

# medicaid and the uninsured

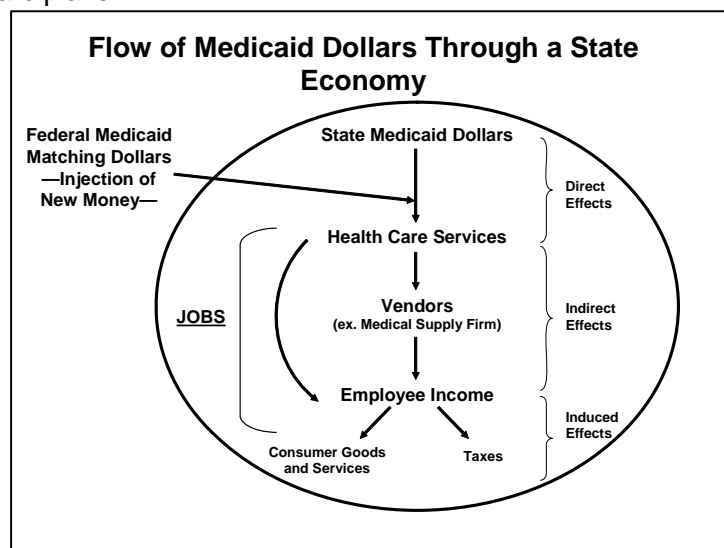
January 2009

## The Role of Medicaid in State Economies: A Look at the Research

The country is currently in the midst of a recession. Forty-four states are facing budget shortfalls in FY 2009 or FY 2010, state revenues are lower than projected, and unemployment rose to a fifteen-year high of 6.7 percent in November. Given Medicaid's role as a major component of state budgets, as state policy makers grapple with closing budget shortfalls, Medicaid is often targeted as a potential area to gain savings. However, cutting Medicaid not only adversely affects beneficiaries and providers, but also has an impact on the larger state economy.

Medicaid, a federal entitlement program jointly financed by the states and federal government, covers health and long-term care services for nearly 60 million low-income Americans. In addition, the program supports tens of thousands of health care providers throughout the country, including hospitals, nursing facilities, group homes, community health centers and managed care plans.

The figure shows how Medicaid spending flows through a state's economy. First, Medicaid payments made on behalf of enrollees *directly* impact health care service providers, supporting the jobs, income, and purchases associated with carrying out health care services. Through the multiplier effect, new state spending creates larger impacts because of the influx of additional federal dollars. Other businesses and industries *indirectly* benefit from this multiplier effect. For example, fluctuations in Medicaid funding may affect a Medicaid provider's supply order which would affect the medical supply firm's purchases from its vendors and so on. Finally, both the direct and indirect effects *induce* changes in household consumption and tax collection primarily due to household income fluctuations.



The Kaiser Commission on Medicaid and the Uninsured has compiled findings from 29 studies in 23 states analyzing the role Medicaid plays in state and local economies. Key findings show that:

- Medicaid spending generates economic activity including jobs, income and state tax revenues at the state level. Medicaid's economic impact is intensified because of federal matching dollars – state spending pulls federal dollars into the economy. Medicaid funding supports jobs and generates income within the health care sector and throughout other sectors of the economy due to the multiplier effect.
- Regardless of the economic model, all studies show Medicaid spending has a positive impact on state economies. The magnitude of the impact is dependent on state Medicaid spending, a state's matching rate (FMAP), and the economic conditions in a state.
- Reductions in state and federal Medicaid spending will lead to declines in federal Medicaid dollars, decreases in the flow of dollars to health care providers, and consequently lead to declines in economic activity at the state level. For example, due to the federal match, a state with a 60 percent FMAP must cut overall Medicaid spending by \$2.40 to save \$1 in state Medicaid spending.

## **Overview of Medicaid Financing**

Authorized by Title XIX of the Social Security Act, Medicaid is a means-tested entitlement program jointly financed by the federal and state governments. In FY 2006, the federal government spent \$172 billion on Medicaid and the states are estimated to have spent \$131 billion, bringing total program spending to \$304 billion.<sup>1</sup> Medicaid is the second largest line item in state budgets — 17 percent of state funds are allocated to Medicaid on average — and it is the largest source of federal grant support for the states.<sup>2</sup>

The federal government matches each state's Medicaid spending at an established rate that varies by state. The rate, the Federal Medical Assistance Percentage (FMAP), is determined by a set formula that relies on state per capita income relative to the national average. The federal share of Medicaid averages 57 percent, but can range from a floor of 50 percent in wealthy states to 76 percent in the poorest state (Mississippi).

## **Medicaid in Economic Downturns**

During economic downturns, enrollment in Medicaid and spending on the program increase as individuals lose employer sponsored insurance and their incomes decline. At the same time, growth in unemployment has a negative impact on state revenues making it even more difficult to pay the state share of Medicaid spending increases. Given that Medicaid provides financing for a range of health care providers within communities across the country, supporting jobs, income and economic activity, cutting Medicaid during a downturn can worsen the economy.

Specifically, the economic downturn of 2002 precipitated a significant decline in state revenues, leaving states with budget shortfalls in the tens of billions. In legislation enacted in May 2003, Congress temporarily increased the matching rates for FY 2004 by nearly three percent as part of a package providing states with fiscal relief. States reported that this increase in the matching funds helped to resolve a Medicaid budget shortfall, avoid additional Medicaid cuts or freezes and resolve a shortfall in the state general fund budget (see Table 1 for FY 2004 through FY 2009 FMAP by state). In FY 2006 and 2007, state revenues started to rise and spending on Medicaid slowed as enrollment growth subsided. However, as states entered another recession in FY 2008 and FY 2009, they are once again faced with slower than anticipated revenue growth and significant budget shortfalls. Given Medicaid's impact on the larger economy, federal fiscal relief provided through an enhanced match rate could once again prove to be a successful strategy to help states maintain Medicaid eligibility levels and balance their budgets.

## **Economic Impact Modeling**

To assess economic impact, economists and academics conducting studies most often utilized either the *RIMS II* (Regional Input-output Modeling System) or *IMPLAN* (Impact Analysis for Planning) input-output models, which are widely used for assessing economic impact resulting from an event or major capital input such as a military base closing or airport construction. Input-output economic models account for the relationships between industries in an economy and allow for estimating the effects of changes in expenditures on state industries and the economy as a whole. Both models are based on similar theory — a change in input (e.g., a cut or increase in Medicaid expenditures) will produce *direct* impacts that will then “ripple” through other sectors of the economy producing *indirect* and *induced* impacts. This process does not continue endlessly as with each round of spending, a portion of dollars is used for purchases made outside the state, or is taxed or saved.

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<sup>1</sup> Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from Centers for Medicare and Medicaid Services-64 reports, July 2007.

<sup>2</sup> Fiscal Survey of the States, National Association of State Budget Officers, December 2008.

The *RIMS II* model was developed by the U.S. Department of Commerce, Bureau of Economic Analysis and the *IMPLAN* model was originally developed by the U.S. Department of Agriculture Forest Service and then extended by the Minnesota IMPLAN Group, Inc. As discussed above, the models are based on similar economic theory; however, there are inherent differences in the models, primarily related to the types of multipliers each model uses and the approach used to compute multipliers. Both models make several assumptions in order to quantify impact; the assumptions and limitations of input-output economic modeling are included within the studies as appropriate.

