
HMA

HEALTH MANAGEMENT ASSOCIATES

*The Economic Impact of the Health Insurance
Industry in New York State*

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*Research and Consulting in the Fields of Health and Human Services Policy, Health Economics
and Finance, Program Evaluation, Data Analysis, and Health System Restructuring*

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Contents

Executive Summary	2
Impact of the Health Insurance Industry in New York State	5
Regional Impact	7
Insurance and Other Industries in New York State	8
Broader Economic Impact	9
Tax Revenue Generated by New York Health Insurers	10
Taxes	10
Surcharges and Assessments	10
New York State's National Role	11
Comparison with Other States	11
Conclusion	12

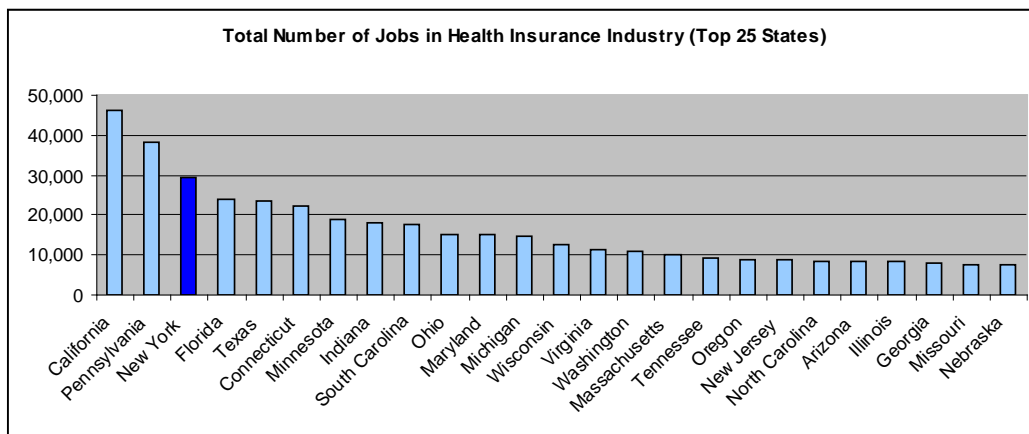
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EXECUTIVE SUMMARY

The health insurance industry plays a significant role in New York State's economy, providing thousands of jobs and generating more than \$600 million annually in income tax revenue and an additional \$4 billion in other surcharges and fees that support New York State's budget and health care programs.

Direct Employment - Health insurers in New York had 29,545 jobs on their payrolls in 2006, the third-highest number of health insurance industry jobs of any state. New York State accounted for 6.3% of health insurance industry jobs nationally.

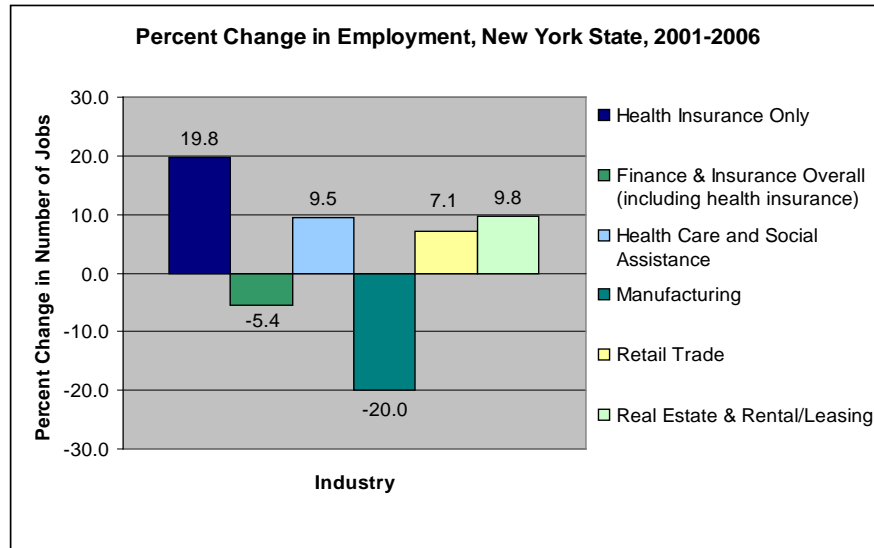
JOBS IN THE HEALTH INSURANCE INDUSTRY BY STATE



Source: U.S. Census Bureau, County Business Patterns (NAICS), 2006 data. Cited in Christelle Jang and Teresa Chovan, *Health Insurance: Overview and Economic Impact in the States* (Washington, DC: America's Health Insurance Plans (AHIP) Center for Policy and Research, 2007).

