

Impact of Health Insurance Industry on the State of Connecticut – Summary Tables

Prepared for Connecticut Association of Health Plans
Prepared by Connecticut Economic Resource Center, Inc.

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The Connecticut Economic Resource Center, Inc. (CERC) is a nonprofit corporation and public-private partnership that drives economic development in Connecticut by providing research-based data, planning and implementation strategies to foster business formation, recruitment and growth. CERC has proven and relevant expertise providing clients with the knowledge and insight they need to gain a competitive advantage. CERC is a pioneer in the development of programs, technologies and capabilities to support effective economic development and offers a complete range of services from economic impact analysis, strategic planning, data gathering and communications, to outreach, site selection and business assistance. CERC has earned a reputation for excellence in Connecticut's economic development community through our accomplished, professional staff, commitment to customer service, and connection to a network of strategic partners.

Preliminary

The health insurance industry in Connecticut generated a total estimated impact on output in the state of almost \$15.5 billion in 2018. This analysis shows that the estimated economic activity supported 48,560 jobs in Connecticut as the spending in the health insurance industry rippled through the state.

Below are summary tables providing an overview of the economic impact generated by the health insurance industry on the State of Connecticut. Included with the tables in this document are summary explanations of the findings. More detailed analysis will be available in the forthcoming report, along with information on the industry’s taxes paid and charitable contributions as well as information on the IMPLAN economic impact model and a glossary of impact analysis terms.

Overall Impacts of the Health Insurance Industry

Table 1: Total Annual Impacts on Connecticut from the Health Insurance Industry, 2018

	Output (Mil 2019\$)	Value Added (Mil 2019\$)	Labor Income (Mil 2019\$)	Employment (Jobs)
Total	\$15,495	\$9,907	\$5,168	48,564
Health insurance activity*	\$11,246	\$7,192	\$3,588	25,058
Secondary activity	\$4,250	\$2,714	\$1,579	23,506
Other indirect activity	\$1,168	\$742	\$421	4,112
Induced activity	\$3,082	\$1,972	\$1,159	19,393

*Note: Health insurance activity includes employment at the health insurance carriers, which was provided by the Connecticut Association of Health Plans (CTAHP) and was used to estimate the number of industry jobs at agencies and brokerages, and on other health insurance services, such as claims adjusting. Output, value added, and labor income were then estimated using this employment activity and the IMPLAN economic model.

Source: CTAHP; Emsi 2019.2; IMPLAN 2017 model for Connecticut; CERC calculations.

- The health insurance industry in Connecticut generated a total estimated impact on output in the state of almost \$15.5 billion in 2018.
 - More than \$11.2 billion of this impact on output was generated by the health insurance industry in Connecticut. This includes activity at the health insurance carriers, agencies, and brokerages in Connecticut as well as in-state insurance work such as claims adjustment.
 - The health insurance industry also generated almost \$4.3 billion through independent secondary activities.
 - An estimated \$1.2 billion of the impact results from indirect effects in businesses that are not part of the health insurance industry, as companies across the state increase their production due to requirements from the health insurance industry. Examples of indirect activities may include: technology



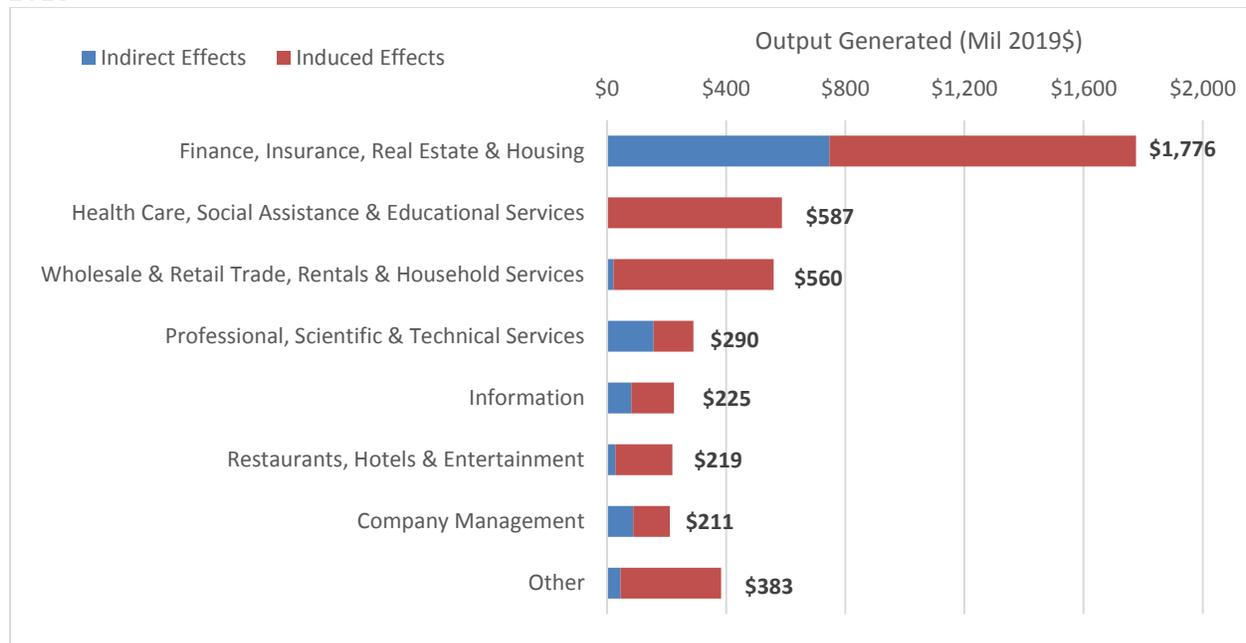
companies that provide support for health insurance industry websites; real estate agents or brokers who assist health insurance companies with their location needs; or wholesale or retail trade in office supplies, such as paper, pens, and computers.

