<th>Independent variables:</th>
<th>Head works</th>
<th>Spouse works</th>
<th>Hours if working: Head</th>
<th>Hours if working: Spouse</th>
<th>Weeks if working: Head</th>
<th>Weeks if working: Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>New diagnosis for head</td>
<td>-0.1005</td>
<td>-0.0054</td>
<td>-1.5872</td>
<td>0.0858</td>
<td>-1.1212</td>
<td>-0.3375</td>
</tr>
<tr>
<td></td>
<td>(0.0223)</td>
<td>(0.0236)</td>
<td>(1.0892)</td>
<td>(0.9630)</td>
<td>(0.6437)</td>
<td>(0.6740)</td>
</tr>
<tr>
<td>New diagnosis for spouse</td>
<td>(0.0248)</td>
<td>-0.0528</td>
<td>-0.4272</td>
<td>-1.2032</td>
<td>0.3655</td>
<td>0.8775</td>
</tr>
<tr>
<td></td>
<td>0.0244</td>
<td>(0.0304)</td>
<td>(1.2033)</td>
<td>(1.4655)</td>
<td>(0.7603)</td>
<td>(1.1328)</td>
</tr>
<tr>
<td>New diagnosis for head</td>
<td>-0.1328</td>
<td>-0.0239</td>
<td>0.4883</td>
<td>-2.2670</td>
<td>4.0831</td>
<td>0.4902</td>
</tr>
<tr>
<td>AND head is uninsured at wave 1</td>
<td>(0.0790)</td>
<td>(0.0738)</td>
<td>(2.7745)</td>
<td>(5.8550)</td>
<td>(3.2095)</td>
<td>(1.0020)</td>
</tr>
<tr>
<td>New diagnosis for spouse</td>
<td>-0.0166</td>
<td>0.0489</td>
<td>3.9621</td>
<td>-0.7386</td>
<td>-0.4264</td>
<td>1.7868</td>
</tr>
<tr>
<td>AND spouse is uninsured at wave 1</td>
<td>(0.0644)</td>
<td>(0.0724)</td>
<td>(4.4954)</td>
<td>(5.0333)</td>
<td>(1.5423)</td>
<td>(2.5336)</td>
</tr>
<tr>
<td>Individual fixed effects included?</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Number of individuals</td>
<td>3,036</td>
<td>2,700</td>
<td>2,162</td>
<td>1,918</td>
<td>2,162</td>
<td>1,918</td>
</tr>
<tr>
<td>Number of observations (individual-waves)</td>
<td>12,144</td>
<td>12,144</td>
<td>7,027</td>
<td>5,983</td>
<td>7,027</td>
<td>5,983</td>
</tr>
</tbody>
</table>

