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Cuts to Health Care Are Bad for California's Economy: Proposed Health Cuts Would Eliminate At Least 42,000 Jobs

Governor Schwarzenegger has proposed a budget that would cut \$6.4 billion from California's health and human services systems, resulting in over 42,000 lost jobs and an additional \$2.7 billion in lost business activity in the state.

The health care industry employs almost one-tenth of the state's population, so any spending cuts to health care programs mean more job losses and a weaker economy. In all, the Governor's proposed health and human services cuts are bad for California's families, bad for California's health care system, and bad for California's economy.

HEALTH CARE IS A MAJOR SOURCE OF JOBS FOR CALIFORNIANS

The health care industry is one of the most important sources of jobs for Californians. Nearly one in ten working Californians is employed in health care and social assistance occupations, including hospitals, doctors offices, dental offices, nursing facilities, and providers of family services.¹ Hospitals, medical centers, physician groups, public health departments, home health services, and nursing homes are major employers in every single county in the state.² In fact no less than 12 of the 50 largest employers statewide are in the business of directly providing health care services, employing over 116,000 Californians.³

Health care jobs are a key to economic recovery: through the economic downturn of 2009, the health care and education sector was the only industry sector in the state to increase jobs, adding 22,800 jobs over the course of the year.⁴

HEALTH CARE BRINGS FEDERAL FUNDS TO CALIFORNIA

The Governor's FY 2010-11 budget proposal is balanced only if California receives billions of dollars in federal aid. The Governor proposes to cut \$6.4 billion from the state's health and human services budget.⁵ The majority of the proposed health and human services cuts come from programs that receive federal matching dollars, such as Medi-Cal and Healthy Families. By cutting these programs, the state is forgoing significant federal dollars. For example, the state receives at least \$1 in federal funds for every \$1 in state funds spent on Medi-Cal, and with additional federal fiscal relief for state, could receive up to \$1.60.

HEALTH CARE CUTS LEAD TO JOB CUTS

This year's proposed cuts are on top of last year's \$2 billion cut to the health care system, which has already forced community health clinics, adult day health care centers, HIV/AIDS programs and other health care providers to close their doors in Sacramento, Santa Clara, San Bernardino, Fresno, Kern, Mendocino, and Humboldt counties.

There has been no comprehensive tally yet of the jobs lost due to last year's health care cuts, but at the beginning of this year, the California Primary Care Association estimated that over 200 providers and staff had been laid off in five clinic closures.⁶



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With respect to this year's proposed cuts, the California Association of Adult Day Services estimates that the elimination of a single Medi-Cal optional benefit, Adult Day Health Care, would lead to the loss of 7,500 jobs at 327 facilities statewide.⁷ In addition, numerous health care jobs will be lost if 204,000 to 950,000 children lose coverage through a reduced or eliminated Healthy Families Program.⁸

Another single health and human services cut would directly reduce employment in California by more than the number of jobs lost during 2009, a period of the highest unemployment since the Great Depression of the 1930's. Between January and December 2009, about 246,000 jobs were lost statewide across all sectors,⁹ yet over 370,000 home care jobs will be lost if the In-Home Support Services (IHSS) program, which provides care for elderly and disabled Californians living in their home, is eliminated. Combined with the other cuts proposed by the Governor, this will compound the economic downturn instead of reversing it.

To provide a comprehensive accounting of job losses, additional sources would need to be surveyed, including hospitals, physician offices, dental offices, nursing facilities, public health departments, home health services, and nursing homes that use public dollars to provide services for all or some of their patients.

Most nonprofits report anecdotally that they worked hard to avoid layoffs by reducing staff hours, wages and/or benefits. Therefore, even a true count of the numbers of jobs lost would not fully reveal the direct financial impact of the health care cuts on California's workforce and economy.

HEALTH CARE CUTS HURT CALIFORNIA'S ECONOMIC RECOVERY

Despite the difficulty of obtaining comprehensive job loss data across all providers, research has shown that state spending on health and human services programs has an almost one-third additional economic impact above and beyond the dollars received by the service providers.¹⁰

Based on economic models, it is estimated that the Governor's proposed cut to Medi-Cal and Healthy Families will result in a total of 42,384 lost jobs in California,¹¹ and over \$2.7 billion in lost business activity.¹²

However, these estimates are the *minimum* impact that the Medi-Cal cuts could have on California's already struggling economy. In the absence of an alternative budget, the Governor proposes millions of dollars more in cuts to Medi-Cal and Healthy Families. These estimates also do not attempt to quantify the damage to California's long-term economic growth of cuts to programs that help sick and injured workers return to work, or the impact of hundreds of thousands of children going without health coverage, and the nearly one million children being denied eye glasses and other vision services.

The Governor's proposed health care cuts are bad for jobs, bad for California's families, and bad for California's economy.

This factsheet was prepared by Health Access, a statewide coalition of consumer, labor, ethnic, senior, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. Please visit our website and read our daily blog at www.health-access.org.



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- ¹ Data from December 2009 Current Employment Statistics, California Employment Development Department.
- ² Data for Major Employers for Counties – 2010 from California Employment Development Department extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2010 1st Edition.
- ³ Employer information is provided by infoUSA; Other large employers in California manufacture medical supplies and equipment.
- ⁴ California Employment Development Department, *California Labor Market Review* (December 2009).
- ⁵ See Health Access, "A First Look at the 2010-11 Health Care Budget Proposal," (January 8, 2010).
- ⁶ Based on information from the California Primary Care Association.
- ⁷ Based on a survey of Adult Day Health Centers by the California Adult Day Services Association in January 2010.
- ⁸ 100% Campaign, "Governor's Budget Proposals Attack Children's Health: At Least 200,000 Children Would Lose Health Coverage," (January 2010).
- ⁹ Based on 2009 not seasonally adjusted labor market data from the California Employment Development Department; <http://www.labormarketinfo.edd.ca.gov/?pageid=164>
- ¹⁰ J. Haveman, et al., "Spending on County Human Services Programs in California: An Evaluation of Economic Impacts," Child and Family Policy Institute of California (March 17, 2009).
- ¹¹ Based on data from K. Jacobs, *et al.* "Budget Solutions and Jobs," UC Berkeley Labor Center, (March 2010); A \$1.075 billion cut to Medi-Cal spending will result in 38,592 lost jobs and a \$96 million cut to Healthy Families spending will result in 3,792 lost jobs.
- ¹² Analysis of Medi-Cal cut using online calculator developed and based on a Families USA analysis using an economic model from the U.S. Department of Commerce (April 2008).