Employment Growth – The number of jobs in the health insurance industry in New York State grew by approximately 20 percent between 2001 and 2006, a period when jobs declined in a number of other industries.

CHANGES IN EMPLOYMENT IN SELECTED INDUSTRIES



Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2001-2006 data.

Wages Paid – Health insurance jobs in New York State had an average wage of \$53,766, and total wages of \$1.59 billion. This represents an estimated \$109 million in state income tax revenue based on New York State’s 6.85 percent tax rate.

Tax Revenue Generated – Private health insurers in New York State generated a total of \$601.8 million in state and federal income tax revenue in 2006. In addition, insurers pay a variety of other taxes, surcharges and assessments.

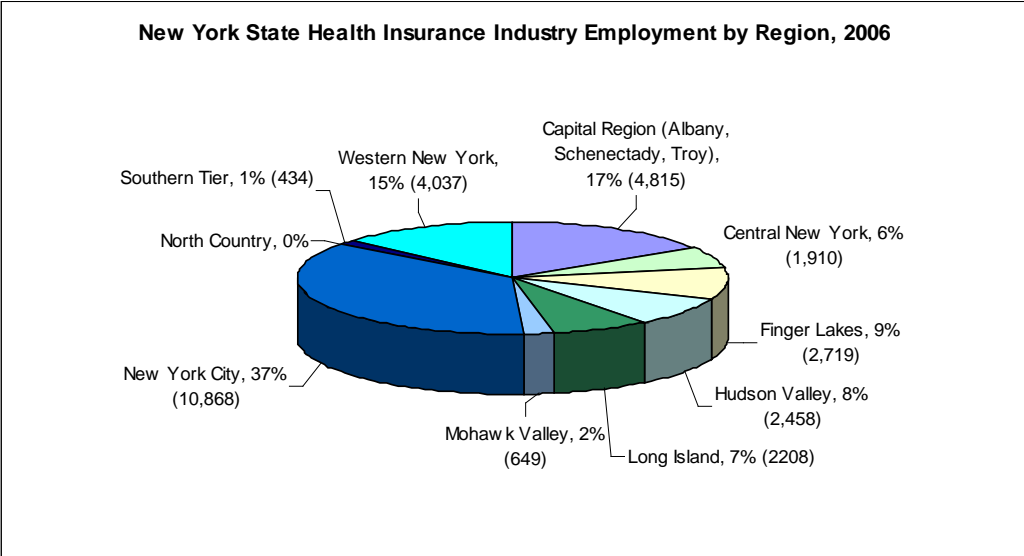
INCOME TAX GENERATED BY HEALTH INSURERS, 2006

Type of Insurer	Total (millions)
Accident and Health Insurance (Article 42)	\$220.2
Non-Profit Medical and Dental Indemnity or Health and Hospital Service Corporations (Article 43)	\$84.8
HMOs (Article 44)	\$287.3
Prepaid Health Services Plans	\$9.5
Total	\$601.8

Source: Newell and Baumgarten, 2009.

Regional Impact – While 37% of New York’s health insurance jobs are located in New York City, over 50% are located in Upstate New York, including 17% of the workforce in the Capital Region and 15% of the workforce located in Western New York.

HEALTH INSURANCE INDUSTRY JOBS BY REGION



Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2006 data

Covered Lives - In 2006, private health insurance carriers in the state had 10.6 million enrollees, 47% of whom were enrolled in non-profit plans and 53% in for-profit plans.

The purpose of this brief is to highlight the key elements of the health insurance industry’s economic impact in New York State, including employment, wages, tax revenue and other areas. It is not an exhaustive analysis of the industry, nor does it address or predict the effects of any policy or economic changes on the industry. This brief relies heavily on U.S. Census data for 2006-7, the most recent years covered by the County Business Patterns North American Industry Classification System (NAICS) database.