Notes:
1. Regressions include the following additional regressors: age of household head, age$^2$ of household head, number of other people in the household, and the interactions of each additional regressor for a dummy variable for whether the household head or spouse is uninsured at wave.
2. Statistics are calculated using wave 1 household sample weights.
3. Dollar amounts are in 1998 dollars.
Table A1
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured, healthy</td>
<td>419</td>
<td>217</td>
<td>180</td>
<td>400</td>
<td>700</td>
<td>1.000</td>
<td>229</td>
<td>140</td>
</tr>
<tr>
<td>Insured, chronic</td>
<td>433</td>
<td>243</td>
<td>200</td>
<td>383</td>
<td>720</td>
<td>1.000</td>
<td>251</td>
<td>210</td>
</tr>
<tr>
<td>Insured, shock</td>
<td>440</td>
<td>230</td>
<td>220</td>
<td>400</td>
<td>700</td>
<td>1.000</td>
<td>287</td>
<td>240</td>
</tr>
<tr>
<td>Uninsured, healthy</td>
<td>411</td>
<td>218</td>
<td>172</td>
<td>380</td>
<td>700</td>
<td>1.000</td>
<td>215</td>
<td>140</td>
</tr>
<tr>
<td>Uninsured, chronic</td>
<td>411</td>
<td>249</td>
<td>160</td>
<td>360</td>
<td>700</td>
<td>1.000</td>
<td>223</td>
<td>190</td>
</tr>
<tr>
<td>Uninsured, shock</td>
<td>410</td>
<td>224</td>
<td>206</td>
<td>370</td>
<td>620</td>
<td>1.000</td>
<td>204</td>
<td>220</td>
</tr>
<tr>
<td>All insured</td>
<td>429</td>
<td>229</td>
<td>194</td>
<td>400</td>
<td>700</td>
<td>1.000</td>
<td>250</td>
<td>180</td>
</tr>
<tr>
<td>All uninsured</td>
<td>411</td>
<td>229</td>
<td>179</td>
<td>375</td>
<td>700</td>
<td>1.000</td>
<td>214</td>
<td>180</td>
</tr>
<tr>
<td>Total</td>
<td>426</td>
<td>229</td>
<td>190</td>
<td>400</td>
<td>700</td>
<td>1.000</td>
<td>245</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total wealth ( = housing wealth + non-housing wealth)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured – healthy</td>
<td>286,010</td>
<td>624,199</td>
<td>10,000</td>
<td>133,500</td>
<td>590,000</td>
<td>0.957</td>
<td>196,920</td>
<td>37,000</td>
</tr>
<tr>
<td>Insured – chronic</td>
<td>208,045</td>
<td>416,835</td>
<td>100</td>
<td>98,000</td>
<td>469,000</td>
<td>0.902</td>
<td>102,447</td>
<td>18,500</td>
</tr>
<tr>
<td>Insured – shock</td>
<td>243,375</td>
<td>438,454</td>
<td>14,000</td>
<td>132,200</td>
<td>524,500</td>
<td>0.961</td>
<td>98,208</td>
<td>29,320</td>
</tr>
<tr>
<td>Uninsured – healthy</td>
<td>266,553</td>
<td>546,321</td>
<td>0</td>
<td>73,000</td>
<td>771,000</td>
<td>0.879</td>
<td>49,621</td>
<td>4,500</td>
</tr>
<tr>
<td>Uninsured – chronic</td>
<td>219,042</td>
<td>677,848</td>
<td>0</td>
<td>32,500</td>
<td>467,000</td>
<td>0.857</td>
<td>47,127</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – shock</td>
<td>195,461</td>
<td>468,432</td>
<td>0</td>
<td>51,300</td>
<td>409,025</td>
<td>0.866</td>
<td>18,605</td>
<td>1,800</td>
</tr>
<tr>
<td>All insured</td>
<td>248,909</td>
<td>519,469</td>
<td>5,100</td>
<td>121,500</td>
<td>520,500</td>
<td>0.939</td>
<td>141,237</td>
<td>28,350</td>
</tr>
<tr>
<td>All uninsured</td>
<td>233,071</td>
<td>576,807</td>
<td>0</td>
<td>50,000</td>
<td>561,900</td>
<td>0.869</td>
<td>9,637</td>
<td>1,700</td>
</tr>
<tr>
<td>Total</td>
<td>246,252</td>
<td>529,491</td>
<td>1,900</td>
<td>111,000</td>
<td>524,900</td>
<td>0.927</td>
<td>119,159</td>
<td>22,000</td>
</tr>
<tr>
<td><strong>Housing wealth ( = property value – housing debt)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured – healthy</td>
<td>73,971</td>
<td>85,255</td>
<td>0</td>
<td>55,000</td>
<td>171,000</td>
<td>0.818</td>
<td>22,771</td>
<td>10,800</td>
</tr>
<tr>
<td>Insured – chronic</td>
<td>58,123</td>
<td>125,607</td>
<td>0</td>
<td>45,000</td>
<td>150,000</td>
<td>0.794</td>
<td>16,228</td>
<td>6,500</td>
</tr>
<tr>
<td>Insured – shock</td>
<td>71,985</td>
<td>77,795</td>
<td>0</td>
<td>57,500</td>
<td>155,800</td>
<td>0.845</td>
<td>17,933</td>
<td>10,000</td>
</tr>
<tr>
<td>Uninsured – healthy</td>
<td>54,220</td>
<td>95,413</td>
<td>0</td>
<td>25,000</td>
<td>150,000</td>
<td>0.615</td>
<td>11,972</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – chronic</td>
<td>45,523</td>
<td>75,399</td>
<td>0</td>
<td>18,000</td>
<td>125,000</td>
<td>0.614</td>
<td>12,421</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – shock</td>
<td>56,781</td>
<td>111,085</td>
<td>0</td>
<td>25,000</td>
<td>141,000</td>
<td>0.816</td>
<td>19,370</td>
<td>0</td>
</tr>
<tr>
<td>All insured</td>
<td>67,952</td>
<td>100,135</td>
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<td>160,000</td>
<td>0.625</td>
<td>8,759</td>
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</tr>
<tr>
<td>All uninsured</td>
<td>51,952</td>
<td>93,613</td>
<td>0</td>
<td>21,900</td>
<td>142,000</td>
<td>0.784</td>
<td>17,590</td>
<td>0</td>
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<tr>
<td>Total</td>
<td>65,268</td>
<td>99,241</td>
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<td>155,800</td>
<td>0.784</td>
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Table A1, continued
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

