

# Medicaid: Someone You Know Needs it

July 2003

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## The Impact of Medicaid Spending on the Economies of Pierce and Thurston Counties

### Executive summary

This report provides an overview of the important contributions Medicaid makes to the economies of, and quality of life in, Pierce and Thurston counties. Medicaid spending makes up 21 percent of the healthcare economy in Pierce County, and 13 percent in Thurston County, providing services to 19 percent of Pierce County residents, and 16 percent of Thurston County residents, over the course of a year. Medicaid spending directly purchases goods and services, and supports healthcare industry jobs. And these direct healthcare purchases trigger further cycles of earning and purchases that ripple throughout the economy, affecting individuals and businesses not directly associated with healthcare, and generating jobs, income, and economic activity.

This economic impact analysis found that Medical Assistance Administration (MAA) spending alone — approximately 60 percent of the total Medicaid budget — results in \$488 million dollars in total business activity for Pierce County, and \$97 million for Thurston County. It also generates an additional \$301 million in income, and 6,038 jobs for Pierce County residents, and \$53 million in income, and 1,124 jobs for Thurston County residents. State MAA expenditures in these counties result in total county expenditures approximately three times the size of the original investment because every state dollar is matched by approximately one federal dollar, and because this spending stimulates additional economic activity. Medicaid is clearly a good investment and an important source of economic activity.

Right now, Washington state has the opportunity to keep Medicaid strong. The Medicaid program is jointly funded by state and federal governments. On April 1, 2003, the federal government temporarily increased the federal matching rate for Medicaid. The increased rate will last through June 30, 2004. Washington only needs to keep spending the same amount of state dollars on the Medicaid program, and this state spending will draw in about \$200 million in increased federal funding that will help stimulate the economies of Pierce and Thurston counties, and the state of Washington.

### Medicaid matters for the economy

*Medicaid supports the economies of Pierce and Thurston counties on many levels*

The direct benefits of Medicaid are the most obvious: in paying for health-

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care services for Medicaid recipients in these counties, Medicaid spending directly purchases goods and services, and supports healthcare industry jobs.

State spending on the Medicaid program is matched by federal funds; in Washington state every dollar invested brings in a dollar of federal funding. This federal matching means that state Medicaid spending has a greater economic impact than other state spending. State Medicaid spending brings in these federal funds that help support county goods, services and jobs, in addition to providing crucial healthcare.

**Direct Medicaid spending for Pierce and Thurston counties, 2002<sup>1</sup>**

County	Medicaid spending (includes federal match), 2002	Medicaid spending as a percent of total healthcare economy
Pierce	\$551 million	21%
Thurston	\$125 million	13%

*Medicaid spending is a sizable percentage of the healthcare economies in Pierce and Thurston counties*

Between April 1, 2003, and June 30, 2004, the federal government has increased the federal matching rate for Medicaid — officially known as the Federal Medical Assistance Percentage (FMAP). Washington will draw in about \$200 million of increased federal funding simply by maintaining current state spending on Medicaid. This money will stimulate the economies of Pierce and Thurston counties, and the state of Washington.<sup>2</sup>

The Medicaid program covers a wide range of crucial healthcare services, distributed throughout the Department of Social and Health Services budget. The Medical Assistance Administration (MAA)

**Eddie Cates — Olympia, WA**  
Physician, Seamar Community Health Clinic

I am one of four physicians at the SeaMar Community Health Clinic, a non-profit clinic, in Olympia, Washington. We provide both inpatient and outpatient primary care. About 30 percent of our patients are on fee-for-service Medicaid and 40 percent are enrolled in the Medicaid managed care program, Healthy Options, through the Community Health Plan of Washington.

Already in Olympia there are few providers who accept Medicaid patients - only 30 percent of physicians in the area do. If reimbursements are cut any further, more physicians will stop accepting Medicaid patients. And if patients have nowhere else to go, this would increase the number of patients we receive at our clinic and would put a strain on the clinic financially. We depend heavily on Medicaid and Community Health dollars, but we would not stop seeing patients because it is our mission to see everybody.

This also creates a large problem with accessing specialty care. Thurston County has very few specialists who accept Medicaid referrals, therefore our clinic is sending referrals to Pierce and King County. This is a hardship for patients with transportation barriers so people end up refusing a referral.

includes a large portion of the Medicaid program — approximately 60 percent — and was used as the basis for this analysis because total MAA spending data was available on the county level.

