



Resuscitating an Ailing Economy: Investing in Health Care

The economic recession that the state and nation are currently experiencing has had significant impacts on the employment and health coverage of Californians. Employers and employees struggled to afford quality health coverage before the economic downturn, and now it is even more difficult.

Since the economy first began its decline about 18 months ago, almost one million more Californians have become unemployed and the number continues to grow. As a result of rising unemployment, an additional half a million Californians are now also uninsured. There would be even more uninsured if it were not for public programs like Medi-Cal.

Uninsurance is associated with significant health and financial consequences for families and communities, so one of the most important ways to help the economy and Californian families recover is to expand coverage and invest in health care and health reform.

Public spending on health care prevents more families from becoming uninsured, protects and creates jobs, and keeps Californians healthy so they can continue to keep California's economy moving. Investing in comprehensive health reform will further ensure that Californians have coverage they can count on even as the economy fluctuates.

KEY FINDINGS:

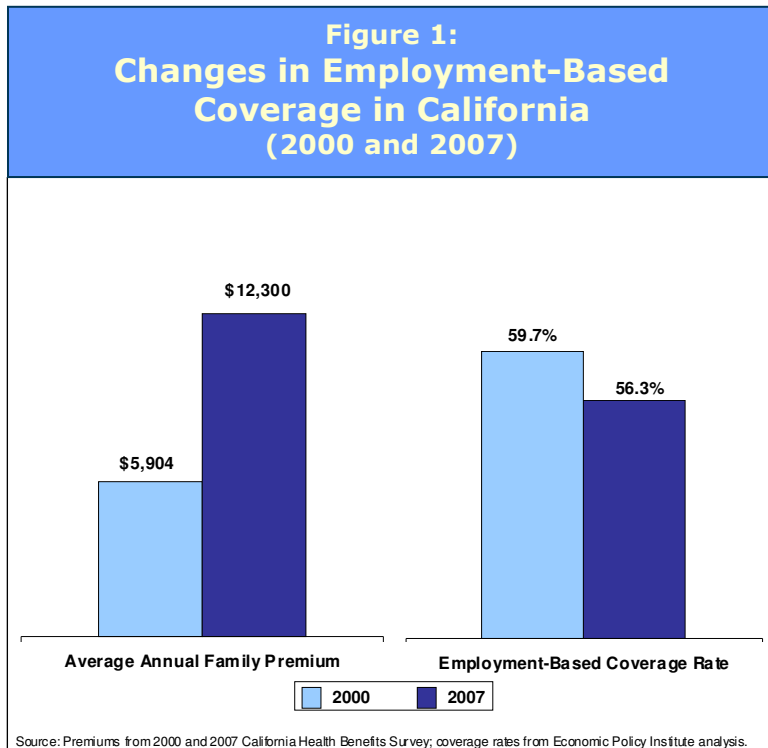
Like the nation as a whole, California has an ailing economy.

- Private coverage was already becoming more expensive and less prevalent for many Californians in the decade before the recession.
- As a result of the economic recession, over 1 million Californians have become unemployed in the past 18 months.
- As families lose their coverage with their jobs, 500,000 Californians and counting have become newly uninsured.

Investing in health care is an important way to resuscitate the economy.

- Public programs prevent even more families from becoming uninsured.
- Investing in health care protects and creates jobs.
- Significant investments in comprehensive health reform will help ensure that Californians have coverage they can count on.

Continuing Erosion of Employment-Based Coverage



Like the majority of Americans, over half of all Californians get their health insurance through a job—either through their own employer or a family members’ employer.¹ Compared to the nation as a whole, California has a lower rate of employer-sponsored coverage to begin with (54.7 percent in California vs. 60.9 percent nationally in 2008).²

Yet even before the economic downturn, the growing costs of health care sparked an alarming trend of declining employment-based coverage. This happens because as costs grow, health coverage becomes too expensive for employers to offer or too expensive for employees to afford.

Since 2000, premiums for employer-sponsored coverage in California have more than doubled, growing at over twice the rate of other goods (i.e., inflation).³ Increased costs contributed, in part, to a decrease in job-based coverage of over three percentage points, or more than 220,000 people, during the same period (Figure 1).⁴

