

# Will Health Reform Lead to Job Loss? Evidence from Massachusetts Says No.

## Timely Analysis of Immediate Health Policy Issues

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### In Summary

- As Massachusetts' health reform contained many of the key features of the Affordable Care Act (ACA), the state's experiences provide an early indication of the potential impact national health reform may have on employment across the U.S.
- Post-reform trends of private-sector employment in Massachusetts are consistent with the nation as a whole, even when looking at the firms and workers who would be most likely to be affected if reform led to a scaling back of employment.
- The evidence from Massachusetts suggests that national health reform will not lead to job loss or stymied economic growth.

### Background

In 2006, Massachusetts passed statewide health reform legislation that led to significant gains in insurance coverage, access to and use of care, and affordability of care. Given the state's reform success on these dimensions, many of the key features in Massachusetts' legislation were incorporated into the 2010 national health reform law, the Affordable Care Act (ACA)—including coverage expansions, subsidies for private coverage, a health insurance exchange, insurance market reforms, requirements for employers and an individual mandate.

### Massachusetts' Post-Reform Trends in Health Insurance Coverage

After health reform in Massachusetts, there was a strong drop in uninsurance among working-age people, from more than 10 percent uninsured prior to reform, to less than 6 percent in 2008. While there was some fluctuation during the most recent recession, Massachusetts has kept its uninsurance rate between 4.5 and 6.5 percent since 2007. The uninsurance rate for Delaware, Minnesota, Nebraska and Wisconsin—the four states most similar to Massachusetts in terms of overall employment levels and trends in employment prior to reform—remained relatively constant between 2006 and 2008, before increasing between 2008 and 2010. The uninsurance rate for the U.S. excluding Massachusetts (hereafter referred to as the rest of the nation) during this time period was much higher, and has continued the trend upward, reaching a rate of 18.6 percent in 2010.

An important component of the initial coverage expansion was an increase in employer-sponsored insurance (ESI), which rose from 59.5 percent of all working-age individuals just prior to health reform to 63.4 percent in 2008. Between 2008 and 2010, Massachusetts, the four comparison states, and the rest of the nation all experienced sharp drops in ESI, reflecting the impacts of the recession. However, the data suggest that health reform mitigated the effects of the recession in Massachusetts on ESI to some extent. The level of ESI in Massachusetts, which was lower than that of the four comparison states prior to reform, moved above the level in those states and has since then remained at a higher level. The gap in ESI between Massachusetts and the rest of the nation widened during that time period, growing from a gap of 3.4 percentage points in 2006 to 6.1 percentage points in 2010.

### Massachusetts' Post-Reform Trends in Employment

Private-sector employment in Massachusetts, the four comparison states, and the rest of the nation dropped sharply during the economic recessions that began in early 2001 and again in late 2007. Although

the state had a higher level of employment to begin with, the trend in Massachusetts' private-sector employment to working age population ratio is generally similar to trends in the four comparison states and the rest of the nation—falling 4.4 percentage points in Massachusetts, 3.9 percentage points in the comparison states, and 4.8 percentage points in the rest of the nation. The consistency of the trend suggests that the health reform law in Massachusetts had little negative impact on private-sector employment in the state.

Overall trends in private-sector employment, however, could mask important differences in the impacts of the health reform across different types of firms. For example, one might expect that the costs of providing health insurance coverage would be more of an issue for smaller firms, which were less likely to offer coverage to workers prior to health reform, and for firms within industries having large shares of low-wage workers, such as retail trade or accommodation and food services.

When examining the private-sector employment ratios by firm size, however, the authors found little difference in the trends. Additionally, employment ratios in Massachusetts for the retail trade and accommodation and food service industries remained consistent with those for the four comparison states and the rest of the nation. Overall, the employment ratio for retail trade fell by 0.7 percentage points between 2006 and 2010 in Massachusetts, compared to a drop of 0.6 percentage points in the four comparison states and in the rest of the nation. Within accommodation and food services, the employment ratio fell by 0.2 percentage points in Massachusetts and the rest of the nation, compared to 0.3 percentage points in the four comparison states.

It is possible that employers instead targeted certain groups of workers or cut back hours rather than positions in response to health reform. However, when examining worker and job characteristics, there is continued consistency in the trends for Massachusetts, the comparison states, and the rest of the nation. Reflecting the effects of the recession, both full-time and part-time employment dropped by similar levels in Massachusetts, the four comparison states, and the rest of the nation between 2006 and 2010. The trends in employment for younger workers and workers with no more than a high school education were also quite similar in Massachusetts and other states over the 2006 to 2010 period. There was no evidence of a disproportionate loss of employment overall, by type of job, or by type of worker, in Massachusetts under health reform relative to the rest of the nation.

### Conclusion

Massachusetts achieved its goal of near-universal health insurance coverage under its 2006 health reform initiative, with no indication of negative job consequences relative to other states. While the recent recession and financial crisis that followed have clearly taken a toll on economic growth—both in Massachusetts and across the nation—there is no evidence of a more pronounced decline among the subgroups of firms and workers most likely to be negatively affected if employers made cutbacks because of reform. Although there are differences in the details between the state's health reform and the ACA, the evidence from Massachusetts suggests that national health reform will not lead to job loss or stymied economic growth.