

EXECUTIVE SUMMARY: PRODUCTIVITY AND BUDGETARY IMPACT OF THE HEALTH CARE CRISIS

Most recent data shows that 6.7 million Californians are uninsured. The health care crisis led to half a million individuals losing health insurance between 2001 and 2002. In light of the rising number of uninsured, there are currently numerous proposals in California to insure the uninsured. In particular, there is an impetus to increase work-based coverage, and three separate (but similar) bills currently in the state legislature would partly utilize such an approach. In two separate research briefs, we estimate how such policies might impact the state budget and how increasing coverage might affect labor productivity.

In the first research brief, we estimate the incidence and cost of working family member enrollment in Medi-Cal. **In 2002, of the 6.0 million Medi-Cal enrollees, 3.3 million were “working family members.”** They were either working or were dependents of working persons, and were *not* elderly or disabled. These working family members account for 55% of the total Medi-Cal population, and 72% of the total non-elderly, non-disabled Medi-Cal population. **Enrollment of working-family members cost the state at least \$2.8 billion per year.**

Over 700,000 Medi-Cal enrollees are employees or dependents of employees who work at businesses that employ at least 1,000 people. These enrollees alone cost the state \$610 million. An additional 440,000 work for mid-size firms with between 100 and 1000 employees. These enrollees cost the state \$355 million.

By far, retail is the single largest industry in the Medi-Cal enrollee population. **Around 659,000 retail workers and their dependents were enrolled in Medi-Cal, and this cost the state an estimated \$552 million annually.**

In the second research brief, we provide estimates for two sources of productivity gains from an increase in coverage: reduction in “job lock” and increased labor-force participation due to improved health.

Overall, the fear of losing insurance locks a sizeable number of workers in less productive jobs. **In 2002, 2.3% of the workforce – or 179,000 workers – with employment based coverage would have made productivity-improving job changes absent job lock.** **Overall, the presence of job lock annually leads to \$772 million in foregone productivity gains.**

Health insurance reduces the odds of a experiencing a debilitating health condition which can lead to an exit from the labor force. **Bad health outcomes caused by a lack of health insurance means 12,000 less people work each year.** **Extending coverage to working age adults might increase annual gross state product by \$230 million annually.**