IMPACT OF THE HEALTH INSURANCE INDUSTRY IN NEW YORK STATE

The health insurance industry plays a meaningful role in New York State’s economy, providing a large number of jobs and total wages paid relative to the health insurance industry in many other states. Health insurers in New York had 29,545 jobs on their payrolls in 2006, the third-highest number of health insurance industry jobs in any state and 6.3% of all health insurance industry jobs nationally.¹ These jobs had an average wage of \$53,766, and the total wages for people directly employed by health insurers in New York were approximately \$1.59 billion.²

In 2006, commercial health insurance carriers in the state had 10.6 million enrollees, 47% of whom were enrolled in non-profit plans and 53% in for-profit plans.^{3,4,5} A variety of commercial entities sell health insurance in New York (see Table 1).

TABLE 1. COMMERCIAL HEALTH INSURANCE SELLERS IN NEW YORK STATE

Type of Insurer	Number	Examples
Accident and Health Insurance (Article 42) ⁶	29	New York Life
Non-Profit Medical and Dental Indemnity or Health and Hospital Service Corporations (Article 43)	4	Excellus (Blue Cross Blue Shield)
HMOs (Article 44)	19	Aetna Health
Prepaid Health Services Plans	15	Fidelis
Total	67	

Source: Peter Newell and Allan Baumgarten, *The Big Picture: Private and Public Health Insurance Markets in New York* (New York: United Hospital Fund, 2009).

Direct providers of health insurance accounted for 18% of the jobs in New York State’s insurance industry overall in 2006 (see Figure 1).⁷

¹ U.S. Census Bureau, County Business Patterns (NAICS), 2006. Cited in Christelle Jang and Teresa Chovan, *Health Insurance: Overview and Economic Impact in the States*. (Washington, DC: America’s Health Insurance Plans (AHIP) Center for Policy and Research, 2007).

² U.S. Census Bureau, County Business Patterns (NAICS), New York, 2006.

³ Newell and Baumgarten (2009) define the commercial insurance marketplace in New York State as including the individual market, small group, and large group fully insured plans. See Peter Newell and Allan Baumgarten, *The Big Picture: Private and Public Health Insurance Markets in New York* (New York: United Hospital Fund, 2009).

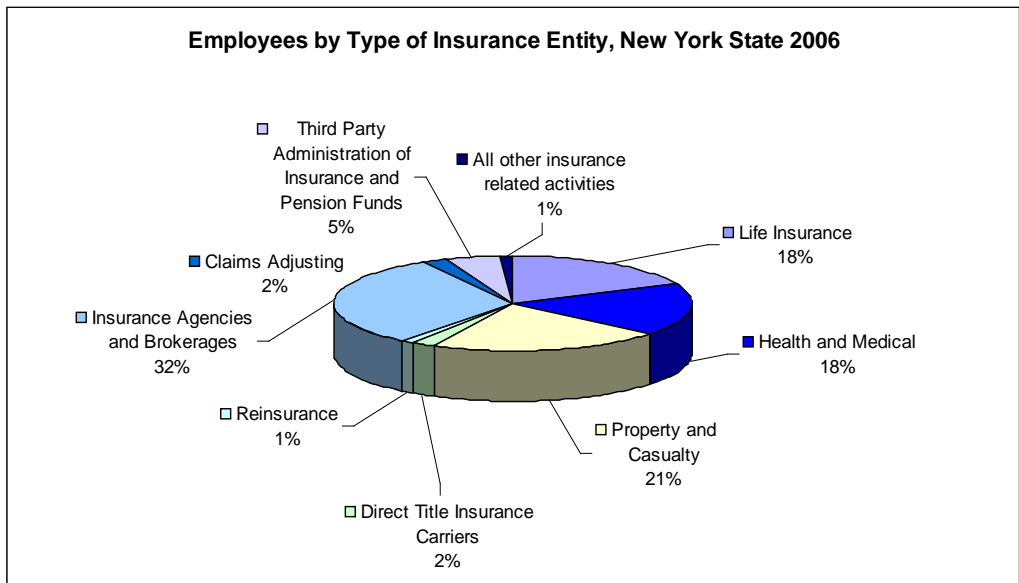
⁴ Newell and Baumgarten, 2009.

