



Measuring the Economic Impact of State Medicaid Programs

As states face a third consecutive year of dramatic budget shortfalls, they are increasingly looking to cut fast-rising Medicaid budgets as a solution to their fiscal woes. States have cut optional services, reduce Medicaid eligibility levels, lower reimbursement rates and institute co-payments, and advocates, stakeholders, and policymakers need to take a hard look at the social and fiscal implications of these cuts. For people with mental illness who receive Medicaid services, these cuts are having dramatic implications.

In addition to being an essential safety net for people who are poor and disabled, Medicaid also contributes to state's economies. In its 2003 study, *Medicaid: Good Medicine for State Economies*,¹ Families USA gave real numbers to this issue. For every \$1 million cut from Medicaid, states lost over \$3 million in business activity, \$1.2 million in wages, and 37 jobs. Below are state specific studies that examine the impact of Medicaid and Medicaid cuts on their economies.

Alaska: *The Economic Impact of the Medicaid Program in Alaska's economy, FY 2001 (March 2002)*. As a result of the Medicaid expenditures for direct health care services in 2001, 5,158 health sector jobs were created and \$219.8 million in income was generated in the health sector.²

Arkansas: *Economic and Fiscal impact of Additional \$100 Million in State Funding for Medicaid Programs* (March 24, 2003). As a result of an additional \$100 million in state Medicaid funding, Arkansas has generated \$633 million in economic activity, created over 10,000 jobs for Arkansans and produced nearly \$306 million in income. Approximately \$4 is added to the gross state product of Arkansas' economy for every \$1 spent by state government on the Medicaid program.³

North Carolina: *The Economic Impact of Proposed Reductions of Spending in North Carolina* (April 2002). As a result of state budget cuts, North Carolina has lost 9,700 jobs and \$706,257,420.⁴

Rhode Island: *Rite Care-Right for Rhode Island, A Briefing on Rite Cares Positive Economic Impact on Rhode Island* (April 2002). In the face of an economic down turn, rising health care costs and declining revenues, the Rhode Island economy has succeed in implementing a program called Rite Care. This program has helped to reduce the number of uninsured by 30 percent since 1996, thus creating a positive effect on Rhode Island's economy.⁵

South Carolina: *Economic Impact of Medicaid on South Carolina* (Jan 2002). A 10 percent cut to the Medicaid program will lead to the loss of 6,180 jobs and \$150 million across the state.⁶

Texas: *Medicaid and the State Children's Health Insurance Program: An Assessment of their Economic Impacts and the Consequences of Potential Funding Reductions* (April 2003). For every \$1 cut in State spending on Medicaid and CHIP, state tax revenues drop by 47 cents; health insurance premiums increase by \$1.34; the Texas health care system loses \$2.81 in federal funds; Texas business activity declines by \$19.14; Texas hospitals, physicians and other health care providers provide 53 cents worth of uncompensated care; increases in the number of uninsured Texans push health care costs up by 62 cents; and retail sales plummet by \$1.77.⁷

West Virginia: *Economic Impact of Medicaid Federal- Match on the West Virginia Economy* (Jan 2003). If West Virginia cuts 10 percent federal Medicaid match funds, it will lose \$188.1 million in business volume, 3,268 jobs and \$66.7 in employee compensation.⁸

Wisconsin: *Economic Impact of Reducing Medicaid and Badger Care Expenditures* (Feb 2003). A 10 percent cut in Medicaid and Badger Care funding will have an accompanying loss of \$240 million in wages, salaries and other types of income. After this initial impact, Wisconsin would experience additional losses in jobs and income, losing a total of 9,100 jobs and \$394 million in income.⁹

If your state has conducted a similar study not listed above or if you would like more information, please contact the Advocacy Resource Center at 1-800-969-NMHA (6642) or shcrinfo@nmha.org

¹ Medicaid: Good Medicine for State Economies, Families USA publication, No. 03-107, Families USA Foundation, 2003
<http://www.familiesusa.org/site/DocServer/GoodMedicineReport.pdf?docID=275>

² Summary of Findings, 'The Economic Impact of the Medicaid Program on Alaska's Economy', FY March 2002;
<http://health.hss.state.ak.us/dhcs/PDF/economicimpact2001summary.pdf>

³ Economic and Fiscal Impact of Additional \$100 Million in State Funding for Medicaid Programs, University of Arkansas, Arkansas Businesses & Communities, Dr. Miller, Wayne; Dr. Pickett, John, March 24, 2003;
http://www.arcommunities.org/econ_dev/Economic/economicimpact/medicaid.asp

⁴ The Economic impact of Proposed Reduction in Medicaid Spending in North Carolina; Institute for Public Health, School of Public Health, University of North Carolina, Kilpatrick, Kerry; Olnick, Joshua; Lugar, Michael; Koo, Jun; Office of economic Development; Kenan Institute of Private enterprise; April 11, 2002; <http://www.healthlaw.org/pubs/2002/NC.econimpact.doc>

⁵ Rite Care: Right for Rhode Island: A Briefing Paper on Rite Care's Positive Economic Impact on Rhode Island; c. April 2002, Community Catalyst. <http://www.communitycat.org/acrobat/RiteCareFINAL5-1-02.pdf>

⁶ Economic Impact of Medicaid on South Carolina; S.C Department of Health and Human Services division of Research; Moore School of business, University of South Carolina, Jan. 2002; <http://research.moore.sc.edu/Research/studies/Medicaid/medicaideconimpact.pdf>

⁷ Medicaid and the State Children's Health Insurance Program: An Assessment of their Economic Impacts and the Consequences of Potential Funding Reductions; The Perryman Group; Waco, Texas, April 2003. <http://www.texmed.org/pmt/lel/cln/Perryman.pdf>

⁸ Economic Impact of Medicaid Federal- Match on the West Virginia Economy; Dr. Christiadi; Dr. Witt, Tom, Bureau of Business and Economic Research College of business and Economics; West Virginia University; January, 2003; c.2002, West Virginia Research Corporation. http://www.bber.wvu.edu/specialstudies/medicaid_federal_match.html

⁹ Economic Impact of Reducing Medicaid and Badger Care Expenditures; Wisconsin Council on Children & Families, Voices for Wisconsin's children, Prof. Deller Steven PhD, Madison, UW, February 11, 2003; <http://www.wccf.org/pdf/econimpact.pdf>