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<tr>
<th>Non-housing wealth</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>212,039</td>
<td>587,776</td>
<td>2,000</td>
<td>66,500</td>
<td>471,200</td>
<td>0.934</td>
<td>174,149</td>
<td>20,100</td>
</tr>
<tr>
<td>Insured – chronic</td>
<td>149,922</td>
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<td>37,700</td>
<td>340,000</td>
<td>0.876</td>
<td>86,219</td>
<td>7,000</td>
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<td>171,390</td>
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<td>415,900</td>
<td>0.944</td>
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<td>0.831</td>
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<td>7,000</td>
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<td>641,311</td>
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<td>336,000</td>
<td>0.796</td>
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<td>-60</td>
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<td>48,000</td>
<td>407,200</td>
<td>0.899</td>
<td>101,569</td>
<td>7,700</td>
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<td>130,000</td>
<td>0.364</td>
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<td>89,000</td>
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<td>112,500</td>
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<td>48,000</td>
<td>407,200</td>
<td>0.899</td>
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<td>0.130</td>
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<tr>
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<td>338,783</td>
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<td>0</td>
<td>110,200</td>
<td>0.333</td>
<td>6,680</td>
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<tr>
<td>Insured – shock</td>
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<td>171,651</td>
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<td>10,000</td>
<td>0.119</td>
<td>3,585</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – healthy</td>
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<td>237,248</td>
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<td>0</td>
<td>60,000</td>
<td>0.219</td>
<td>-15,730</td>
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<tr>
<td>Uninsured – chronic</td>
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<td>141,201</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>0.209</td>
<td>-15,977</td>
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<td>0</td>
<td>110,000</td>
<td>0.343</td>
<td>8,839</td>
<td>0</td>
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<tr>
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<td>110,200</td>
<td>0.333</td>
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<td>0</td>
<td>20,000</td>
<td>0.130</td>
<td>33,112</td>
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<td>10,000</td>
<td>0.119</td>
<td>3,585</td>
<td>0</td>
</tr>
<tr>
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<td>171,651</td>
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<td>0</td>
<td>10,000</td>
<td>0.129</td>
<td>-8,486</td>
<td>0</td>
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<tr>
<td>Uninsured – healthy</td>
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<td>237,248</td>
<td>0</td>
<td>0</td>
<td>60,000</td>
<td>0.219</td>
<td>-15,730</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – chronic</td>
<td>33,343</td>
<td>141,201</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>0.209</td>
<td>-15,977</td>
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<tr>
<td>Uninsured – shock</td>
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<td>206,868</td>
<td>0</td>
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<td>110,000</td>
<td>0.343</td>
<td>8,839</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>50,780</td>
<td>207,534</td>
<td>0</td>
<td>0</td>
<td>110,200</td>
<td>0.333</td>
<td>6,680</td>
<td>0</td>
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Table A1, continued
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