⁵ Newell and Baumgarten, 2009. The authors note that this total enrollment figure reflects a significant number of out-of-state residents enrolled through businesses in New York State, some overcounting due to health plan reporting methods, and some employer groups receiving comprehensive benefits from more than one health plan.

⁶ A variety of insurers can sell health benefits in New York State, and this table notes the article of New York Insurance Law or Public Health Law under which they are licensed. For a more extensive discussion of their characteristics, see Newell and Baumgarten, p. 8.

⁷ This paper uses the New York State economic development agency Empire State Development’s definition of the insurance industry, as described in its paper “The Insurance Industry Cluster in New York State,” February 2006.

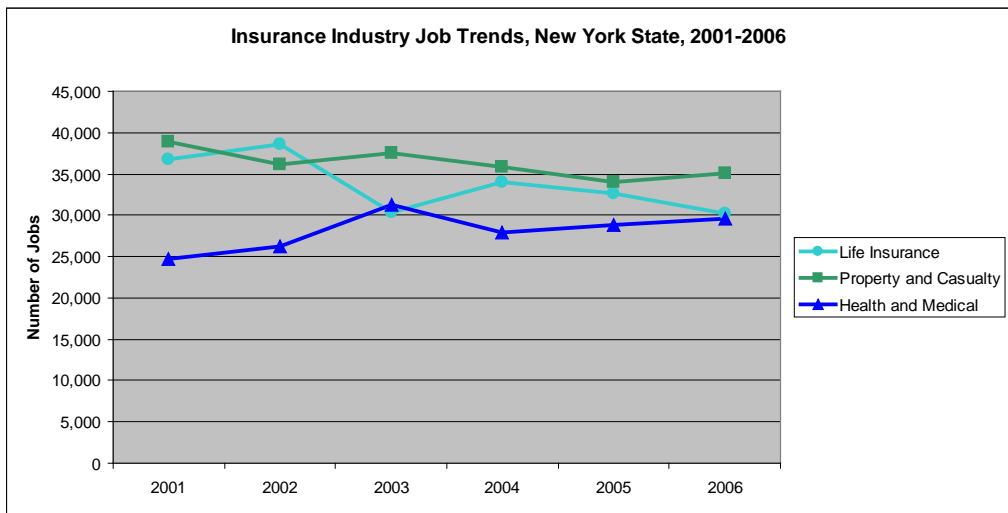
FIGURE 1. INSURANCE INDUSTRY JOBS



Source: U.S. Census Bureau, County Business Patterns North American Industry Classification system (NAICS), 2006 data.

Within the insurance industry as a whole, the number of jobs in the health and medical insurance, property/casualty, and life insurance industries appear to be converging (see Figure 2).⁸ The number of health insurance jobs in the state grew by approximately 20% between 2001 and 2006, while the number of jobs in the property/casualty and life insurance sectors declined by 10% and 19%, respectively.

FIGURE 2. TRENDS IN INSURANCE INDUSTRY



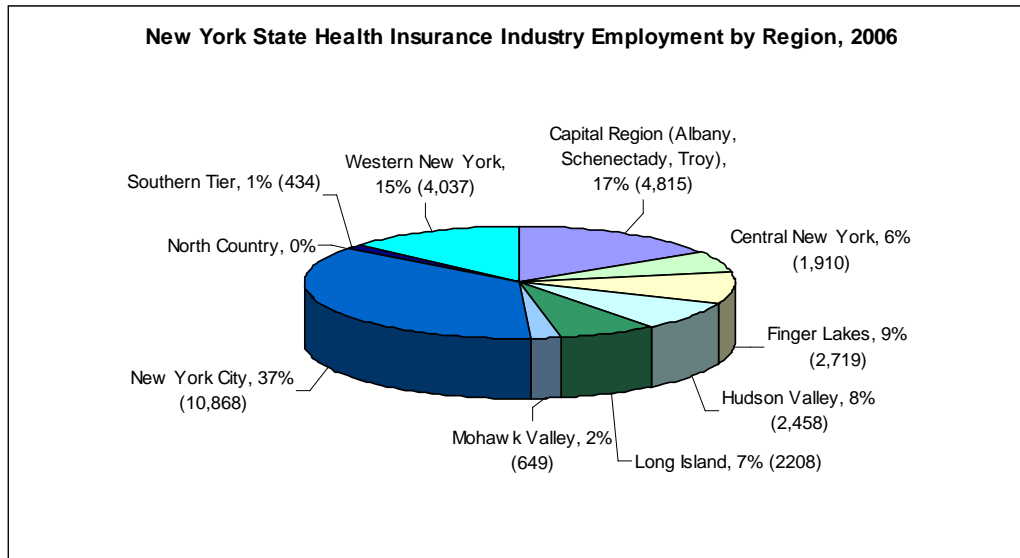
Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2001-2006 data.

