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**UC BERKELEY STUDY PREDICTS POSITIVE NET ECONOMIC IMPACTS
FROM REFORM PROPOSALS TO INCREASE CALIFORNIANS' HEALTH
COVERAGE**

Berkeley — A study to be released today (Wednesday, July 11) by researchers at the University of California, Berkeley says that two of the main health care reform proposals under consideration in California are likely to have a positive net impact on the state's economy. Each includes provisions requiring employers to spend a minimum percentage of their payroll on employee health care or pay an en lieu fee to the state.

The report, "Health Coverage Proposals in California: Impact on Businesses," which was authored by researchers at UC Berkeley's Center for Labor Research and Education, analyzes Gov. Schwarzenegger's health care reform proposal and Assembly Bill 8 (AB 8).

"According to our findings, it is possible to substantially increase health coverage in California without negatively impacting employment. In fact, expanding health coverage can have a positive impact on the California economy," said Ken Jacobs, chair of the labor center and one of the report's authors.

Both the governor's plan and AB 8 would significantly extend health care coverage in the state. The researchers note that some 6.5 million Californians are reported to be uninsured over the course of a year, while job-based health coverage for state residents under the age of 65 dropped five percent between 2001 and 2006.

Their study concludes that neither plan will mean job losses in California, and it forecasts that most firms will experience little or no net change in business operating

costs after a short adjustment period. Increased operating costs related to increased health care provisions are likely to be absorbed through increased productivity, modest price hikes for consumers and delayed wage increases for workers earning more than minimum wage, the report says.

The researchers also say that the state could see an infusion of between \$1.2 billion to \$3.7 billion in new federal Medicaid matching funds to expand coverage to children and low-income parents, as well as a reduction of between \$1.4 billion and \$3.4 billion in employee and employer federal tax payments. Their report says both health reform packages would boost productivity as workers take off fewer sick days.

The report's main findings include:

- In the short run, an increase of 0.11 percent in California businesses' total operating costs under Gov. Schwarzenegger's proposal and 0.61 percent under the Assembly bill. In the medium run (from two to three years after the law's implementation), these costs would fall to 0.1 percent under AB 8 and to 0.02 percent under the governor's health care plan.
- Under AB 8, cost increases of less than 1 percent in the short term for 44 percent of firms. Eighty percent of firms would experience increases in operating costs of less than 3 percent. Under the governor's plan, 91 percent of firms would have immediate cost increases below 1 percent.
- Under the governor's proposal, less than a 1 percent increase in operating costs in the medium run for almost 98 percent of businesses. Under the Assembly bill, 83 percent of businesses would experience less than a 1 percent increase in operating costs in the medium run. In both cases, this is because, after a short adjustment period, most businesses paying above the minimum wage would pass on additional costs by foregoing wage increases.
- Under both health care reform proposals, increases in business costs offset by reduced health insurance premium growth, improvements to productivity and an infusion of new federal dollars into the state. No job losses would be expected under either proposal.

The report is based on information in the UC Berkeley California Establishment

Survey's detailed picture of company policies on work and pay, and on other publicly available data.

In addition to Jacobs, authors include UC Berkeley post-doctoral researcher Lucas Ronconi and research associate Dave Graham-Squire. The study was funded by the California Endowment, a private health foundation that provides grants to community-based organizations throughout the state.

To download a copy of the report, go to:
http://laborcenter.berkeley.edu/healthcare/ca_healthreforms07.pdf.

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NOTE: Interviews with the researchers can be arranged by calling Andrea Buffa at UC Berkeley's Center for Labor Research and Education at (510) 642-6371 or (510) 325-3653 (cell).