### **Economic Impact Measures and the Multiplier Effect**

Economic impact can be defined as the net change in the economy resulting from an event such as an increase or decrease in government spending. New spending can create a larger impact than the amount of new spending alone through “multiplier effects” because of the successive rounds of spending that occur when money is injected into a state economy. For instance, state businesses and residents spend their earnings on purchases from other businesses or residents in the state, who in turn make other purchases and so on.<sup>3</sup> Conversely, multipliers can work in reverse when spending is reduced. Economic impact is generally quantified in terms of employment, income, state revenue and overall economic output (also referred to as business activity, gross state product or value added).

Both state and federal Medicaid spending have a multiplier effect. State spending alone yields multiplier effects as money is injected into the state’s economy and used to conduct business, make purchases and support salaries. However, because of the matching arrangement, the economic impact of Medicaid spending is intensified by the infusion of new dollars from the federal government that would otherwise not exist in the state — a dollar of state Medicaid spending attracts at least one federal dollar. Thus, the total impact multiplier, relative to the multiplier of the state dollar alone, is considerably larger. Not including any temporary federal fiscal relief, the FMAP ranges from 50 to 76 percent among states — meaning that for every dollar a state spends on Medicaid, the federal government contributes at least one dollar and up to roughly three and one half dollars. The higher the matching rate, the stronger the financial incentive for states. For example, if a state’s matching rate is set at 70 percent, for every \$30 dollars a state contributes, the federal government will contribute \$70 dollars, or for each \$1 the state spends on Medicaid, the federal government contributes \$2.33. Conversely, for every \$1 that the state cuts in Medicaid spending, it will forgo the \$2.33 match from the federal government. Therefore, the state is actually reducing its overall Medicaid spending by \$3.33 to save \$1 in state funds.<sup>4</sup>

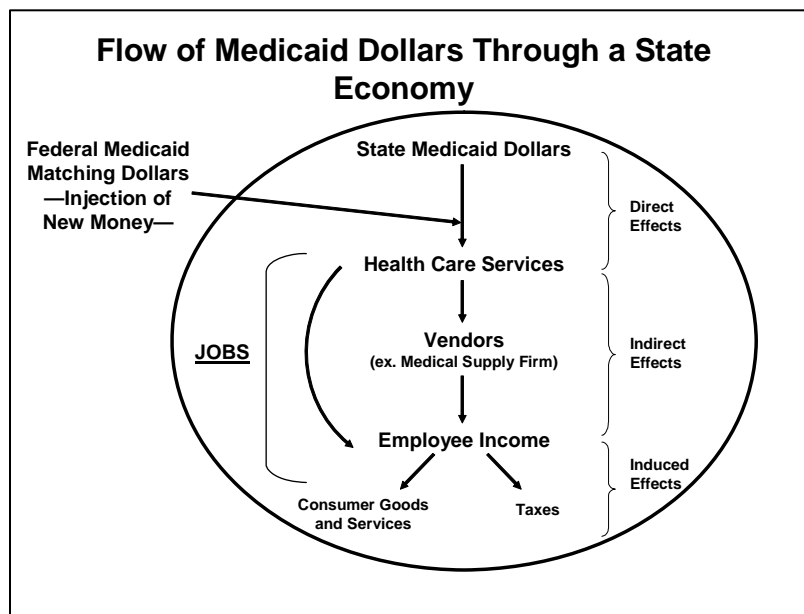
State-only funded health programs and state spending in other areas may have economic multipliers roughly in the same range as Medicaid; however, these programs may not generate the added impact, as they typically do not attract federal matching funds. It is important to note that there are state programs that receive federal support, though not matching funds, and that there are other state programs, such as highway construction, that do attract federal matching funds.

The figure below presents an example of how Medicaid spending flows through an economy and demonstrates how the relationships within an economy can generate impacts greater than the original spending alone. First, while Medicaid payments are made on behalf of enrollees, the direct recipients are providers, including hospitals, private physicians and nursing homes, or managed care organizations. Therefore, Medicaid funding *directly* impacts health care service providers, supporting the jobs, income, and purchases associated with carrying out health care services.

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<sup>3</sup> Within the health care sector, spending is largely internal to the state as health care is a service-based industry in which the product is generally consumed locally.

<sup>4</sup> V. Wachino et al., January 2004.



Through the multiplier effect, other businesses and industries are *indirectly* affected due to the direct impact. For example, a medical supply firm may be affected through its business dealings with Medicaid providers — fluctuations in Medicaid funding may affect a Medicaid provider’s supply order which then may affect the medical supplier’s purchases from its vendors, and so on. Lastly, both the direct and indirect effects *induce* changes in household consumption and tax collection primarily due to household income fluctuations. Employees of Medicaid health care providers that are directly impacted or the employees of businesses that are indirectly impacted may change their spending patterns according to increases or decreases in income — the change in income triggers the household to increase or decrease spending on consumer goods. Due to changes in personal income and, subsequently spending, sources of government revenue — including income and sales taxes — would be affected as well.

### **Key Study Findings**

The specific findings from each of the 29 studies are included in the Appendix.

### **Medicaid spending generates economic activity, including jobs, income and state tax revenues, at the state level.**

- Medicaid is the second largest line item in state budgets following elementary and secondary education. Presently, 17 percent of state funds are allocated to Medicaid on average and it is the largest source of revenue in the form of federal grant support to each state.
- Money injected into a state from outside the state is critical to generating economic activity. Medicaid’s economic impact is intensified because of the federal match — state spending pulls federal dollars into the economy.

*“Most state government expenditures reallocate spending from one sector of the economy to another —with no net state income or jobs directly resulting from state government spending...State Medicaid funding is, however, a new job and income generator.”*

SOURCE: Moore School of Business, University of South Carolina, 2002

- Medicaid is the largest source of federal funds for states. The amount of federal dollars each state receives depends on the state's Medicaid spending and their FMAP.

*“In 2004, federal matching funds to the state of Missouri generated \$5.82 billion in economic activity, supported 79,892 jobs in the state and increased wages and other income earned by Missourians by \$2.8 billion, which generated \$211 million in tax revenue.”*

SOURCE: Missouri Foundation for Health, 2005

- Federal Medicaid matching dollars support jobs and generate income within the health care sector and throughout other sectors of the economy due to the multiplier effect.

**Regardless of the economic impact model used, all studies have similar findings — Medicaid spending has a positive impact on state economies.**

- The magnitude of the impact is dependent on state Medicaid spending, a state's matching rate from the federal government (FMAP) and the economic multipliers used in the studies, which reflect economic conditions within the state.

*“The administration of the Oklahoma Medicaid program creates an economic impact on the economy of Oklahoma. In FY 2006, total business spending generated from the Medicaid program was \$8.0 billion. Additionally, 99,036 jobs were created, income increased by \$2.8 billion and tax revenue increased by \$315.0 million.”*

SOURCE: Oklahoma Health Care Authority, 2007

- The size of the health sector and the interdependence of industry sectors within a state and its regions can modify the impact.

*“Medicaid accounts for a large portion of the health care sector for numerous rural counties, which makes many of Idaho’s rural county economies particularly dependent on Medicaid. Medicaid spending results in total county expenditures approximately five times the size of the original investment.”*

SOURCE: Northwest Federation of Community Organizations and Idaho Community Action Network, 2006

- States and state regions and/or counties that are more reliant on public services and the health care industry may be disproportionately affected.

