



Keeping The Promise To Children & Families In Tough Economic Times

EXECUTIVE SUMMARY

“Once I hear my kids have health care coverage, it will be a load off my mind. Making sure the boys are healthy and happy can make the rest of my family’s problems seem small. Everything we have can be replaced with time and hard work but they cannot.”

Gregory Secrest, a Virginia father of three who lost his job and his family’s health care coverage when his employer moved manufacturing operations overseas.

Behind the grim reports of rapidly increasing unemployment and a weakening economy, lies a growing crisis with which too many Americans are already familiar: the struggle to find affordable health coverage. Even before the downturn many people faced this challenge, but now it is posing an ever more serious threat to the financial security and health of America’s families. When people lose their jobs, they don’t just lose income – they often lose their only access to affordable health care coverage for themselves and their children. Due to the strong relationship between rising unemployment and losses in health coverage, it is possible to estimate the effect of the recent sharp increases in unemployment on the health coverage of Americans. With the unemployment rate now at 6.5 percent, the highest rate in 14 years, it is estimated that:

- **Over the past year, 4.1 million people have lost their employer-based health care coverage.** These include close to 2.9 million adults and 1.2 million children. Their employers may have eliminated their jobs (or parents’ jobs), or may simply have scaled back on the extent to which they offer and subsidize health coverage.

- **Close to 2 million people have joined the ranks of the uninsured.** Many adults, in particular, have few options after they lose employer-based coverage and end up becoming uninsured. It can be expected that some 1.9 million adults have joined the ranks of the uninsured over the past year as a result of the spike in the unemployment rate. Children fare better because the country has made a far more significant commitment to covering them through Medicaid and SCHIP, but this progress is at risk due to the tightening vice grip of rapidly increasing demand and shrinking resources.

- **1.7 million more people have enrolled in public coverage programs.** An estimated one million children and 700,000 adults have enrolled in Medicaid and the State Children’s Health Insurance Program (SCHIP) as a result of the sharp increase in unemployment. While good news for families and for the economy alike, such enrollment spikes add to the already significant pressures on state budgets.

The unemployment rate is expected to continue to rise over the next several months and, if it does, even more Americans will lose their health coverage. For example, if, as

many economists expect, it reaches 7.5 percent (or more), the estimates suggest that the number of people losing employer-based coverage will rise to 6.5 million; the number of additional people enrolling in Medicaid or SCHIP will jump to 2.7 million; and the number of newly uninsured will grow to 3 million.¹

Americans are deeply anxious about the implications of skyrocketing unemployment rates on their ability to secure health care. A recent survey by the Kaiser Family Foundation found that people now are more concerned with paying for their health care than making their mortgage payments.² At the same time, states – which jointly finance Medicaid and SCHIP – are ill-equipped to accommodate the rising demand since they too are experiencing economic stress due to declining revenues. While policymakers continue to seek solutions to stabilize the overall economy and develop broader solutions to the health care crisis, it is vital that they act quickly to address these threats to the stability of America's families and prevent cutbacks that will only further dampen economic activity.

In doing so, policymakers can build upon the success of Medicaid and the State Children's Health Insurance Program (SCHIP), which have proven track records of providing critical lifelines to uninsured families. The programs together covered close to 60 million people over the course of 2007, including one in four of America's children.³ Even as the nation seeks to move ahead on a path to broader health reform, there are some immediate steps that can be taken to ensure that families without other affordable options can secure coverage through Medicaid and SCHIP, and that these programs remain strong during the economic crisis:

- **Temporarily increase federal funding for Medicaid.** Federal policymakers are considering whether to provide more funding to states for a temporary period so that they can sustain their Medicaid programs in the face of large and growing

budget deficits. Congress provided such assistance in 2003, helping to avert Medicaid cuts and even allowing some states to reverse previously enacted cuts. Without such help, the experience from earlier downturns suggests that states will make large cuts in Medicaid. Such cuts make it harder for children and others to secure coverage just when they need it the most, as well as exacerbate the country's economic woes with ill-timed and destructive reductions in spending.

- **Renew and strengthen the State Children's Health Insurance Program.** Policymakers also must decide whether they will take quick action to renew the State Children's Health Insurance Program early in 2009, as called for by the President-elect's new Chief of Staff and a growing number of congressional leaders.⁴ In doing so, policymakers can provide states with the resources, tools, and incentives needed to respond to growing numbers of children requiring coverage and inject much-needed federal spending into the economy.

The nation is at a critical juncture with respect to its commitment to the health of America's families. As more and more families find themselves in need of affordable coverage, the issue on the table is whether the nation will keep its promise to children and families during this period of economic turmoil.

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Endnotes

¹. Center for Children and Families analysis based on estimates from S. Dorn, B. Garrett, J. Holahan, and A. Williams, “Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses,” Kaiser Commission on Medicaid and the Uninsured (April 2008).

². Kaiser Family Foundation, “Kaiser Health Tracking Poll: Election 2008: Issue 11” (October 21, 2008).

³. Total number of individuals enrolled in Medicaid at any point during the fiscal year. Congressional Budget Office, March 2008 Baseline: Medicaid (March 2008); and Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2007 and 2008 Current Population Survey, Annual Social and Economic Supplements.

⁴. J. Riley, “Rahm Emanuel – ‘Do What You Got Elected to Do,’” *The Wall Street Journal* (November 8, 2008); A. Wayne, “Democrats to Make Children’s Health Program a Top Priority,” *CQ Politics* (November 6, 2008); and “Pelosi Pledges to Work with House GOP,” *National Public Radio – All Things Considered* (November 5, 2008).



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