⁸ The total number of jobs in the health insurance industry calculated by the U.S. Census Bureau includes only employees at companies that primarily sell health insurance – the data does not disaggregate employees at companies that are focused on life or accident insurance but that also sell health insurance.

Regional Impact

While 37% of New York’s health insurance jobs are located in New York City, over 50% are located in Upstate New York, including 17% of the workforce in the Capital Region and 15% of the workforce located in Western New York. Indeed, the health insurance industry is a major source of employment in several upstate metropolitan areas.

FIGURE 3. HEALTH INSURANCE INDUSTRY JOBS BY REGION



Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2006 data.⁹

Table 2 shows the number of jobs in the health insurance industry in major metropolitan areas in upstate New York. In several upstate metropolitan areas, health insurance jobs comprise close to or more than 1% of all jobs in the region.

TABLE 2. HEALTH INSURANCE AND OVERALL EMPLOYMENT IN SELECTED UPSTATE NEW YORK METROPOLITAN STATISTICAL AREAS (MSAs), 2006

MSA	Health Insurance Jobs	Total Jobs
Albany-Schenectady-Troy	5,000-9,999	340,405
Rochester	2,500-4,999	435,863
Buffalo	4,027	478,061
Syracuse	1,910	260,124
Utica	630	102,054
Binghamton	250-499	89,387

Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2006 data.¹⁰

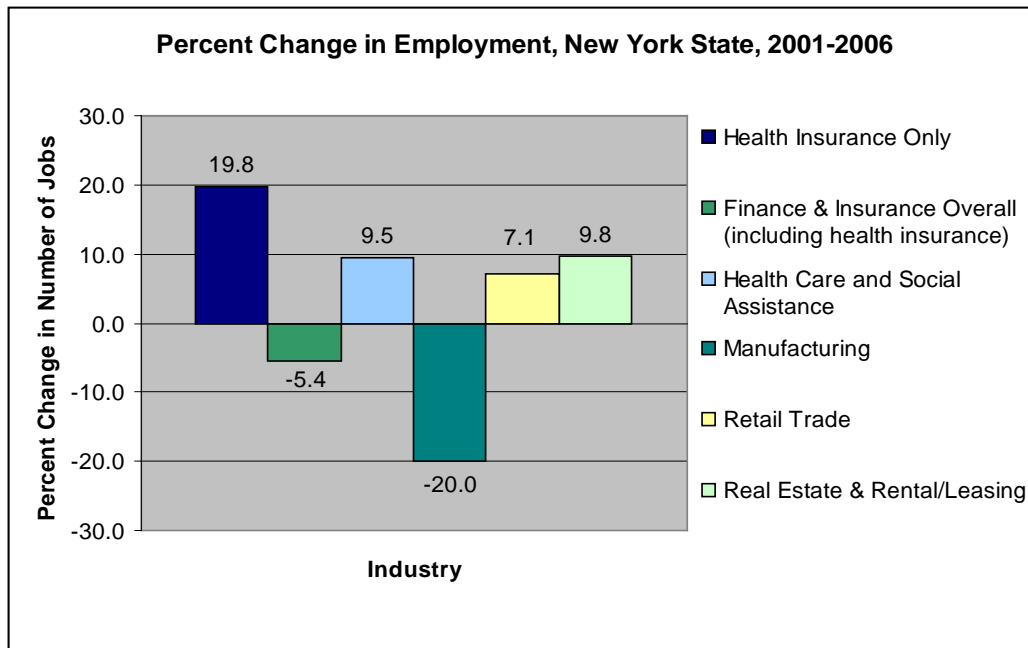
⁹ Note: Regional totals do not sum to exact state total because of variation in the data available at the county level. The Census Bureau provides ranges for employment in some counties. This figure uses the midpoints of those ranges when no exact total is available, therefore regional estimates include the sum of measured totals for some counties and estimates for others.