<table>
<thead>
<tr>
<th>IRAs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>27,254</td>
<td>73,898</td>
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<td>4,000</td>
<td>70,000</td>
<td>0.538</td>
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<tr>
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<td>0</td>
<td>50,000</td>
<td>0.441</td>
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<td>1,500</td>
<td>60,000</td>
<td>0.518</td>
<td>34,605</td>
<td>0</td>
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<td>0.300</td>
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<td>0</td>
<td>20,000</td>
<td>0.205</td>
<td>10,502</td>
<td>0</td>
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<tr>
<td>Uninsured – shock</td>
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<td>100,123</td>
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<td>0</td>
<td>30,000</td>
<td>0.245</td>
<td>14,935</td>
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<td>64,729</td>
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<td>0</td>
<td>50,000</td>
<td>0.458</td>
<td>31,827</td>
<td>0</td>
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<tr>
<td>All uninsured</td>
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<td>60,822</td>
<td>0</td>
<td>0</td>
<td>35,000</td>
<td>0.255</td>
<td>14,223</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>21,967</td>
<td>64,203</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>0.458</td>
<td>31,827</td>
<td>0</td>
</tr>
</tbody>
</table>

| Stock                     |       |           |                 |        |                |                        |                      |                        |
| Insured – healthy         | 26,261| 118,152   | 0               | 0      | 71,000         | 0.378                  | 47,461                | 0                      |
| Insured – chronic         | 19,059| 86,989    | 0               | 0      | 40,000         | 0.325                  | 32,837                | 0                      |
| Insured – shock           | 22,291| 109,342   | 0               | 0      | 50,000         | 0.379                  | 42,038                | 0                      |
| Uninsured – healthy       | 15,236| 65,886    | 0               | 0      | 25,000         | 0.221                  | 43,330                | 0                      |
| Uninsured – chronic       | 15,920| 75,019    | 0               | 0      | 10,000         | 0.167                  | -3,148                | 0                      |
| Uninsured – shock         | 18,283| 93,631    | 0               | 0      | 12,000         | 0.192                  | -458                  | 0                      |
| All insured               | 22,826| 106,121   | 0               | 0      | 50,000         | 0.360                  | 41,089                | 0                      |
| All uninsured             | 16,219| 76,505    | 0               | 0      | 20,000         | 0.196                  | 16,961                | 0                      |
| Total                     | 21,718| 101,779   | 0               | 0      | 50,000         | 0.332                  | 37,041                | 0                      |

| Bonds                     |       |           |                 |        |                |                        |                      |                        |
| Insured – healthy         | 4,249 | 45,657    | 0               | 0      | 0             | 0.097                  | 5,599                 | 0                      |
| Insured – chronic         | 2,458 | 20,500    | 0               | 0      | 0             | 0.074                  | 3,532                 | 0                      |
| Insured – shock           | 2,385 | 16,149    | 0               | 0      | 0             | 0.079                  | 2,755                 | 0                      |
| Uninsured – healthy       | 6,394 | 43,968    | 0               | 0      | 0             | 0.064                  | 11,021                | 0                      |
| Uninsured – chronic       | 1,812 | 14,489    | 0               | 0      | 0             | 0.034                  | -447                  | 0                      |
| Uninsured – shock         | 4,929 | 31,787    | 0               | 0      | 0             | 0.042                  | -3,235                | 0                      |
| All insured               | 3,195 | 32,933    | 0               | 0      | 0             | 0.085                  | 4,225                 | 0                      |
| All uninsured             | 4,501 | 33,624    | 0               | 0      | 0             | 0.049                  | 3,659                 | 0                      |
| Total                     | 3,414 | 33,050    | 0               | 0      | 0             | 0.079                  | 4,130                 | 0                      |
Table A1, continued
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