*“Counties vary in their population’s dependence on Medicaid and other social services... Overall, the southeastern counties of Ohio will fare the worst under any of the proposed changes in Medicaid funding.”*

SOURCE: Health Policy Institute of Ohio and the Health Foundation of Greater Cincinnati, 2005

**Reductions in state and federal Medicaid will lead to declines in economic activity at the state level.**

- Reductions in state spending automatically reduce the infusion of federal dollars. States lose at least one dollar in federal funds for every dollar of state Medicaid spending cut.

*“If the Medicaid program were shut down and the funds returned to taxpayers who saved/spent the funds according to typical consumer expenditure patterns, employment in North Carolina would fall by an estimated 67,400 jobs and labor income would decline by \$2.83 billion, due to the labor-intensive nature of Medicaid expenditures.”*

SOURCE: North Carolina Journal of Medicine, 2008

- Decreases in funding reduce the flow of dollars to hospitals, nursing homes, home health agencies and pharmacies, and reduce the amount of money circulating through the economy, affecting employment, income, state tax revenue and economic output.

All of the studies examined provide evidence that Medicaid spending has a positive impact on state economies. It is clear from the studies conducted that in addition to providing health coverage for low-income people, state Medicaid spending also yields significant economic benefits for states, and that, largely as a result of Medicaid's unique matching arrangements, these benefits may be larger than state spending alone. As states address their budget shortfalls, spending decisions will hinge on a variety of factors. However, it will be important to consider the role of Medicaid in state economies, its economic impact relative to state spending in other areas, and the way in which federal funds flow to states and can spur economic activity during a recession.

This issue brief was updated by Caryn Marks and Robin Rudowitz and originally prepared by Alicia Carbaugh of the Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation.

## **List of State Reports**

**Alaska:** Gerald A. Doeksen, Cheryl St. Clair. "Economic Impact of the Medicaid Program on Alaska's Economy." March 2002. <http://www.hss.state.ak.us/dhcs/PDF/economicimpact2001.pdf>.

**Arizona:** Center for Business Research, L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University. "The Economic Impacts of Proposed Budget Cuts to Arizona's Health Care Safety Net." June 2, 2003. [www.azhha.org/public/uploads/EconomicImpactsOfProposedBudgetCutsByASU.pdf](http://www.azhha.org/public/uploads/EconomicImpactsOfProposedBudgetCutsByASU.pdf).

**Arkansas:** Wayne Miller and John Pickett. "Economic & Fiscal Impact of Additional \$100 Million in State Funding For Medicaid Programs." March 24, 2003. [http://www.arcommunities.org/econ\\_dev/Economic/economicimpact/medicaid.asp](http://www.arcommunities.org/econ_dev/Economic/economicimpact/medicaid.asp).

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**Georgia:** Alan Essig. "Governor's FY 2004 and FY 2005 Medicaid Budget Proposals." Fiscal Research Center, Andrew Young School of Policy Studies, Georgia State University. February 2004. <http://74.125.47.132/search?q=cache:gIjgC3cE4EgJ:domestic.gsu.edu/frp/frpnews/budgetnotes/BudgetNote-16.pdf+Georgia+Budget+Notes+16&hl=en&ct=clnk&cd=3&gl=us>

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**Maryland:** "Medicaid: Good Medicine for MD's Economy." Advocates for Children and Youth. 2003.

**Mississippi:** Benjamin Blair and Meghan Millea. "Economic Impacts of Federal Medicaid Expenditures on the State of Mississippi in 2002." August 2003. <http://www.healthpolicy.msstate.edu/publications/economicimpactfull.pdf>.

**Missouri:** Joel Ferber, Heather Bednarke and Muhammad Islam. "Economic and Health Benefits of Missouri Medicaid." Missouri Foundation for Health. Spring 2004. [www.mffh.org/ShowMe5Final.pdf](http://www.mffh.org/ShowMe5Final.pdf).

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**Montana:** Steve Seninger. "Economic Impact of Medicaid on Montana and on the Billings, Butte, and Miles City Healthcare Market Areas." January 2003. [http://www.naswmt.com/pdf/Seninger\\_Study.pdf](http://www.naswmt.com/pdf/Seninger_Study.pdf).

**North Carolina:** Kerry E. Kilpatrick et al. "The Economic Impact of Proposed Reductions in Medicaid Spending in North Carolina." April 2002. <http://www.healthlaw.org/pubs/2002.NC.econimpact.doc>.

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**Wisconsin:** Steven C. Deller. "Economic Impact of Reducing Medicaid and BadgerCare Expenditures." February 2003.  
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(An update to the January 2003 Families USA report is now available at [www.familiesusa.org](http://www.familiesusa.org))

Families USA. "Bad Medicine." 2008. [www.familiesusa.org](http://www.familiesusa.org)



## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>ALASKA</b> G. Doeksen and C. St. Clair</p> <p><i>The Economic Impact of the Medicaid Program on Alaska's Economy</i></p> <p>March 2002</p> <p>Oklahoma State University</p>	<p>Study utilized IMPLAN economic input-output model to estimate the direct, indirect and induced economic effects of the Medicaid program on the Alaskan economy.</p> <p>Estimates were based on FY 2001 Medicaid expenditures and 1998 health care expenditures provided by CMS. 1998 health care expenditures were adjusted to 2000 based on U.S. per capita expenditures from 1998-2000 as reported by CMS. Employment and income data for Medicaid program employees was obtained from the Division of Medical Assistance, State of Alaska, Department of Health and Social Services. Health sector employment and income estimates were obtained from the U.S. Census Bureau and adjusted to 2000 based on U.S. health sector employment data from the Bureau of Labor Statistics.</p> <p>Assumes Medicaid supports 22 percent of health care jobs given that Medicaid expenditures account for 22 percent of total estimated health care expenditures.</p>	<p>Alaska's FY 2001 state expenditure of \$150 million for Medicaid yielded:</p> <ul style="list-style-type: none"> <li>• \$424.5 million federal match</li> <li>• Total employment impact: 9,002 jobs (includes those directly employed as a result of Medicaid expenditures and jobs created throughout other sectors of the economy as a result of the direct employment)</li> <li>• Total income impact: \$346 million</li> <li>• Total economic output impact: \$1.0 billion</li> </ul>
<p><b>ARIZONA</b> Center for Business Research L. William Seidman Research Institute W.P. Carey School of Business Arizona State University</p> <p><i>Economic Impacts of Proposed Budget Cuts to Arizona's Health Care Safety Net</i></p> <p>June 2, 2003</p>	<p>Study utilized IMPLAN economic input-output model to estimate the impact of proposed reductions in spending for the state's public safety net programs, including the state's Medicaid program – Arizona Health Care Cost Containment System (AHCCCS) – and KidsCare. Specifically, the study analyzed the effects of five proposed changes for FY 2004 contained in the legislative budget proposal relative to the Governor's budget. The report outlines the impacts of each proposed reduction.</p> <p>Estimates are based on the comparative analyses of the two proposed budgets contained in <i>Executive Budget Proposal Compared to the Republican Leadership Proposal for Fiscal Year 2004</i> prepared by the Office of Planning and Budget. Tax revenue impacts are based on the effective business and personal tax rates for state and local taxes in Arizona contained in a report from the Utah State Tax Commission (<i>Business and Household Initial State and Local Tax Burdens, FY2000</i>).</p> <p>The impacts are based on the assumption that reductions in health care spending are not offset by public spending on other programs or tax cuts—estimates are of the gross impacts.</p>	<p>Proposed reductions in Arizona of \$51 million in state funding would result in a reduction of \$132 million in federal matching funds.</p> <p>Based on the findings of the impact of the five proposed changes to AHCCCS and KidsCare, a \$1 million reduction in state funding would result in the following:</p> <ul style="list-style-type: none"> <li>• \$5.1 million decrease in gross state product</li> <li>• \$3.8 million decrease in labor income</li> <li>• 100 lost jobs</li> <li>• \$440,000 decrease in state and local tax revenue</li> </ul>
<p><b>ARKANSAS</b> W. Miller and J. Pickett</p> <p><i>Economic &amp; Fiscal Impact of Additional \$100 Million in State Funding for Medicaid Programs</i></p> <p>March 24, 2003</p> <p>University of Arkansas, Division of Agriculture</p>	<p>Study utilized IMPLAN economic input-output model to estimate the economic effects of \$100 million increase in state Medicaid spending.</p> <p>Analysis assumed that the additional \$100 million of state spending would be matched at the same level as current expenditures, generating an additional \$300 million in federal assistance for a total of \$400 million. It was also assumed that the pattern of spending would remain the same. Pattern of spending data was taken from FY 2002 Medicaid expenditure data provided by the Arkansas Department of Human Services Division of Medical Services.</p>	<p>Arkansas' additional spending of \$100 million dollars will generate/contribute:</p> <ul style="list-style-type: none"> <li>• \$300 million federal match</li> <li>• \$633 million in economic activity (every \$1 in state spending generates \$6.33 in economic activity)</li> <li>• 10,268 jobs</li> <li>• \$306 million in resident income</li> <li>• \$395 million to the Gross State Product</li> <li>• \$22.3 million in revenue for state and local government (sales and use taxes, personal income tax, other direct and indirect taxes and fees)</li> </ul>

