

Study Warns Job Losses Will Strain Government Health Programs

By KEVIN SACK *The New York Times* April 29, 2008

Leading health researchers projected Monday that each percentage-point rise in unemployment during the economic downturn would swell the uninsured by 1.1 million, stoking demand for government health coverage just as states face pressure to cut benefits.

While governments at all levels have faced a similar situation in past recessions, the researchers warned that the impact of this downturn might be worsened by its proximity to the last recession, in 2001, and by the cumulative effect of rising health costs.

“You could have more people at the tipping point, so we could be underestimating things a little bit,” said John F. Holahan, director of health policy for the Urban Institute, which conducted the study for the Kaiser Family Foundation.

The number of uninsured Americans has grown relentlessly in good times and bad this decade, and now stands at 47 million, or 16 percent of the population. Mr. Holahan said the increase projected by his team would be in addition to the growth normally expected from rising insurance costs and the erosion of employer-sponsored coverage.

The unemployment rate has increased by seven-tenths of 1 percent since March 2007. But Mr. Holahan said job losses often accelerated late in a recessionary cycle. “The heaviest hit is still likely to come,” he said.

The study projected that each rise in unemployment of one percentage point would also add 600,000 children and 400,000 adults to the two primary state and federal health insurance programs for the low-income uninsured. That would require an additional \$3.4 billion for Medicaid and the State Children’s Health Insurance Program, with \$1.4 billion of it from the states.

The money will not be easy to find. A percentage point increase in unemployment typically translates into a drop in state general fund revenues of 3 percent to 4 percent, the Urban Institute said. A survey found that 27 states and the District of Columbia were forecasting budget deficits for the coming year, collectively exceeding \$39 billion. Cuts to Medicaid or the children’s health program have been proposed in 13 states. “Because

of state balanced-budget requirements, Medicaid and other assistance is most likely to be cut when state residents have the greatest need for help,” the study concluded.

The downturn is already having an impact on the economics of health care. The Kaiser foundation found in a poll this month that nearly 3 in 10 of those surveyed said they or their families had a serious problem paying for health care because of the economy. The frustration was evident at all levels, with 28 percent of middle-income respondents saying health costs had become a serious problem.

In the poll of 2,003 adults, which had a margin of error of plus or minus three percentage points, 42 percent of respondents said that in the past year they or a household member had forgone some kind of medical care because of cost. Twenty-four percent said they had skipped a recommended test or treatment, up from 17 percent in 2005.

“This is emerging as a pocketbook issue, and not just as an issue of moral principle or access to care,” said Drew E. Altman, the foundation’s president.

The poll found that nearly a quarter of respondents said they or a family member had either taken a new job or declined to do so in the past year primarily because of health benefits. And 7 percent said that in the past year they or someone in their household had decided to marry mainly to gain coverage for a spouse.