<table>
<thead>
<tr>
<th>Liquid assets</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1 - 4</th>
<th>Median change, wave 1 - 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>27,213</td>
<td>110,155</td>
<td>47</td>
<td>7,000</td>
<td>60,000</td>
<td>0.909</td>
<td>22,799</td>
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</tr>
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<td>20,011</td>
<td>47,467</td>
<td>0</td>
<td>5,000</td>
<td>50,000</td>
<td>0.849</td>
<td>7,690</td>
<td>100</td>
</tr>
<tr>
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<td>10</td>
<td>7,000</td>
<td>55,000</td>
<td>0.904</td>
<td>2,985</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – healthy</td>
<td>19,689</td>
<td>61,077</td>
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<td>1,800</td>
<td>49,000</td>
<td>0.696</td>
<td>3,178</td>
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</tr>
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<td>500</td>
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<td>0.655</td>
<td>3,662</td>
<td>0</td>
</tr>
<tr>
<td>Uninsured – shock</td>
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<td>25,000</td>
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<td>52,000</td>
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<td>35,000</td>
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<table>
<thead>
<tr>
<th>Vehicles</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1 - 4</th>
<th>Median change, wave 1 - 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
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<td>0.929</td>
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<td>500</td>
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<td>19,098</td>
<td>100</td>
<td>8,000</td>
<td>25,000</td>
<td>0.907</td>
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<td>30,000</td>
<td>0.950</td>
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<td>2,000</td>
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<td>30,000</td>
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</tr>
<tr>
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<td>8,500</td>
<td>30,000</td>
<td>0.912</td>
<td>1,607</td>
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</table>

<table>
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<tr>
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<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1 - 4</th>
<th>Median change, wave 1 - 4</th>
</tr>
</thead>
<tbody>
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<td>0</td>
<td>10,000</td>
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<td>18,000</td>
<td>0.196</td>
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<td>0</td>
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<tr>
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<tr>
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<td>15,000</td>
<td>0.187</td>
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<td>Total</td>
<td>10,233</td>
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Table A1, continued  
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

<table>
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<tr>
<th>Other debts (negative)</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>3,178</td>
<td>26,993</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
<td>0.360</td>
<td>105</td>
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<td>22,703</td>
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<td>0</td>
<td>7,000</td>
<td>0.424</td>
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<td>0.397</td>
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<tr>
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<td>18,298</td>
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<td>0</td>
<td>5,000</td>
<td>0.346</td>
<td>-372</td>
<td>0</td>
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<tr>
<td>Uninsured – chronic</td>
<td>3,957</td>
<td>16,524</td>
<td>0</td>
<td>0</td>
<td>9,000</td>
<td>0.445</td>
<td>4,625</td>
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<tr>
<td>Uninsured – shock</td>
<td>8,147</td>
<td>46,081</td>
<td>0</td>
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<td>6,000</td>
<td>0.326</td>
<td>-4,696</td>
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<tr>
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<td>0</td>
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<tr>
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<td>6,000</td>
<td>0.374</td>
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Table A2
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