Hospital, physician, and drug spending account for about three quarters of the total MAA budget.<sup>3</sup> These important services provide county-level crucial economic stimulus. MAA spending alone has an enormous economic impact on Pierce and Thurston counties, accounts for a large portion of their healthcare economies, and directly supports a substantial number of jobs.

#### **Direct MAA spending for Pierce and Thurston counties, 2002<sup>4</sup>**

<b>County</b>	<b>MAA spending, (includes federal match), 2002</b>	<b>MAA spending as a percent of total healthcare economy</b>
Pierce	\$331 million	13%
Thurston	\$75 million	8%

#### **Number of jobs directly supported by MAA spending<sup>5</sup>**

Pierce	3,835
Thurston	784



#### **Ovidio Penalver — Puyallup, WA** Physician, Ida Karlin Healing Center for Children and Youth

I'm a physician at the Ida Karlin Healing Center for Children and Youth in Puyallup, Washington. This is an outpatient pediatric clinic where the staff consists of a nurse practitioner and me. The clinic serves approximately 8,000 patients a year. About 50 to 75 percent of the clinic's patients are covered by Healthy Options, CHIP, or other DSHS coverage.

If the state cuts Medicaid again our clinic won't be able to survive. And we'd rather close than just take privately insured kids and turn away state-insured kids. If we closed, people probably wouldn't have anywhere to go because other pediatricians couldn't take the overflow. The only other place would be the Sumner clinic, but with cuts they would face the same problem and so the only option would be the emergency room.

There are a lot of costs involved in running a clinic. I have to pay rent and purchase supplies to keep the clinic open. And of course there are staff salaries — this includes medical and administrative staff, in addition to people to clean the office at night and work in the yard surrounding the office. These people all depend on the clinic for their livelihood. If you reduce doctor's fees, you reduce many people's livelihoods.

Cuts to Medicaid hurt both the people who rely on our clinic for care, and those who rely on our clinic for their livelihood.

## Economy-wide impacts of Medicaid in Pierce and Thurston counties

In addition to the direct benefits Medicaid spending provides to the community, Medicaid spending provides further economic benefits as well. Direct healthcare purchases trigger further rounds of wages and purchases that spread throughout the economies of Pierce and Thurston counties, affecting individuals and businesses not directly associated with healthcare.

Here is an example:

A hospital supported by Medicaid payments *directly* employs county residents and purchases goods from businesses in order to operate. A hospital's purchase of medical supplies helps support businesses that produce medical supplies, businesses that transport the supplies, and other businesses that provide raw materials for the supplies. Economists call these effects on other industries *indirect* impacts. Employees of all of these businesses use part of their salaries to purchase further local goods and services — they may spend part of their salaries on appliances, enabling appliance store employees to spend additional money on groceries, and on and on. Economists call these impacts of wages *induced* impacts. As a result of Medicaid spending, cycles of economic activity ripple throughout the economies of Pierce and Thurston counties.<sup>6</sup>

This report estimates the economy-wide impact of MAA spending on Pierce and Thurston counties — the sum of the direct, indirect, and induced economic impacts of MAA spending.

MAA accounts for approximately 60 percent of the total Medicaid budget. Major types of Medicaid funded services not included in MAA spending are: nursing homes, state mental hospitals, community mental-health services, home- and community-based services for seniors and the disabled, and services for people with developmental disabilities.<sup>7</sup> The total impact of Medicaid spending is therefore even larger than the impacts discussed below.

### Economy-wide impact of MAA spending in Pierce and Thurston counties<sup>8</sup>

County	Direct state MAA spending	Total direct MAA spending (includes federal match)	Economy-wide impact of MAA spending <i>Sum of direct, indirect, and induced impacts</i>		
			Total business activity	Total jobs	Total income
Pierce	\$155 million	\$310 million	\$488 million	6,038	\$301 million
Thurston	\$35 million	\$70 million	\$97 million	1,124	\$53 million

The above table shows the ripple effect MAA spending has throughout the economies of Pierce and Thurston counties. State spending on MAA in Pierce and Thurston counties results in total business activity approximately three times larger than the state's original investment given that state dollars are matched, and because the initial spending stimulates additional economic activity. MAA has a dramatic impact on the economies of Pierce and Thurston counties, supporting numerous jobs for residents, and substantial income for area businesses and residents as well. Medicaid is clearly a good investment and an important source of economic activity.