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<p><b>FLORIDA</b> P. Sampath</p> <p><i>Penny Wise &amp; Pound Foolish: Why Cuts to Medicaid Hurt Florida's Economy</i></p> <p>October 2003</p> <p>Human Services Coalition of Dade County written for Community Health Action Information Network (CHAIN)</p>	<p>Study utilized IMPLAN economic input-output model to assess state- and county-level impact of 2002 Medicaid spending and recent state government policies—cuts to the program enacted in the 2003 legislative session and the proposal not to use the federal relief provided by the Jobs and Growth Tax and Relief and Reconciliation act passed in May 2003. Only the federal match was used to calculate impact—56% (1.27:1) in 2002 and 62% (1.61:1) 2003.</p> <p>IMPLAN data was organized into county-level models and specific multipliers were calculated per county. Medicaid Service Expenditures by county and service type for the year 2001-2002, provided by the Agency for Health Care Administration, and the FMAP were used to calculate impact. The specific multipliers times the direct impact (federal match amount for each category of service by county) gave the estimated indirect and induced effects.</p>	<p>Florida's 2002 state expenditure of \$4.1 billion resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$4.79 billion federal match</li> <li>• Employment impact: 120,950 jobs</li> <li>• Income impact: \$4.3 billion</li> <li>• Business activity impact: \$8.7 billion</li> </ul> <p>Medicaid cuts enacted in the 2003 legislative session of \$49.5 million estimated to have resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$71.8 million lost federal match</li> <li>• 1,732 jobs impacted</li> <li>• \$59 million in lost salaries and wages</li> <li>• \$155 million in lost economic activity</li> </ul>
<p><b>GEORGIA</b> A. Essig</p> <p><i>Governor's FY 2004 and FY 2005 Medicaid Budget Proposals (Georgia Budget Notes, no. 16)</i></p> <p>February 2004</p> <p>Fiscal Research Center, Andrew Young School of Policy Studies, Georgia State University</p>	<p>Study utilized the RIMS II economic input-output model developed by Families USA to assess the impact of Medicaid spending in terms of business activity (the increased output of goods and services), employment (the number of new jobs created) and employee earnings (wage and salary income associated with the new jobs).</p> <p>The GA analysis relied on FY 2001 spending data which is based on actual state and federal Medicaid expenditures that were obtained from CMS-64 reports. Economic impacts of federal Medicaid expenditures were calculated by multiplying total federal assistance and administrative expenditures by appropriate RIMS II multipliers. FY 2001 state spending and economic impact multiplier was derived by dividing the total economic impact (including both federal matching and economic multiplier effects) by level of state spending.</p> <p>In GA, the 2001 FMAP rate was relied on to calculate the economic impact of potential state Medicaid increases and cuts proposed in the FY 2004 and FY 2005 budget. The federal match rate used to calculate impact was (1.50:1).</p>	<p>The state funded portion of the Medicaid budget in FY 2001 was \$2.15 billion. Spending for FY 2001 resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$3.225 billion federal match.</li> <li>• Employment impact: 75,000 jobs.</li> <li>• Business activity impact: \$7.2 billion.</li> </ul> <p>Medicaid cuts proposed in the FY 2004 and FY 2005 budget of \$73.7 million will result in:</p> <ul style="list-style-type: none"> <li>• \$114.5 million lost federal match.</li> <li>• 2,360 jobs lost.</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