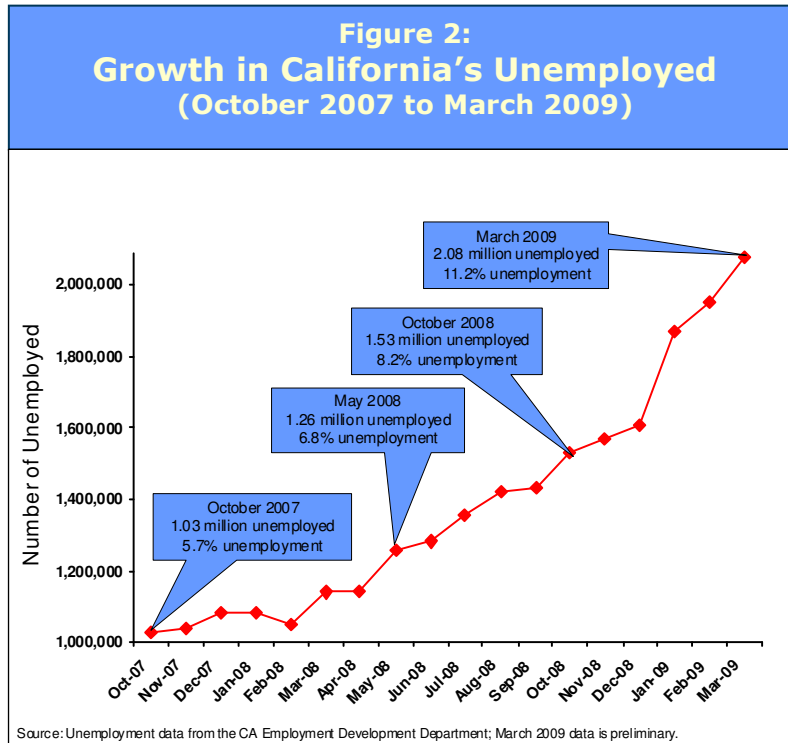
As California and the nation slide into a recession, employers and employees will be less able to afford the growing costs of health insurance which may further accelerate the erosion of employer-sponsored coverage.

Almost One Million Newly Unemployed Californians

While Californians with jobs have experienced a decline in their employment-based coverage, the nation’s current economic recession has had another major impact on the health of the state.

Over one million (1,050,000) Californians have become unemployed over the last 18 months across virtually every one of California’s diverse industries (Figure 2).⁵

The unemployment situation is more severe in California than in most other states and the nation as a whole (the March 2009 U.S. unemployment rate was 8.5 percent compared to California’s 11.2 percent).⁶



Rising Unemployment Increases Uninsured by 500,000

Because over 18 million Californians relied on employment as the source of their health care coverage in 2007,⁷ the economic downturn has had a direct effect on the number of uninsured. In fact, more than one in three Californians (over 12 million) were uninsured during all or part of 2007 and 2008, even though the vast majority (85 percent) were working or seeking work.⁸ By December 2008, over half (55 percent) of all low-income, unemployed workers were also uninsured.⁹

Specifically, researchers estimate that since the beginning of the economic recession in November 2007, there are 500,000 more uninsured adults in California.¹⁰ Nationally, there are 3.7 million more uninsured adults, meaning that almost one in every seven newly uninsured adults comes from California.

As the economic recession deepens, it is expected that more Californians will join the ranks of the uninsured. The growing number of uninsured is a major concern because it exacerbates the very real and serious health and financial consequences of uninsurance for families and communities (see box).

CONSEQUENCES OF UNINSURANCE¹¹	
For Individuals & Families	For Communities & Health Systems
<ul style="list-style-type: none"> • Poorer Health: The uninsured are more likely to delay or forgo needed care, less likely to receive preventive care or timely diagnoses, more likely to be hospitalized for avoidable health problems, experience worse health outcomes, and die prematurely. • Missed Productivity: Uninsured adults miss more days of work and uninsured children miss more days of school. • Medical Debt: As a result of the economic downturn, California hospitals report a 73 percent increase in consumers having difficulty paying out-of-pocket costs and a 33 percent increase in emergency room visits among the uninsured.¹² 	<ul style="list-style-type: none"> • Hidden Premiums: To pay for the care of the uninsured, private insurance premiums in California are marked up about 10.5 percent, or \$500 per individual plan and \$1,400 per family plan, on average in 2009.¹³ • Access Issues: In communities with high levels of uninsurance, insured adults have difficulty obtaining needed health services and are less satisfied with the care they receive; these areas tend to have less hospital capacity and fewer practicing providers. • Disease Burden: Areas with a greater uninsurance rate may have higher levels of vaccine-preventable and communicable disease because of less adequate prevention, detection, and treatment for the uninsured.

Economic Recovery Through Investments in Health Care and Health Reform

The economic downturn has had a devastating impact on the jobs and health coverage of California’s families. Families who have lost their job *and* their insurance are especially hard hit by the recession. One of the quickest and most important ways that government can help the economy and families to recover is to invest in health care and health reform.

Specifically, investing in health care prevents families from becoming uninsured and allows them to continue working or seeking work, as well as protects and creates health care jobs keeping more workers from becoming uninsured. In the absence of health reform, fewer Californians will have employment-based health coverage and more Californians will become uninsured, creating even more pressure on the health care safety net.

➤ **Public programs prevent families from becoming uninsured.**

Medi-Cal, California's Medicaid program, provides an important safety net that prevents many families from becoming uninsured and totally losing their access to health care.

While it is true that COBRA laws allow families to retain their employment-based insurance, family premiums for COBRA coverage are extremely expensive and consume almost 82 percent of the average unemployment benefit in California.¹⁴ Since COBRA coverage is prohibitively expensive for most families, Medi-Cal protects families who have lost their job *and* their insurance, as well as some families who are lucky enough to get a job but do not have access to employer-sponsored coverage (i.e., coverage may not be offered with a new job, a worker may not be eligible for coverage if they work too few hours, and coverage may not be affordable if pay is reduced).