¹⁰ The U.S. Census Bureau NAICS database estimates ranges for some MSAs. NAICS totals for the MSAs in Table 2 do not match NAICS regional totals calculated using counties.

Insurance and Other Industries in New York State

The health insurance industry experienced growth during 2001 to 2006, in a period when the financial and insurance industry as a whole lost jobs. The number of health insurance jobs increased 19.8%, while employment in the financial and insurance industry (which includes health insurance) decreased 5.4%. The percentage growth in the number of jobs in the health insurance industry was roughly twice the percentage growth in the health care industry during the same period. Percent change in the number of jobs for selected industries from 2001 to 2006 is shown in Figure 4 below.

FIGURE 4. CHANGES IN EMPLOYMENT IN SELECTED INDUSTRIES



Source: U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2001-2006 data.

While the health insurance industry is smaller than the others shown in terms of employment, its growth was proportionally greater.¹¹ The insurance industry overall also ranks among the 20 highest-wage industries in five regions of New York State: New York City, Finger Lakes, Hudson Valley, Mohawk Valley, and the Southern Tier.¹²

TABLE 3. INSURANCE INDUSTRY RANKING AMONG 20 HIGHEST-WAGE INDUSTRIES, 2007

Region	Rank
New York City	14 th
Finger Lakes	17 th
Hudson Valley	8 th
Mohawk Valley	9 th
Southern Tier	19 th

¹¹ U.S. Census Bureau, County Business Patterns North American Industry Classification System (NAICS), 2001-2006 data.

¹² New York State Department of Labor, "Highest Wage Industries: New York State and Regions," 2007, accessed January 12, 2010. http://www.labor.state.ny.us/stats/nys/highest_wage_industries2_2007.shtm

Source: New York State Department of Labor, "Highest Wage Industries: New York State and Regions," 2007.

Broader Economic Impact

In addition to its direct employment, the health insurance industry is connected to other businesses in local and regional economies in New York State. Its presence generates additional economic activity through demand for goods and services to support its operations. While it is difficult to accurately estimate jobs indirectly associated with the health insurance industry, there are economic models that can guide a general discussion of this broader impact.

The Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce develops models of the "multiplier effect" that jobs in one industry may have in a region or state. This paper uses a RIMS II multiplier, which attempts to estimate one-time or sustained changes in economic activity related to changes in a particular industry. The BEA does not calculate multipliers specific to the health insurance industry, so the most detailed multiplier available applies only to the insurance industry as a whole (which includes other types of insurers, as well as other insurance-related services). However, because the factors or "inputs" affecting multipliers for the insurance industry overall are likely to be similar for the health insurance industry, it is feasible to use the overall multiplier, with the understanding that it provides only a general estimate.¹³ The BEA estimates that employment in the insurance industry in New York State has a multiplier effect of 3.35.¹⁴ This figure represents the total change in number of jobs in all industries for each additional job in the insurance industry in New York State. In other words, each additional job created in the health insurance industry would support an estimated 3.35 jobs in other industries.

Economic Impact in Upstate New York: Excellus BlueCross BlueShield

Excellus, which is headquartered in Rochester, has more than 7,000 employees in 30 locations in upstate New York, making it a major employer in the region.¹⁵ The company's 2008 payroll was \$347 million, and it spent \$325 million on local goods and services purchased from approximately 5,000 vendors. Excellus paid \$235 million in taxes and fees in 2008. Excellus estimated that its indirect spending added more than \$204 million to the upstate New York economy, and supported 1,700 additional jobs.¹⁶

¹³ It is also important to note that examining changes in a single industry in isolation, even when a multiplier is used to estimate broader impact, can provide only a limited view of a state or region's economy. Jobs gained or lost in a single industry cannot be automatically equated with jobs gained or lost in an economy overall, because the responses of employers and employees to changing conditions are complex.