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<p><b>IDAHO</b> D. Warn</p> <p><i>Medicaid: Someone You Know Needs It Medicaid Supports Idaho's County Economies</i></p> <p>January 2004</p> <p>Northwest Federation of Community Organizations and Idaho Community Action Network (economic impact analysis performed by Steven Peterson, Department of Agricultural Economics and Rural Sociology, University of Idaho)</p>	<p>Study utilized IMPLAN input-output model to estimate the state- and county-level economic impact of Medicaid spending.</p> <p>All dollar figures are from year 2000, the most recent year the IMPLAN database is available. SFY 2003 Medicaid spending was deflated to 2000 using a deflator provided by Steven Peterson of the University of Idaho. The economy-wide impacts are the sum of the direct, indirect and induced economic impact of Medicaid spending, based on economic impact analysis performed by Peterson using IMPLAN. Total business activity refers to total industry sales and total income includes both labor and capital income (wages and profits).</p> <p>Medicaid leverage factors by county were also calculated (total business activity resulting from Medicaid spending for a particular county (year 2000 data) divided by state Medicaid spending in that county (deflated to 2000 data).</p>	<p>State spending on Medicaid results in total business activity approximately five times larger than the state's original investment given that state dollars are matched and because the initial spending stimulates additional economic activity.</p> <p>State spending on Medicaid of \$213.8 million resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$549.8 million federal match (\$763,572,171 in total spending)</li> <li>• Total employment impact: 16,764</li> <li>• Total income impact: \$543 million</li> <li>• Total business activity: \$1.0 billion</li> </ul>
<p><b>IDAHO</b> Will Pitz</p> <p><i>Medicaid Matters for Idaho's County Economies</i></p> <p>March 2006</p> <p>Northwest Federation of Community Organizations and Idaho Community Action Network (economic impact analysis performed by Steven Peterson, Department of Agricultural Economics and Rural Sociology, University of Idaho).</p>	<p>Study utilized IMPLAN input-output model to estimate the state and county level economic impact of Medicaid spending.</p> <p>All dollar figures are from state fiscal year 2005. The economy wide impacts are the sum of the direct, indirect and induced economic impact of Medicaid spending, based on economic impact analysis performed by Peterson using IMPLAN. Total business activity refers to total industry sales and total income includes both labor and capital income (wages and profits).</p>	<p>State spending on Medicaid results in total business activity approximately five times larger than the state's original investment given that state dollars are matched and the initial spending stimulates additional economic activity.</p> <p>State spending on Medicaid of Medicaid of \$288.5 million resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$704 million federal match (992,564,772 in total spending)</li> <li>• Total business: \$1.5 billion</li> <li>• Total employment impact: 19,993</li> <li>• Total income impact: \$717 million</li> </ul>
<p><b>ILLINOIS</b> K Stoll, J Sullivan and L Babaeva</p> <p><i>Good for Kids, Good for the Economy: Health Coverage for All Kids in Illinois</i></p> <p>2005</p> <p>Families USA</p>	<p>Study used the RIMS II input-ouput economic model created by the U.S. Department of Commerce, Bureau of Economic Analysis.</p> <p>The RIMS II model allowed for analysis of economic conditions in Illinois and activity that would be generated as a result of All Kids spending in terms of both business activity (the output of goods and services) and employee earnings (wage and salary income).</p>	<p>State spending of \$44 million in the first year of operation on All Kids would result in:</p> <ul style="list-style-type: none"> <li>• \$37 million in federal funding</li> <li>• \$87.6 million in business activity</li> <li>• \$30.8 million in total earnings</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>IOWA</b></p> <p><i>Economic Impact of Medicaid and hawk-i Spending (Issue Brief #7)</i></p> <p>March 2005</p> <p>Covering Kids and Families</p>	<p>Study uses the RIMS II input-output economic model. This analysis accounts for unique state economic characteristics, industrial structure, trading patterns, wage, salary and personal income data.</p> <p>Iowa has a business activity multiplier of 3.43 which is a prediction of total change in economic activity per dollar change in state Medicaid spending.</p>	<p>State spending of \$881 million in Medicaid for FY 2005 resulted in:</p> <ul style="list-style-type: none"> <li>• \$3.4 million in business activity per \$1 million invested in Medicaid</li> <li>• 39 jobs gained per \$1 million invested in Medicaid</li> <li>• \$1.3 million gained in employee wages per each \$1 million invested in Medicaid</li> </ul>
<p><b>MARYLAND</b></p> <p><i>Medicaid: Good Medicine for MD's Economy</i></p> <p>2003</p> <p>Advocates for Children and Youth</p>	<p>Utilized Families USA report <i>Medicaid: Good Medicine for State Economies</i> for RIMS II-based multipliers.</p> <p>Medicaid losses are estimated from FY 2001 spending and matching rate information.</p>	<p>Effect of \$1 million in Medicaid cuts would result in:</p> <ul style="list-style-type: none"> <li>• \$2.27 million in lost business activity</li> <li>• \$800,000 in lost wages</li> <li>• 22 lost jobs</li> </ul>
<p><b>MISSISSIPPI</b></p> <p>B. Blair and M. Millea</p> <p><i>Economic Impacts of Federal Medicaid Expenditures on the State of Mississippi in 2002</i></p> <p>August 2003</p> <p>Mississippi Health Policy Research Center, Mississippi State University</p>	<p>Study utilized IMPLAN input-output model to assess the economic impact of 2002 federal Medicaid expenditures on the state and on industries and sectors within Mississippi in terms of output, gross state product (GSP), employment, personal income and tax collections.</p> <p>An output impact estimates how much the economic stimulus increases overall economic activity in the state. GSP is defined as the value added to all final goods and services produced in the state. The tax collections estimate is derived as a percentage of personal income.</p> <p>National and state economic and demographic data collected from Bureau of Economic Analysis, Bureau of Labor Statistics and U.S. Census Bureau. Data was compiled in the 2000 Mississippi IMPLAN database and combined with federal Medicaid expenditures provided by the Mississippi Division of Medicaid.</p>	<p>Mississippi's 2002 Medicaid expenditure of approximately \$620 million resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$1.98 billion federal match</li> <li>• \$2.69 billion in additional economic output</li> <li>• \$1.39 billion of the state's GSP was attributable to federal Medicaid funding</li> <li>• 39,059 jobs supported by Medicaid inflow</li> <li>• \$1.05 billion in personal income</li> <li>• Increase in personal income generated \$60.7 million in tax revenue</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>MISSOURI</b> J. Ferber, H Bednarek and M Islam</p> <p><i>Economic and Health Benefits of Missouri Medicaid (Show Me Series: Report 5)</i></p> <p>Spring 2004</p> <p>Missouri Foundation for Health</p> <p>J Ferber, H Bednarek and M Islam</p> <p><i>The County Level Impact of Medicaid and SCHIP in Missouri</i></p> <p>February 2005</p> <p>Saint Louis University</p>	<p>Study uses the 2000 IMPLAN-based analysis using the concept of the multiplier effect to determine the economic impact of Medicaid spending for the state of Missouri. The IMPLAN model used aggregated state level and county level data.</p> <p>This study focused on four health-care related sectors (doctors and dentists, nursing and protective care, hospitals and other medical and health services) and four measures including: industrial impact (measure of overall business activity); labor income (earnings and salaries of workers and normal returns to proprietors), jobs (number of jobs); and tax revenue to differentiate economic activity in terms of direct, indirect and induced effects.</p> <p>For this survey the same methodology described above for determining county level multipliers were used.</p>	<p>Total FY 2003 expenditures in Missouri were \$4.5 billion. For every \$1 million change in Medicaid spending:</p> <ul style="list-style-type: none"> <li>• \$1.57 million gained in federal dollars</li> <li>• \$3.06 million gained in business activity</li> <li>• 42.3 jobs created</li> <li>• \$1.49 million gained in wages</li> </ul> <p>For every \$1 million change in spending for SCHIP:</p> <ul style="list-style-type: none"> <li>• \$2.68 million gained in federal dollars</li> <li>• \$5.21 million gained in business activity</li> <li>• 71.5 jobs created</li> <li>• \$2.54 million gained in wages</li> </ul> <p>In 2004, the State of Missouri generated:</p> <ul style="list-style-type: none"> <li>• \$5.82 billion in economic activity</li> <li>• 79,892 jobs in the state</li> <li>• \$2.8 billion in increased wages and other income</li> <li>• \$211 million in tax revenues (based on prior noted wage increases)</li> </ul>
<p><b>MONTANA</b> S. Seniger</p> <p><i>Economic Impact of Medicaid on Montana and on the Billings, Butte, and Miles City Healthcare Market Areas</i></p> <p>January 2, 2003</p> <p>School of Business Administration, University of Montana-Missoula</p>	<p>Study utilized the Montana IMPLAN model to examine the impact of 2002 Medicaid expenditures on the state as a whole, as well as the Billings, Butte and Miles City areas. The study also examined the economic impact of two budget cut scenarios—15 percent and 20 percent reductions in state Medicaid spending.</p> <p>Baseline job and income measures were established for the state as well as the Billings, Butte and Miles City areas. To calculate the estimates of statewide and market area impact, the federal match rate and 2002 Medicaid expenditures were used. Job and income data was provided by the Montana Department of Labor and Industry and Montana IMPLAN model.</p>	<p>Montana's 2002 state expenditure of \$140 million for Medicaid spending resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$420 million federal match</li> <li>• Total employment impact: 13,469 (health care sector and other sectors)</li> <li>• Total income impact: \$375 million</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>NORTH CAROLINA</b> K. Kilpatrick, et al.</p> <p><i>The Economic Impact of Proposed Reductions in Medicaid Spending in North Carolina</i></p> <p>April 11, 2002</p> <p>Institute for Public Health, School of Public Health, University of North Carolina, Chapel Hill</p> <p>C. Dumas, W. Hall and P Garrett</p> <p><i>The Economic Impacts of Medicaid in North Carolina</i></p> <p>March/April 2008</p> <p>North Carolina Journal of Medicine (volume 69, no. 2)</p>	<p>Study utilized IMPLAN to calculate the estimated economic impact under two scenarios—reducing SFY 2003 expenditures by a high amount (\$408,309,631) and a low amount (\$399,293,466). These figures represent total Medicaid expenditures (state + federal). Impact was calculated at the state and county level.</p> <p>The Division of Medical Assistance provided budget details and outlined the proposed budget cut scenarios. Job and output loss was calculated for a reduction in total Medicaid expenditures and for only the federal match component.</p> <p>It is argued that economic impact of Medicaid reductions is only appropriately attributable to the loss of the federal match. This supposes that foregone tax revenues that would have gone to the program would flow back into the economy and stimulate other sectors. Though the authors present their findings with this approach, they feel that only accounting for the impact of the loss of federal match understates the impact of the loss of state and local Medicaid support on job and income creation.</p> <p>The study uses North Carolina Medicaid program expenditure data from SFY 2003 as submitted by the North Carolina Division of Medical Assistance to the federal Centers for Medicare and Medicaid Services.</p> <p>Industry structure data from 2002 are used from the IMPLAN input-output modeling database.</p>	<p><b>High reduction</b> (-\$408,309,631 federal + state)</p> <ul style="list-style-type: none"> <li>• Employment impact: 9,700 lost jobs</li> <li>• Economic output loss: \$706,257,420</li> </ul> <p>Federal reduction only under the high scenario (-\$278,593,774)</p> <ul style="list-style-type: none"> <li>• Employment impact: 6,590 lost jobs</li> <li>• Economic output loss: \$479,846,829</li> </ul> <p><b>Low reduction</b> (-\$399,292,466 federal + state)</p> <ul style="list-style-type: none"> <li>• Employment impact: 9,500 lost jobs</li> <li>• Economic output loss: \$690,432,383</li> </ul> <p>Federal reduction only under the low scenario (-\$272,467,295)</p> <ul style="list-style-type: none"> <li>• Employment impact: 6,454 lost jobs</li> <li>• Economic output loss: \$469,094,951</li> </ul> <p>North Carolina state Medicaid expenditures of \$2.36 billion resulted in:</p> <ul style="list-style-type: none"> <li>• \$3.941 billion in federal dollars</li> <li>• 182,000 jobs (including both full time and part time positions)</li> <li>• \$6.11 billion in wages, salaries and sole proprietorship/partnership profits</li> <li>• \$1.892 billion in rents, interest and corporate dividend payments to NC citizens</li> <li>• \$2.2 billion in government tax revenues</li> </ul>
<p><b>OHIO</b> R. Greenbaum and A. Desai</p> <p><i>Uneven Burden: Economic Analysis of Medicaid Expenditure Changes in Ohio</i></p> <p>April 2003</p> <p>School of Public Policy and Management The Ohio State University</p> <p>A. Desai, Y. Kim, and R. Greenbaum</p> <p><i>Estimating Local Effects of Medicaid Expenditure Changes</i></p> <p>June 2005</p> <p>Health Policy Institute of Ohio and The Health Foundation of Greater Cincinnati</p>	<p>Researchers conducted an economic impact analysis to estimate impact of a \$491 million cut in state Medicaid expenditures at the state and country levels. Utilized Families USA report <i>Medicaid: Good Medicine for State Economies</i> for RIMS II-based multipliers. Refer to <i>Medicaid: Good Medicine for California's Economy</i> (outlined above) for methodology.</p> <p>SFY 2001 Medicaid expenditure data was provided by the Ohio Department of Job and Family Services; job and income data was provided by the Census Bureau: 2000 County Business Patterns for Ohio and Ohio Department of Development.</p> <p>The study also examined county dependence on public assistance and health care services in an effort to further quantify local impact of Medicaid reductions.</p> <p>This study is an update to the prior one – using the same methodology and applying it to a local level.</p>	<p>Ohio's FY 2001 state expenditure of \$3.6 billion for Medicaid expenditures resulted in the following:</p> <ul style="list-style-type: none"> <li>• Employment impact: 132,028 jobs</li> <li>• Income impact: \$4.1 billion</li> <li>• New business activity: \$11.5 billion</li> </ul> <p>A reduction of \$491 million in state Medicaid expenditures would result in the following:</p> <ul style="list-style-type: none"> <li>• Reduced economic activity: \$1.5 billion over a two-year period</li> <li>• Employment impact: 16,500 jobs</li> <li>• Fiscal impact: \$22 million in tax revenue (tax revenue figure includes only state income taxes and does not estimate the effect on sales and other taxes)</li> </ul> <p>The cuts proposed in state spending in the SFY2006 (\$3.26 million) and SFY2007 (\$5.98 million) budget include:</p> <ul style="list-style-type: none"> <li>• A \$3 billion reduction in economic activity over the two year period</li> <li>• 30,000 jobs lost over the two year period</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>OKLAHOMA</b> Oklahoma Health Care Authority and Oklahoma Department of Commerce</p> <p><i>Medicaid and the Economy: Estimated Economic Impact</i></p> <p>January 2001 (Revised January 2003)</p> <p>C. St. Clair and G Doeksen</p> <p><i>The Economic Impact of the Medicaid Program on Oklahoma's Economy</i></p> <p>May 2007 (updated prior version)</p> <p>Oklahoma Health Care Authority Oklahoma Medicaid Program</p>	<p>Analysis examined the economic impact of SFY 2002 expenditures and of additional incremental spending (additional \$10, \$50, \$70, \$100 and \$130 million state dollars) on the state economy. The study also examined the impact on categories of service in the health sector under each of these scenarios.</p> <p>The economic impact in terms of jobs and income was calculated based on factors utilized by the Oklahoma Department of Commerce in their economic analysis of SFY 2000 Medicaid expenditures. A federal match rate of 70.56% was used in the calculations and program expenditures under each scenario were based on the pattern of expenditures for SFY 2002. To calculate fiscal impact, an average income tax rate and consumption tax rate per dollar of income were used.</p> <p>The IMPLAN input-output model was utilized to estimate the direct, secondary, and total impacts of the Medicaid program on Oklahoma's economy.</p> <p>The economic impact is quantified as employment, income and output (total business spending) resulting from Medicaid.</p>	<p>Oklahoma's SFY 2002 state expenditure of \$722 million for Medicaid resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$1.65 billion federal match</li> <li>• Total employment supported: 90,366 jobs</li> <li>• Total income supported: \$1.98 billion</li> <li>• Total fiscal impact: \$76.5 million in state income and consumption taxes</li> </ul> <p>Oklahoma's FY 2006 state expenditures for Medicaid totaled \$1.16 billion which resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$2.13 billion in federal matching funds</li> <li>• An increase of 99,036 jobs</li> <li>• An \$2.8 billion increase in jobs</li> <li>• An increase in tax revenue of \$315 million</li> </ul>
<p><b>SOUTH CAROLINA</b> Division of Research Moore School of Business University of South Carolina</p> <p><i>Economic Impact of Medicaid on South Carolina</i></p> <p>January 2002</p>	<p>Study utilized IMPLAN to calculate employment and income changes in the economy for different industries and regions. The economic impacts of the 2001 federal Medicaid match, proposed cuts of four and 10 percent and a \$47 million increase in the federal match were estimated.</p> <p>Federal match cuts are the only direct losses considered in this analysis; assumes that the state spending cut has no net effect on the economy. 2001 Medicaid expenditure data at the state and county levels was provided by the Department of Health and Human Services.</p>	<p>South Carolina's 2001 state expenditure for Medicaid resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$2.1 billion federal matching funds</li> <li>• Support of more than 61,000 jobs</li> <li>• Generation of \$1.5 billion in income for state citizens</li> </ul>

## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>TEXAS</b> The Perryman Group</p> <p><i>Medicaid and the Children's Health Insurance Program (CHIP): An Assessment of Their Impact on Business Activity and the Consequences of Potential Funding Reductions</i></p> <p>April 2003</p>	<p>Study utilized the Texas submodel of the US Multi-Regional Impact Assessment System (USMRIAS) developed by the Perryman Group to estimate the economic impact of current Medicaid and SCHIP spending and the effects of potential spending reductions at the state level and among Texas' regions and counties.</p> <p>The study constructed current estimates of the level of direct Medicaid funding in each county and region of the state. The Texas Health and Human Services Commission and the Texas Comptroller of Public Accounts provided 1998 expenditure data per recipient on which the estimates used in the study were based. State-level budgetary data was used to determine county spending on various types of outlays (e.g., physicians, hospitals, nursing homes, etc.). Employment and payroll data by sector were compiled by the US Department of Commerce (Bureau of the Census). Federal funding was estimated based on present cost-sharing parameters.</p> <p>Given these estimates, the overall contribution of the programs to business activities can be evaluated. Survey data, industry information and other data sources are used to create a matrix describing various goods and services (inputs) required to produce one unit of output for a given sector. Once the base information is compiled, evaluations of the magnitude of successive rounds of activity involved in the overall production process can be evaluated by using the USMRIAS model.</p> <p><i>Refer to study for additional detail regarding methods.</i></p>	<p>Using current Medicaid expenditures, the composite impacts include:</p> <ul style="list-style-type: none"> <li>• \$56.174 billion in annual total expenditures</li> <li>• \$29.511 billion in annual Gross State Product</li> <li>• \$20.444 billion in annual personal income</li> <li>• \$7.694 billion in annual retail sales</li> <li>• 474,420 permanent jobs</li> <li>• \$1.458 billion in annual state revenue</li> </ul> <p>Using federal funding segment only, impacts include:</p> <ul style="list-style-type: none"> <li>• \$33.670 billion in annual total expenditures</li> <li>• \$17.689 billion in annual Gross State Product</li> <li>• \$12.254 billion in annual personal income</li> <li>• \$4.611 billion in annual retail sales</li> <li>• 284,368 permanent jobs</li> <li>• \$0.874 billion in annual state revenue</li> </ul>
<p><b>UTAH</b> J. Crispin-Little</p> <p><i>Economic Impact of MEDICAID and CHIP on the Utah Economy</i></p> <p>January 2003</p> <p>Bureau of Economic and Business Research, David Eccles School of Business, University of Utah</p>	<p>Study utilized RIMS II to estimate the economic impact of 2001 Medicaid and CHIP expenditures in terms of the federal match, employment, earnings and fiscal impacts (government revenue). Health care expenditures paid for with federal matching monies represent the initial inputs—federal matching dollars are the only initial inputs considered in this analysis.</p> <p>The economic activity estimates are based on expenditure data provided by the Utah Department of Health in its annual publication, <i>Annual Statistical Report of the Medicaid &amp; Utah Medical Assistance Program Fiscal Year 2001</i>. Medicaid expenditures are grouped into categories of service, which provide information on spending patterns, and are matched to industries within the RIMS II model. The corresponding earnings and employment multipliers were applied to the spending in each industry.</p> <p>The study assumes that all state and local taxes are directly tied to income. However, receipts from property tax may not be in direct proportion to an increase in earnings. Therefore, the fiscal estimates should be viewed as an "upper bound" estimate of the impact on state and local tax revenues. The authors note that jobs and earnings are supported, not created with federal dollars. Cuts in state funding would not result in immediate loss of jobs or earnings, however, if the cuts are severe and prolonged, job losses could occur within three to five years.</p>	<p>Utah's 2001 state expenditure of \$264.7 million for Medicaid and \$4.7 million in CHIP resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$600,364,379 Medicaid federal match; \$18,880,000 CHIP match</li> <li>• Employment impact (Medicaid): 16,818 jobs</li> <li>• Employment impact (CHIP): 560 jobs</li> <li>• Income impact (Medicaid): \$437,413,719</li> <li>• Income impact (CHIP): \$16,146,176</li> <li>• Fiscal impact (Medicaid): \$47,371,906</li> <li>• Fiscal impact (CHIP): \$1,748,631</li> </ul> <p>Every \$1,000,000 in state spending resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$2,270,000 Medicaid federal match; \$4,000,000 CHIP match</li> <li>• 64 jobs (Medicaid)</li> <li>• 120 jobs (CHIP)</li> <li>• \$1,664,576 in income (Medicaid)</li> <li>• \$3,459,900 in income (CHIP)</li> <li>• \$120,349 in tax revenue (Medicaid)</li> <li>• \$250,151 in tax revenue (CHIP)</li> </ul>