Because Medi-Cal and other public programs are so important for families, especially during an economic recession,¹⁵ it is therefore imperative that these programs are not scaled back. Medi-Cal, for example, is a perennial target of legislative budget cuts, even though public programs can not adequately do their job with reduced eligibility, more difficult enrollment processes, elimination of benefits, and insufficient funding.

➤ **Spending on health care creates jobs and spurs economic growth.**

While most industries are shedding jobs as the economy slows down, health care is one of the few industries still fueling the economy and adding jobs.¹⁶

Spending on health care preserves and creates jobs because the need for health care is constant, creating a "multiplier effect" on health care jobs. That is, for each California hospital job created (e.g., a surgeon), another one and a half additional jobs are created (e.g., administrative support, allied health professions, medical equipment manufacturers, etc.).¹⁷

Government spending on health care protects existing jobs and creates new ones – one of the main goals of any economic recovery plan – while at the same time keeping people covered so they can stay healthy and productive.

➤ **Without health reform fewer Californians will have coverage.** The current economic crisis and the growing number of uninsured underscore the urgent need for comprehensive health reform. The economy will eventually recover and employment rates will increase, but without investing in health reform, coverage will not improve.

For example, without reform it is estimated that by 2012 job-based coverage in California will decrease by 2.5 percentage points from 2007. In addition, it is estimated that the number of uninsured will increase by 1.4 percentage points, or 590,000 people, and would be even greater if Medi-Cal and other public programs are scaled back.¹⁸

Investment in comprehensive, consumer-friendly health reform is necessary to ensure that health insurance coverage is expanded and made more stable. The economy naturally fluctuates, but failing health and lack of coverage should not impede productivity and growth as the economy changes.

The economic downturn has had a devastating effect on the health coverage of Californians. As more workers lose their job and become uninsured, there are health and financial consequences for families, communities, and the health system as a whole. Government can help families avoid uninsurance and help them recover by strengthening Medi-Cal, increasing spending on health programs to create jobs and improve health, and investing in comprehensive, consumer-friendly health reform to ensure health care security for Californians during times of economic change.

For more information on coverage for unemployed Californians, see "[2009 Health Coverage Options, Answers, and Resources for Unemployed Workers](#)," prepared by the California HealthCare Foundation and available at www.chcf.org.

-
- ¹ E. R. Brown, *et al.*, "[Nearly 6.4 Million Californians Lacked Health Insurance in 2007 – Recession Likely to Reverse Small Gains in Coverage](#)," UCLA Center for Health Policy Research (December 2008).
- ² Kaiser Family Foundation, "[The Uninsured: A Primer](#)," (October 2008); estimates based on the Current Population Survey.
- ³ NORC, "[California Employer Health Benefits Survey](#)," California HealthCare Foundation, (December 2008).
- ⁴ E. Gould, "[The Erosion of Employer-Sponsored Health Insurance](#)," Economic Policy Institute (October 9, 2008).
- ⁵ Unemployment data (October 2007 through preliminary March 2009 estimates) from the California Employment Development Department at <http://www.edd.ca.gov/>.
- ⁶ Bureau of Labor Statistics, "[Economic News Release: Regional and State Employment and Unemployment Summary](#)," (April 17, 2009).
- ⁷ *Op. cit.* (1).
- ⁸ Families USA, "[Californians without Health Insurance](#)," (March 2009).
- ⁹ Families USA, "[Unemployed and Uninsured in America](#)," (February 2009).
- ¹⁰ K. Jacobs & D. Graham-Squire, "[No Recovery in Sight: Health Coverage for Working-Age Adults in the United States and California](#)," UC Berkeley Center for Labor Research and Education, (April 2009).
- ¹¹ See Institute of Medicine, "[America's Uninsured Crisis: Consequences for Health and Health Care](#)," (February 2009); Kaiser Family Foundation, "[The Uninsured: A Primer](#)," (October 2008); Institute of Medicine, "[Hidden Costs, Value Lost: Uninsurance in America](#)," (June 2003); and Institute of Medicine, "[A Shared Destiny: Community Effects of Uninsurance](#)," (March 2003).
- ¹² California Hospital Association, "[A Report on California Hospitals and the Economy](#)," (January 2009);
- ¹³ B. Furnas & P. Harbage, "[The Cost Shift from the Uninsured](#)," Center for American Progress (March 24, 2009);
- ¹⁴ Families USA, "[Squeezed: Caught Between Unemployment Benefits and Health Care Costs](#)," (January 2009).
- ¹⁵ Kaiser Commission on Medicaid and the Uninsured, "[Turning to Medicaid and SCHIP in an Economic Recession: Conversations with Recent Applicants and Enrollees](#)," (December 2008).
- ¹⁶ D. Altman, "[Pulling It Together: Jobs, A Reason to Fast Track Coverage](#)," Kaiser Family Foundation (March 17, 2009).
- ¹⁷ California Hospital Association, "[A Report on California Hospitals and the Economy](#)," (January 2009).
- ¹⁸ *Op. cit.* (10).