

# Economic Growth Effects of Health Care Reform?

Daniel Altman, 25 December 2009

## Assumptions

Let's say 30 million people who didn't have insurance will get it, as per the current bills passed by Congress. \*

Let's say half of them work. \*\*

Let's say they don't have very high-paying jobs; they earn an average of \$20,000 per year (or \$10 per hour for 2000 hours). \*\*\*

Let's say their productivity rises by about 10 percent from having access to better health care, e.g. they can work 5 percent more days every year (one more day for every 20 days worked) and are 5 percent more productive on all days (24 minutes more productive work for every eight hours). \*\*\*\*

## Calculations

So we started with  $30 \text{ million} \div 2 = 15 \text{ million}$  people working at \$20,000 a year = \$300 billion dollars in earnings.

We're raising their productivity by 10 percent, which, in a competitive labor market, would raise their incomes equally.

We'd see a permanent increase in their income of \$30 billion, or about 0.2 percent of GDP – and that's being very conservative.

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\* See page 9 of the November 18 Congressional Budget Office estimate:  
[http://www.cbo.gov/ftpdocs/107xx/doc10731/Reid\\_letter\\_11\\_18\\_09.pdf](http://www.cbo.gov/ftpdocs/107xx/doc10731/Reid_letter_11_18_09.pdf)

\*\* This is conservative; 75 percent of Americans aged 20 to 64 (i.e. not children or elderly who could get Medicaid, S-CHIP, or Medicare) are currently employed, according to the Bureau of Labor Statistics: <http://www.bls.gov/cps/cpsaat3.pdf>

\*\*\* This corresponded to the 25th percentile of wages in 2008, according to the Bureau of Labor Statistics: <ftp://ftp.bls.gov/pub/special.requests/oes/oesm08nat.zip>

\*\*\*\* This is a very conservative estimate; research by the Census Bureau suggests that providing health insurance could result in a 35 percent increase in productivity:  
[http://www.ces.census.gov/index.php/ces/cespapers?down\\_key=101876](http://www.ces.census.gov/index.php/ces/cespapers?down_key=101876)