## Appendix: Overview of State Economic Impact Analyses

STATE and CITATION	METHODS	FINDINGS
<p><b>UTAH</b> J. Crispin-Little</p> <p><i>The Economic Impact of the Medicaid Home and Community-based Services Waiver Program</i></p> <p>January 2006</p> <p>Disability Community Alliance and Utah Development Disabilities Council</p>	<p>This study utilizes the RIMS II economic impact model developed by the U.S. Department of Commerce, Bureau of Economic Analysis. Because the composition of purchases specific to the program was unknown, the RIMS direct effect multipliers for employment and earnings were used to estimate the economic impacts.</p> <p>Economic activity estimates described here are based on information provided by the Division of Health Care Financing. This information includes Utah's 2005 federal matching rate (70.76%).</p>	<p>In 2006, the state expenditures for Utah Medicaid were \$8.4 million with a total of \$20.6 million flowing into the state.</p> <p>The economic impacts of the federally funded portion of the Medicaid Home and Community-Based Services Waiver program include:</p> <ul style="list-style-type: none"> <li>• An increase of 661 jobs</li> <li>• \$18.6 million increase in earnings for Utah workers</li> <li>• \$1.85 million increase in state and local tax revenue</li> </ul> <p>For every \$1 million the state commits to Medicaid, the economic impact includes:</p> <ul style="list-style-type: none"> <li>• 77 new jobs</li> <li>• \$2.2 million in earnings</li> <li>• \$216,000 in tax revenue</li> </ul>
<p><b>VIRGINIA</b> Fiscal Analytics, Ltd.</p> <p><i>The Impact of Additional Medicaid Spending in Virginia</i></p> <p>June 2003</p>	<p>The study conducts an impact analysis on Virginia's Medicaid spending including the following elements: provides a general review of the state's Medicaid program to help determine whether Virginia is providing the appropriate level of support to its health care providers, and examines the economic impact of proposed medical expenditures, including cost-shifting to the private sector due to the current level of funding for the Medicaid program. The study analyzes the impact of Medicaid spending by expenditure program and state region.</p> <p>Specifically, the impact of a \$250 million increase in Medicaid spending is calculated using both the IMPLAN and RIMS II input-output models. The authors discuss several assumptions incorporated into input-output models and limitations of economic impact modeling. The calculations of increases in jobs and business activity using the models are only a part of the larger analysis.</p>	<p>A \$250 million increase in state Medicaid spending would result in the following:</p> <ul style="list-style-type: none"> <li>• Support of 10,000 to 15,000 jobs</li> </ul> <p>RIMS II calculations (using Virginia-specific multiplier of 2.5 from <i>Medicaid; Good Medicine for State Economies, Families USA</i>):</p> <ul style="list-style-type: none"> <li>• \$250 million federal match</li> <li>• \$626 million in new business activity</li> </ul> <p>IMPLAN calculations (using multiplier of 1.7):</p> <ul style="list-style-type: none"> <li>• \$250 million federal match</li> <li>• \$426 million in new business activity</li> </ul>
<p><b>WEST VIRGINIA</b> Christiadi and T. Witt</p> <p><i>Economic Impact of Medicaid Federal-Match on the West Virginia Economy FY 2002</i></p> <p>January 2003</p> <p>Bureau of Business and Economic Research, College of Business and Economics, West Virginia University</p>	<p>Study utilized IMPLAN input-output model to estimate the impact of FY 2002 Medicaid expenditures, as well as the impact of a 10 percent cut and a five percent increase in expenditures at the state and county level. Overall state impact was also broken down by industrial sector. Only the federal match was used to estimate impact.</p> <p>IMPLAN data for the state's 55 counties and the state as a whole was used to calculate multipliers. Total Medicaid expenditures by provider type and county were provided by the state's Department of Health and Human Services. Economic impacts estimated included employment, employee compensation, business volume and "value added". Value added is defined as a measure of the value created by a business, industry or impact and corresponds to the concept of gross state product.</p>	<p>West Virginia's FY 2002 state expenditure of \$371 million for Medicaid resulted in the following:</p> <ul style="list-style-type: none"> <li>• \$1.133 billion federal match</li> <li>• Total employment impact: 32,685 jobs</li> <li>• Total income impact: \$667.3 in employee compensation</li> <li>• Total business volume impact: \$1.881.0 billion</li> <li>• Generated \$955.2 million of value added</li> </ul>