The jobs produced by MAA spending and resulting ripple effects are particularly important because many of these jobs are in the healthcare sector, and healthcare industry jobs tend to be higher-paying jobs, generally providing higher than average annual wages.<sup>9</sup> And healthcare jobs make up a crucial percentage of total jobs in Pierce and Thurston counties.

#### **County healthcare jobs as a percent of total jobs<sup>10</sup>**

Pierce	9%
Thurston	8%

## **Medicaid provides vital access to healthcare in Pierce and Thurston counties**

Medicaid also provides crucial healthcare to county residents, dramatically improving people's lives and the quality of life for all county residents.

A sizable portion of the residents of Pierce and Thurston counties depend on Medicaid for their healthcare needs.

#### **Percent of county residents enrolled in Medicaid<sup>11</sup>**

County	Number of people enrolled in Medicaid, monthly average, 2002	Percent of county residents enrolled in Medicaid, monthly average, 2002	Percent of county residents enrolled in Medicaid at some point during the year, 2001
Pierce	108,187	15%	19%
Thurston	28,227	13%	16%



### **Veronica Langley — Tacoma, WA** Medicaid recipient

**I**n August of 1992, I fell 30 feet from a platform and sustained a severe head injury. Immediately after the fall, I began experiencing severe migraines and double vision. Within two years, I was also having seizures. In the nine years since the accident, I have not had one migraine-free day. I am currently on large doses of anti-seizure medication as well as a myriad of prophylactic medications for the migraines. But, in spite of the medication, I have headaches so severe that I lose my speech and vision several times a week.

Medicaid pays for my medication which costs approximately \$1,200 a month. If a co-pay for Medicaid prescriptions were put into place, it would literally be a death sentence for me. It is depressing to contemplate the ramifications of proposed Medicaid cuts. It would be life-threatening for me and an enormous number of people in the same situation.

## Conclusion

Medicaid makes up a vital portion of the economies of Pierce and Thurston counties. MAA spending alone provides much important economic activity for the county. Keeping Medicaid strong is crucial to keeping the economies of, and quality of life in, Pierce and Thurston counties strong.

Right now, Washington has the opportunity to keep Medicaid strong. As of April 1, 2003, the federal government has increased the federal matching rate for Medicaid — officially known as the Federal Medical Assistance Percentage (FMAP). The increased rate will last through June 30, 2004.

Washington only needs to keep spending the same amount of state dollars on the Medicaid program, and this state spending will draw in about \$200 million in increased federal funding.<sup>12</sup> By drawing down these federal funds, and making sure all eligible people are enrolled in Medicaid, Washington state will bring in important spending that will help stimulate the economies of Pierce and Thurston counties, and the state of Washington.

Medicaid makes a difference for Pierce and Thurston counties. Reducing Medicaid spending will harm not only recipients, but the economy as well. Keeping Medicaid strong keeps our economy strong.