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<th>Earnings of head and spouse</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
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</thead>
<tbody>
<tr>
<td>Insured, healthy</td>
<td>42,777</td>
<td>43,953</td>
<td>0</td>
<td>35,700</td>
<td>86,000</td>
<td>0.895</td>
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<tr>
<td>Insured, chronic</td>
<td>33,261</td>
<td>32,218</td>
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<td>27,500</td>
<td>74,000</td>
<td>0.829</td>
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<td>Insured, shock</td>
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<td>39,042</td>
<td>2,100</td>
<td>36,300</td>
<td>80,000</td>
<td>0.907</td>
<td>-14,690</td>
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<tr>
<td>Uninsured, healthy</td>
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<td>14,000</td>
<td>50,000</td>
<td>0.827</td>
<td>-9,878</td>
<td>-2,800</td>
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<td>Uninsured, chronic</td>
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<td>7,400</td>
<td>39,000</td>
<td>0.694</td>
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<td>Uninsured, shock</td>
<td>19,323</td>
<td>27,285</td>
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<td>10,600</td>
<td>45,000</td>
<td>0.723</td>
<td>-6,672</td>
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<td>All insured</td>
<td>39,265</td>
<td>39,325</td>
<td>0</td>
<td>28,000</td>
<td>77,500</td>
<td>0.855</td>
<td>-9,120</td>
<td>-1,000</td>
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<tr>
<td>All uninsured</td>
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<td>35,365</td>
<td>0</td>
<td>32,000</td>
<td>80,000</td>
<td>0.875</td>
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<td>-2,800</td>
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<tr>
<td>Total</td>
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<td>39,325</td>
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<td>48,000</td>
<td>0.757</td>
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<table>
<thead>
<tr>
<th>Unemployment Insurance &amp; Workers’ Compensation</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
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</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>233</td>
<td>1,115</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.085</td>
<td>69</td>
<td>0</td>
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<tr>
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<td>0</td>
<td>0</td>
<td>0.106</td>
<td>-109</td>
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<tr>
<td>Insured – shock</td>
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<td>0</td>
<td>0.085</td>
<td>-71</td>
<td>0</td>
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<tr>
<td>Uninsured – healthy</td>
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<td>0.173</td>
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<td>0.093</td>
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<tr>
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<td>0</td>
<td>0.098</td>
<td>-44</td>
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<table>
<thead>
<tr>
<th>Pensions &amp; Social Security Income</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10th percentile</th>
<th>Median</th>
<th>90th percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>3,042</td>
<td>7,607</td>
<td>0</td>
<td>0</td>
<td>12,012</td>
<td>0.221</td>
<td>5,387</td>
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<tr>
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<td>5,070</td>
<td>9,416</td>
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<td>0</td>
<td>17,298</td>
<td>0.378</td>
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<tr>
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<td>17,665</td>
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<td>4,718</td>
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<td>8,789</td>
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<td>16,000</td>
<td>0.295</td>
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<tr>
<td>All uninsured</td>
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<td>0</td>
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Table A2, continued
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

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<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10(^{th}) percentile</th>
<th>Median</th>
<th>90(^{th}) percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
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<tr>
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<td>969</td>
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<td>0</td>
<td>0</td>
<td>0.027</td>
<td>52</td>
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<td>1,518</td>
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<td>0</td>
<td>0.085</td>
<td>90</td>
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<td>827</td>
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<td>0</td>
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<td>245</td>
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<td>0.570</td>
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<td><strong>Other income of head and spouse</strong> (includes alimony and child support)</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Insured – healthy</td>
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<td>0</td>
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<td>0</td>
<td>0</td>
<td>0.000</td>
<td>485</td>
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<td>0</td>
<td>0</td>
<td>0.000</td>
<td>296</td>
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<td>0</td>
<td>0</td>
<td>0.000</td>
<td>403</td>
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<tr>
<td>Uninsured – healthy</td>
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<tr>
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<td>0</td>
<td>0</td>
<td>0.000</td>
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<tr>
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Table A2, continued
Detailed statistics on consumption and the components of wealth at wave 1, by insurance and health status

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<thead>
<tr>
<th>Income of other household members</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>10\textsuperscript{th} percentile</th>
<th>Median</th>
<th>90\textsuperscript{th} percentile</th>
<th>Fraction with value &gt;0</th>
<th>Mean change, wave 1-4</th>
<th>Median change, wave 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured – healthy</td>
<td>4,263</td>
<td>9,774</td>
<td>0</td>
<td>0</td>
<td>16,000</td>
<td>0.335</td>
<td>-7,119</td>
<td>-300</td>
</tr>
<tr>
<td>Insured – chronic</td>
<td>4,147</td>
<td>9,139</td>
<td>0</td>
<td>0</td>
<td>15,500</td>
<td>0.324</td>
<td>-5,632</td>
<td>-300</td>
</tr>
<tr>
<td>Insured – shock</td>
<td>4,106</td>
<td>9,797</td>
<td>0</td>
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### Table A3
Detailed statistics on labor supply variables at wave 1

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<td><strong>Usual weeks on main job</strong></td>
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Table A3, continued
Detailed statistics on labor supply variables at wave 1

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<td>13.8 (31.1)</td>
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