- An additional \$3.1 billion is estimated to be generated by induced effects, as spending from the labor income received by employees working in the health insurance industry and employees of the indirectly-affected establishments ripples through the state's economy.
- In 2018, the health insurance industry generated an estimated \$9.9 billion in total value added, which is a measure of the wealth created in the state's economy due to the activities in the health insurance industry. Value added can also be defined as the increase in the state's total output less the cost of the intermediate inputs used.
 - Almost \$7.2 billion in value added was due to the health insurance carrier- and agency-related activity in the state.
 - Over \$2.7 billion in value added was generated by the secondary effects of the health insurance industry. This includes \$742 million in value added from indirect activity and nearly \$2.0 billion of value added from induced activity.
- The health insurance industry generated total estimated labor income (i.e., employee compensation, both wages and benefits, and proprietor's income, and a major component in the value added measure) of almost \$5.2 billion.
 - This includes almost \$3.6 billion from the health insurance carriers, agencies, and other health insurance activity.
 - The industry supported an additional \$421 million via secondary activity, which included \$1.2 billion due to indirect effects and \$350 due to induced effects.
- In 2018, the health insurance industry generated an estimated 48,560 jobs in Connecticut, both within the health insurance industry and as spending in the industry rippled through the wider economy in the state.
 - This employment included more than 25,000 workers in health insurance carriers, insurance agencies and brokerages, claims adjusting, and other parts of the health insurance industry.¹
 - These jobs supported over 23,500 additional jobs via secondary activity.

¹ The number of health insurance industry jobs was initially based on employment data provided by the Connecticut Association of Health Plans to CERC. This data included the number of employees at the six major carriers in the state.

Secondary Impacts on Output and Employment

Figure 1: Secondary Effects on Output by Industry from Health Insurance Industry in Connecticut, 2018



Source: CTAHP; Emsi 2019.2; IMPLAN 2017 model for Connecticut; CERC calculations.

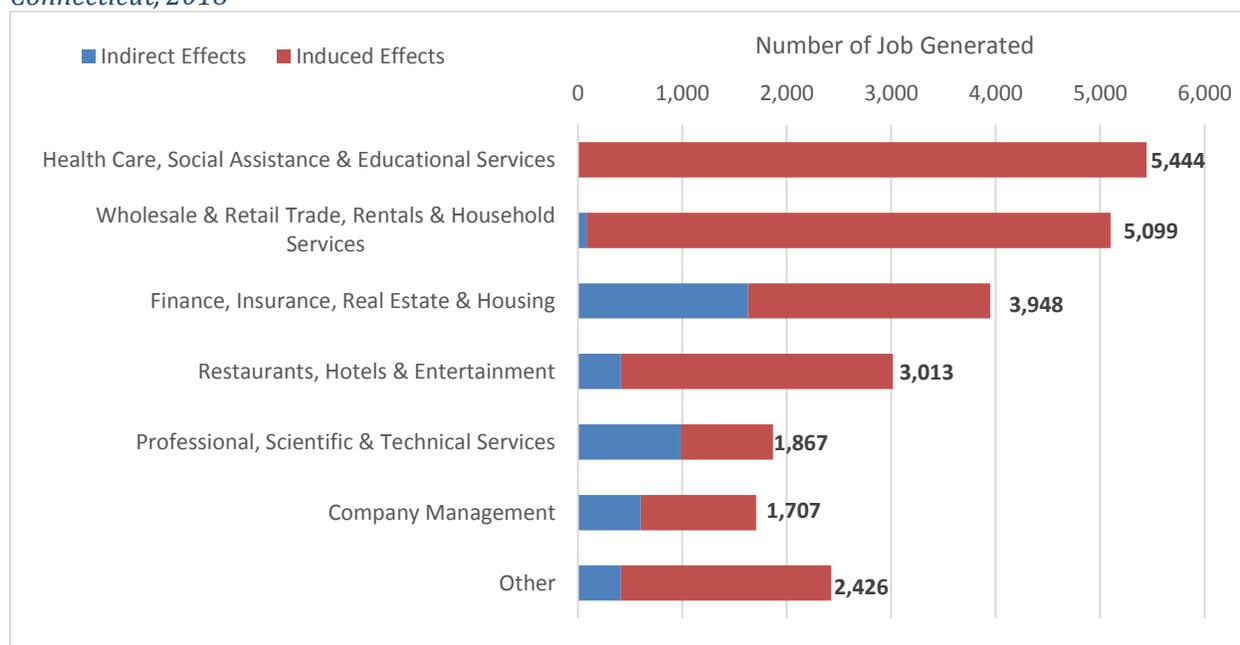
Note: “Other” includes industries such as: Transportation, Couriers & Warehousing; Other Services; Construction; Government Utilities, Transit & Enterprises; Manufacturing; and Agriculture, Mining, Extract & Utilities