¹⁴ Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis. Multipliers are based on 1997 Benchmark Input-Output Table for the United States and 2006 regional data. Accessed January 13, 2010.

¹⁵ Newell and Baumgarten, 2009.

¹⁶ Contributing to a Healthy Economy for Upstate New York: Economic Impact Report of 2008 Finances (New York: Excellus BlueCross BlueShield, Spring 2009).

Tax Revenue Generated by New York Health Insurers

Health insurers based in New York State pay over \$4 billion annually through a variety of taxes, surcharges and assessments that support a range of programs and policy initiatives.

Taxes

Commercial health insurers in New York State generated a total of \$601.8 million in income tax revenue in 2006.¹⁷ The state's Operating Funds budget, which represents spending financed by New York taxpayers, was projected to total \$78.7 billion for FY 2009-10.¹⁸ Depending on their location and structure, health insurers in the State may also be subject to an Insurance Premium tax of 1.75%, an HMO premium tax, and the New York City MTA region tax. Revenue from each of these sources is shown in Table 4.

TABLE 4. INCOME TAX GENERATED BY HEALTH INSURERS, 2006

Type of Insurer	Total (millions)
Accident and Health Insurance (Article 42)	\$220.2
Non-Profit Medical and Dental Indemnity or Health and Hospital Service Corporations (Article 43)	\$84.8 ¹⁹
HMOs (Article 44)	\$287.3
Prepaid Health Services Plans	\$9.5
Total	\$601.8

Source: Newell and Baumgarten, 2009.

Surcharges and Assessments

Surcharges and assessments levied in New York support the state operating budget, including the operation of the State Insurance Department, as well as healthcare and medical education programs. Insurance Department assessments have grown rapidly in recent years, totaling over \$455 million in the FY 2009-2010 budget.²⁰ Health plans, self-funded employer groups, and uninsured "self-pay" patients also pay a surcharge on certain inpatient and outpatient services (known as the HCRA surcharge) at a rate of 9.63% for most plans. Some of this revenue funds programs associated with New York's HCRA Indigent Care/Health Care Initiatives, while some funds the state budget directly. Revenue for this surcharge was estimated to total \$2.1 billion for state FY 2008-9. New York also collects a "covered lives" assessment from each fully insured and self-funded plan in the state, based on the number of teaching hospitals in its region, to support graduate medical education. This assessment generated an estimated \$1.6 billion in the FY 2008-9 budget.

¹⁷ Newell and Baumgarten, 2009.

¹⁸ New York State Division of the Budget, "Division of the Budget Releases Enacted Budget Financial Plan." Press release, April 28, 2009.

¹⁹ Income taxes paid by Article 43 entities were largely federal. See Newell and Baumgarten, 2009.

²⁰ Newell and Baumgarten, 2009.

Other Economic Activities

Health insurers in New York State also provide philanthropic support for health-related causes. For example, Empire BlueCross BlueShield’s charitable community support in 2009 totaled over \$4 million. This funding was a blend of broad support for initiatives to reduce health disparities associated with race and ethnicity, and support for community infrastructure. Specific initiatives funded include:

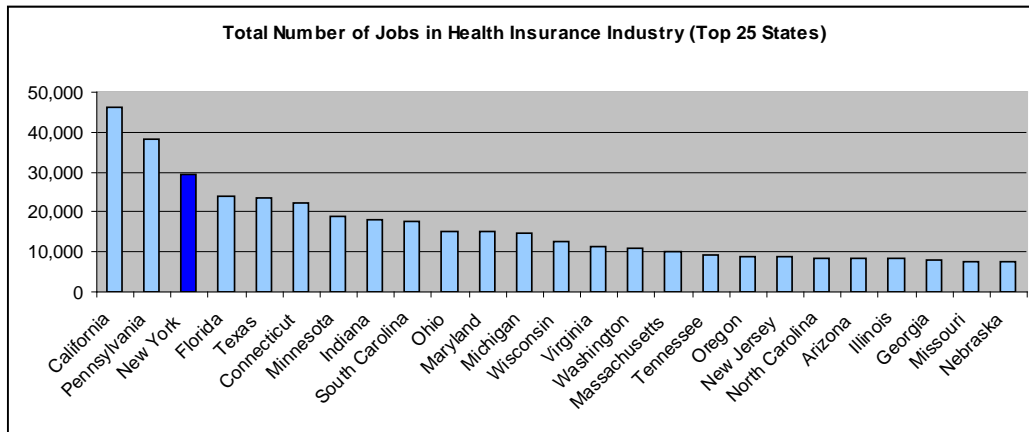
- Health and wellness programs at community organizations and schools
- A traveling “Health Bus” with trained technicians and nurses who provide free screenings and preventive services to the general public
- Albany’s “Meals on Wheels” program

