



# Health Reform Will Lead to Job Creation

## State-by-State Job Creation Estimates from Health Reform

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Job creation is a central need in our economy as we dig ourselves out from the Great Recession. Political commentary treats health reform and job creation as alternatives: The political system can either focus on health reform or a jobs bill. But these bills' outcomes are intimately related.

Skeptics of health care reform argue that it will do little to control health care spending in the long run. Yet even the skeptics agree that successful health reform will reduce uninsurance by expanding private nongroup, private small group, and public insurance coverage. This expansion in insurance coverage will likely increase health care jobs since the newly insured will need doctors, nurses, and other health care personnel to meet their medical needs. So even those with doubts about reform would have to recognize that it will likely create jobs and also improve the well-being of the currently uninsured, many of whom are unemployed.

A more optimistic view of health reform recognizes its potential to improve the efficiency of the U.S. health care system. More efficient health care will lower the burden of health insurance premiums for firms, and in turn allow them to hire more workers. This will also increase the number of jobs and at the same time reduce the financial woes of those struggling with uninsurance and a depressed labor market.

We found in a [recent analysis](#) that the reduction in health insurance premiums caused by health care reform would create between 2.5 million to 4 million additional jobs over the next 10 years, at a rate of 250,000 to 400,000 per year.<sup>1</sup> This study extends those results to show how many jobs health care reform would create in each state.

The map above shows the results of this analysis, assuming employment growth of 325,000 jobs a year, which is a more conservative estimate of what we expect to occur annually over the next decade. Such an employment increase would lead to a range of new jobs: 6,000 new jobs in Michigan, 17,000 new jobs in Florida, and 53,000 new jobs in California. These

totals are large and can make the difference between earning a meaningful income and struggling to stay afloat for millions of people. In addition, greater employment will reduce use of publicly financed services and increase state and federal tax revenue.

Health care reform is one aspect of a comprehensive jobs package. It is not the only valuable element, but it provides an additional rationale for addressing health care and job creation early in 2010.

## Methodology

We have formed our estimates of job creation from health care reform through three steps. First, we estimate how health reform will affect health insurance costs. Successful health reform will lower premiums by increasing the efficiency of medical care use, or modernizing health care. Several aspects of legislation will affect premiums. These include:

- Reducing the administrative costs of insurance through insurance exchanges
- Eliminating overused care by paying for the value of services, not the volume of services
- Stressing prevention and chronic care management
- Encouraging care coordination through bundled payments and direct payments for care coordination

Estimates suggest that a successful reform could reduce the growth rate of medical costs by 1.5 percentage points annually.<sup>2</sup> In this analysis, as in our previous one, we assume savings of only half that magnitude.

Second, we combine these estimates with empirical evidence of how falling employer health costs affect job creation. A good part of the reduction in premium costs will show up as higher wages—the equivalent of a multithousand dollar tax break for the typical family. But lower insurance costs may also show up as increases in employment. Hiring low-wage workers is particularly sensitive to health care costs. Some of these workers are priced out of the labor force by rising insurance costs and will move back in when cost increases slow. Other workers choose not to work when health insurance costs are a large form of compensation—for example, if they have insurance through another family member. Lower insurance costs will raise wages for those workers and thus draw more of them into the labor force.

A recent study also quantifies how health insurance premiums affect employment.<sup>3</sup> That study estimates that every 10 percent reduction in health cost growth in excess of gross domestic product growth—a decrease in cost growth from 2.2 percentage points above GDP to 1.98 percentage points, for example—leads to the creation of about 120,000 jobs. Combining these estimates with the cost savings noted above leads to an estimate that health reform would create 250,000 to 400,000 jobs annually over the next decade.

## Health reform would create jobs in every state

State	Jobs
Alabama	4,142
Alaska	639
Arizona	7,140
Arkansas	2,472
California	52,643
Colorado	8,196
Connecticut	3,542
Delaware	1,063
DC	1,958
Florida	17,417
Georgia	13,394
Hawaii	1,646
Idaho	1,613
Illinois	17,755
Indiana	7,220
Iowa	3,796
Kansas	3,307
Kentucky	3,493
Louisiana	3,224
Maine	433
Maryland	4,753
Massachusetts	4,143
Michigan	6,135
Minnesota	4,803
Mississippi	1,084
Missouri	4,846
Montana	694
Nebraska	2,361
Nevada	5,093
New Hampshire	1,623
New Jersey	10,281
New Mexico	1,376
New York	12,927
North Carolina	6,325
North Dakota	485
Ohio	7,423
Oklahoma	2,921
Oregon	5,073
Pennsylvania	8,288
Rhode Island	210
South Carolina	4,481
South Dakota	693
Tennessee	5,114
Texas	33,980
Utah	4,883
Vermont	556
Virginia	11,899
Washington	8,983
West Virginia	446
Wisconsin	7,144
Wyoming	887

Third, we estimate the distribution of job growth across states by combining our national estimates of employment growth, which vary by industry, with data on the industry mix across states. Specifically, we assume that each state's job growth rate, by industry, will be the same as the estimated national rate, and thus the overall rate of job growth in each state will be proportional to the distribution of workers across industries. For example, if manufacturing employment increases by 10 percent nationally, we assume it increases by 10 percent in each state. States with more workers in manufacturing will thus experience greater job growth.

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## Endnotes

- 1 David Cutler and Neeraj Sood, "New Jobs Through Better Health Care" (Washington: Center for American Progress and Leonard D. Schaeffer Center for Health Policy and Economics, January 2010), available at [http://www.americanprogress.org/issues/2010/01/new\\_jobs\\_health.html](http://www.americanprogress.org/issues/2010/01/new_jobs_health.html).
- 2 David Cutler, Karen Davis, and Kristof Stremikis, "Health System Impacts of Health Reform Proposals" (New York and Washington: The Commonwealth Fund and the Center for American Progress Action Fund, December 2009).
- 3 Neeraj Sood, Arkadipta Ghosh, and José Escarce, "Employer-Sponsored Insurance, Health Care Cost Growth, and the Economic Performance of U.S. Industries," *Health Services Research* 44(5) (2009): 1449–1464.