- Of the total impact on output due to secondary effects (i.e., the indirect and induced effects), 42% (or almost \$1.8 billion) was in Finance, Insurance, Real Estate and Housing in 2018.² This includes both the increased production at other companies due to the indirect activity of the health insurance industry as well as induced activity as households spend income they earned from the direct or indirect effects of the health insurance industry.
- The second and third largest secondary effects on output were estimated to be on Health Care, Social Assistance and Educational Services (\$587 million) and Wholesale and Retail Trade, Rentals and Household Services (\$560 million). These secondary effects were largely driven by induced effects as the health insurance industry spending ripples through the wider state economy.

² Because the indirect effects of the health insurance industry are included in “Health insurance activity” rather than “Other indirect activity,” as shown in Table 1, they are also excluded from this chart and from Figure 2.

- Secondary effects were also expected to generate over \$200 million in output in: Professional, Scientific & Technical Services (\$290 million); Information (\$225 million); Restaurants, Hotels, and Entertainment (\$219 million); and Company Management (\$211 million).

Figure 2: Secondary Effects on Employment by Industry from Health Insurance Industry in Connecticut, 2018



Source: CTAHP; Emsi 2019.2; IMPLAN 2017 model for Connecticut; CERC calculations.

Note: "Other" includes industries such as: Transportation, Couriers & Warehousing; Other Services; Information; Construction; Government Utilities, Transit & Enterprises; Manufacturing; and Agriculture, Mining, Extract & Utilities.

- In 2018, over 5,440 jobs were generated via secondary effects in Health Care, Social Assistance, and Educational Services, while almost 5,100 jobs were generated in Wholesale and Retail Trade, Rentals, and Household Services. In both industries, most of these jobs were due to induced effects.
- An additional 3,950 jobs are estimated to have been supported in Finance, Insurance, Real Estate and Housing as a result of secondary activity of the health insurance industry. Over 1,625 jobs were supported through indirect effects, and another 2,320 jobs resulted from induced effects.
- Secondary effects of spending by the health insurance industry supported: over 3,010 jobs in Restaurants, Hotels, and Entertainment; over 1,865 jobs in Professional, Scientific and Technical Services; and over 1,705 jobs in Company Management.

Stress on Connecticut’s Health Insurance Industry

Table 2: Projected Impacts of a Smaller Health Insurance Industry

	Output (Mil 2019\$)	Value Added (Mil 2019\$)	Labor Income (Mil 2019\$)	Employment (Jobs)
Current State of Industry, 2018 ³	\$11,246	\$7,192	\$3,588	25,058
Current Total Impact of Industry, 2018 ⁴	\$15,495	\$9,907	\$5,168	48,564
Industry Decreases by:				
10%	-\$1,550	-\$991	-\$517	-4,856
25%	-\$3,874	-\$2,477	-\$1,292	-12,141
50%	-\$7,748	-\$4,954	-\$2,584	-24,282

Source: CTAHP; Emsi 2019.2; IMPLAN 2017 model for Connecticut; CERC calculations.

- The health insurance industry remains in a state of change due to national and state-level policy and technology changes.
- If the health insurance industry were to decline in Connecticut, it will have an impact on overall output, value added, labor income, and the number of jobs in Connecticut. As can be seen in Table 2, a 10% decline in the industry’s size will decrease output in the state by approximately \$1.6 billion and decrease employment by an estimated 4,855 workers.
 - If the health insurance industry becomes only half its current size, there would be a loss of over \$7.7 billion in output and over 24,280 jobs in the state.
 - It is unknown what would happen to this spending and these jobs under various national and state policy proposals or if new technology is adapted for wider use in the industry. In such cases, there may be offsetting gains in other industries or occupations.

³ “Current state of the industry” represents the current output, employment, and other activity of the health insurance industry in Connecticut in 2018, based on employment data provided by CTAHP and on the IMPLAN economic model.

⁴ “Current Total Impact of Industry” includes the health insurance industry activity as well as the secondary activity generated in the state as spending by the health insurance industry ripples through the economy.