NEW YORK STATE’S NATIONAL ROLE

Comparison with Other States

New York’s health insurers play a prominent role within the health insurance industry nationally. The State ranks third in the number of health insurance jobs and fourth in total health insurance payroll nationally,²¹ and is surpassed only by California, Pennsylvania (jobs and payroll) and Connecticut (payroll).

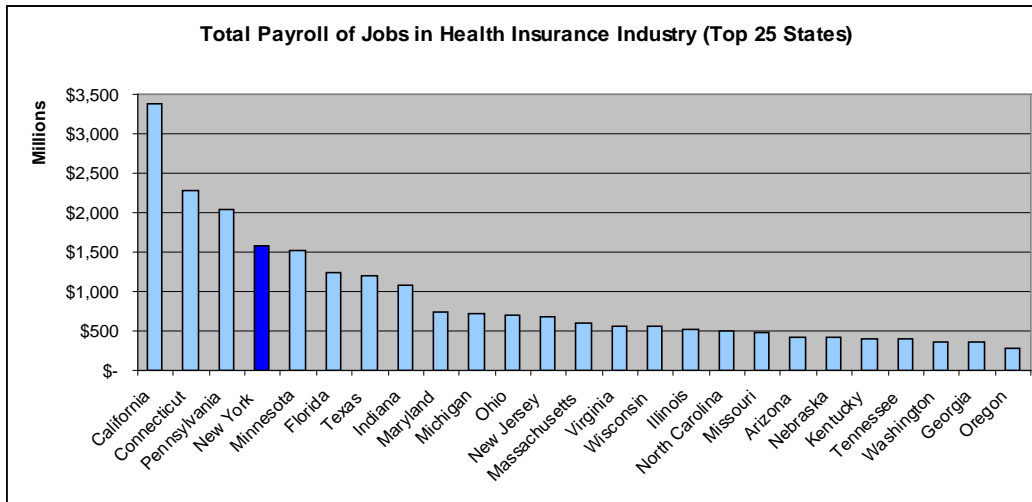
FIGURE 5. JOBS IN THE HEALTH INSURANCE INDUSTRY BY STATE



Source: U.S. Census Bureau, County Business Patterns (NAICS), 2006 data. Cited in Christelle Jang and Teresa Chovan, *Health Insurance: Overview and Economic Impact in the States* (Washington, DC: America’s Health Insurance Plans (AHIP) Center for Policy and Research, 2007).

²¹ Christelle Jang and Teresa Chovan, *Health Insurance: Overview and Economic Impact in the States* (Washington, DC: America’s Health Insurance Plans (AHIP) Center for Policy and Research, 2007).

FIGURE 6. PAYROLL OF THE HEALTH INSURANCE INDUSTRY BY STATE



Source: U.S. Census Bureau, County Business Patterns (NAICS), 2006 data. Cited in Christelle Jang and Teresa Chovan, *Health Insurance: Overview and Economic Impact in the States* (Washington, DC: America's Health Insurance Plans (AHIP) Center for Policy and Research, 2007).

CONCLUSION

New York is home to a large number of jobs in the health insurance industry, ranking among the top four states nationally in health insurance jobs and payroll. The sector experienced substantial job growth during a period when other sectors of the insurance industry in New York were shedding jobs. The industry generates substantial tax revenue through income and other taxes, as well as through surcharges and assessments unique to New York State's economy and policy environment.