**Table 1: Federal Medical Assistance Percentages (FMAP), FY 2004 -- FY 2009, and Federal Matching Funds Provided for Each Dollar of State Medicaid Spending, FY 2009**

State	FY 2004 FMAP	FY 2005 FMAP	FY 2006 FMAP	FY 2007 FMAP	FY 2008 FMAP	FY 2009 FMAP	Federal Funds Sent to State for Each
							Dollar in State Medicaid Spending Based on FY 2009 FMAP
Alabama	73.7%	70.8%	69.5%	68.9%	67.6%	68.0%	\$2.12
Alaska	61.3%	57.6%	58.0%	58.0%	52.0%	50.5%	\$1.02
Arizona	70.2%	67.5%	67.0%	66.5%	66.2%	65.8%	\$1.92
Arkansas	77.6%	74.8%	73.8%	73.4%	72.9%	72.8%	\$2.68
California	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Colorado	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Connecticut	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Delaware	53.0%	50.4%	50.0%	50.0%	50.0%	50.0%	\$1.00
District of Columbia	73.0%	70.0%	70.0%	70.0%	70.0%	70.0%	\$2.33
Florida	61.9%	58.9%	58.9%	58.8%	56.8%	55.4%	\$1.24
Georgia	62.6%	60.4%	60.6%	62.0%	63.1%	64.5%	\$1.82
Hawaii	61.9%	58.5%	58.8%	57.6%	56.5%	55.1%	\$1.23
Idaho	73.9%	70.6%	69.9%	70.4%	69.9%	69.8%	\$2.31
Illinois	53.0%	50.0%	50.0%	50.0%	50.0%	50.3%	\$1.01
Indiana	65.3%	62.8%	63.0%	62.6%	62.7%	64.3%	\$1.80
Iowa	66.9%	63.6%	63.6%	62.0%	61.7%	62.6%	\$1.68
Kansas	63.8%	61.0%	60.4%	60.3%	59.4%	60.1%	\$1.51
Kentucky	73.0%	69.6%	69.3%	69.6%	69.8%	70.1%	\$2.35
Louisiana	74.6%	71.0%	69.8%	69.7%	72.5%	71.3%	\$2.49
Maine	69.2%	64.9%	62.9%	63.3%	63.3%	64.4%	\$1.81
Maryland	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Massachusetts	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Michigan	58.8%	56.7%	56.6%	56.0%	58.1%	60.3%	\$1.52
Minnesota	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
Mississippi	80.0%	77.1%	76.0%	75.9%	76.3%	75.8%	\$3.14
Missouri	64.4%	61.2%	61.9%	62.0%	62.4%	63.2%	\$1.72
Montana	75.9%	71.9%	70.5%	69.1%	68.5%	68.0%	\$2.13
Nebraska	62.8%	59.6%	59.7%	57.9%	58.0%	59.5%	\$1.47
Nevada	57.9%	55.9%	54.8%	54.0%	52.6%	50.0%	\$1.00
New Hampshire	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
New Jersey	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
New Mexico	77.8%	74.3%	71.2%	71.9%	71.0%	70.9%	\$2.43
New York	53.0%	50.0%	50.0%	50.0%	50.0%	50.0%	\$1.00
North Carolina	65.8%	63.6%	63.5%	65.0%	64.1%	64.6%	\$1.82
North Dakota	71.3%	67.5%	65.9%	64.7%	63.8%	63.0%	\$1.70
Ohio	62.2%	59.7%	59.9%	59.7%	60.8%	62.1%	\$1.64
Oklahoma	73.5%	70.2%	67.9%	68.1%	67.1%	65.9%	\$1.93
Oregon	63.8%	61.1%	61.6%	61.1%	60.9%	62.5%	\$1.66
Pennsylvania	57.7%	53.5%	55.1%	54.4%	54.1%	54.5%	\$1.20
Rhode Island	59.0%	55.4%	54.5%	52.4%	52.5%	52.6%	\$1.11
South Carolina	72.8%	69.9%	69.3%	69.5%	69.8%	70.1%	\$2.34
South Dakota	68.6%	66.0%	65.1%	62.9%	60.0%	62.6%	\$1.67
Tennessee	67.5%	64.8%	64.0%	63.7%	63.7%	64.3%	\$1.80
Texas	63.2%	60.9%	60.7%	60.8%	60.5%	59.4%	\$1.47
Utah	74.7%	72.1%	70.8%	70.1%	71.6%	70.7%	\$2.41
Vermont	65.4%	60.1%	58.5%	58.9%	59.0%	59.5%	\$1.47
Virginia	53.5%	50.5%	50.0%	50.0%	50.0%	50.0%	\$1.00
Washington	53.0%	50.0%	50.0%	50.1%	51.5%	50.9%	\$1.04
West Virginia	78.1%	74.7%	73.0%	72.8%	74.3%	73.7%	\$2.81
Wisconsin	61.4%	58.3%	57.7%	57.5%	57.6%	59.4%	\$1.46
Wyoming	64.3%	57.9%	54.2%	52.9%	50.0%	50.0%	\$1.00

Sources: <http://aspe.hhs.gov/search/health/fmap.htm>; Kaiser Commission on Medicaid and the Uninsured estimates based on FFY 2004 FMAPs as published at <http://aspe.hhs.gov/search/health/FMAP03-04temporaryincrease.html>.

Notes: FY 2004 rates include 2.95% temporary increase in FMAP under Tax Equity Act that expires in June 2004. FY 2005 - FY 2009 rates do not.

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This report (#7075-02) is available on the Kaiser Family Foundation's website at [www.kff.org](http://www.kff.org).



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