## Endnotes

- 1 Medical Assistance Administration spending is much more readily available on the county level than total Medicaid spending which is distributed throughout the budget. Therefore MAA spending was used to estimate total Medicaid spending. MAA spending for 2001 is available at: [www1.dshs.wa.gov/rda/research/2001/county/default.shtm](http://www1.dshs.wa.gov/rda/research/2001/county/default.shtm). These numbers were adjusted by the state increase in MAA spending between 2001 and 2002 (13.6%) to estimate 2002 spending. Total Medicaid spending by county was estimated based on the fact that MAA spending is approximately 60% of the total state Medicaid budget (source: Senate Ways and Means Committee Staff, "An Overview of Medical Assistance Caseloads, Services, and Cost Control Strategies," February 5, 2003.). Total Medicaid spending as a percent of the total health-care economy is a ratio of total Medicaid spending for 2002, adjusted back to 2000 levels to correspond with the most recently available IMPLAN data, over the IMPLAN 2000 total health expenditures for the county. For information on IMPLAN, see [www.IMPLAN.com](http://www.IMPLAN.com).
- 2 Leighton Ku, "State Fiscal Relief Provides an Opportunity to Safeguard Medicaid Budgets," Center on Budget and Policy Priorities, June 4, 2003; Federal Funds Information for States (FFIS), "Some Questions and Answers on Fiscal Relief," Issue Brief 03-28, May 30, 2003.
- 3 Senate Ways and Means Committee Staff, "An Overview of Medical Assistance Caseloads, Services, and Cost Control Strategies," February 5, 2003.
- 4 Medical Assistance Administration spending for 2001 is available at: [www1.dshs.wa.gov/rda/research/2001/county/default.shtm](http://www1.dshs.wa.gov/rda/research/2001/county/default.shtm). These numbers were adjusted by the state increase in MAA spending between 2001 and 2002 (13.6%) to estimate 2002 spending. MAA spending as a percent of the total health-care economy is a ratio of MAA spending for 2002, adjusted back to 2000 levels to correspond with the most recently available IMPLAN data, over the IMPLAN 2000 total health expenditures for the county.
- 5 Economic impact analysis performed by David Holland, Professor, Department of Agricultural and Resource Economics at Washington State University, using IMPLAN.
- 6 For further discussion and examples of economic impact analyses, see: Gerald A. Doeksen and Cheryl St. Clair, "Economic Impact of the Medicaid Program on Alaska's Economy," Oklahoma State University, March 2002. <http://www.hss.state.ak.us/dhcs/PDF/economicimpact2001.pdf>; Kerry E. Kilpatrick et al. "The Economic Impact of Proposed Reductions in Medicaid Spending in North Carolina," School of Public Health, University of North Carolina, April 2002. <http://www.healthlaw.org/pubs/2002.NC.econimpact.doc>; "Economic Impact of Medicaid in South Carolina," Division of Research, Moore School of Business, University of South Carolina, January 2002. <http://research.moore.sc.edu/Research/studies/Medicaid/medicaideconimpact.pdf>; Robert Greenbaum and Anand Desai, "Uneven Burden: Economic Analysis of Medicaid Expenditure Changes in Ohio," School of Public Policy and Management, the Ohio State University, April 2003. <http://ppm.ohio-state.edu/ppm/ohiomedicaidcuts03.pdf>.
- 7 Tim Yowell, Health Care Analyst, Senate Ways and Means Committee Staff, personal communication, July, 2003.
- 8 All data in the table are in dollar figures from the year 2000, the most recent year the IMPLAN database is available for. 2000 MAA spending calculated from data available at: [www1.dshs.wa.gov/rda/research/2001/county/default.shtm](http://www1.dshs.wa.gov/rda/research/2001/county/default.shtm), adjusted to 2002 spending levels, and deflated to 2000 dollar figures using the IMPLAN medical sector deflator. State MAA spending assumes 50% federal match. The economy-wide impacts are a sum of the direct, indirect, and induced economic impacts of MAA spending, based on economic impact analysis performed by David Holland, Professor, Department of Agricultural and Resource Economics at Washington State University, using IMPLAN. The input-output analysis was conducted with a Type SAM model treating households as endogenous. Total business activity refers to total industry sales. To provide an idea of what industries this includes, the Standard Industrial Classification (SIC) divisions that cover the entire economy follow: Agriculture, Forestry, Fishing; Mining; Construction; Manufacturing; Transportation, Communication, Electric, Gas, and Sanitary Services; Wholesale Trade; Retail Trade; Finance, Insurance, Real Estate; Services; Public Administration; Nonclassifiable Establishments. Total income includes both labor and capital income — discussed here as wages and profits.
- 9 See for example: Steve Seninger, "Economic Impact of Medicaid on Montana and on the Billings, Butte, and Miles City Healthcare Market Areas," University of Montana, January 2003.
- 10 IMPLAN database, [www.IMPLAN.com](http://www.IMPLAN.com).
- 11 Service use rates are available at: [www1.dshs.wa.gov/rda/research/2001/county/default.shtm](http://www1.dshs.wa.gov/rda/research/2001/county/default.shtm). Medicaid eligibility from "MAA Accounts of Title XIX Medicaid Eligibles by County and Age Group," Department of Social and Health Services, medical assistance administration, October, 2002. Population counts used for calculation of percent enrolled are from the Office of Financial Management, available at: <http://www.ofm.wa.gov/pop/index.htm>.
- 12 Leighton Ku, "State Fiscal Relief Provides an Opportunity to Safeguard Medicaid Budgets," Center on Budget and Policy Priorities, June 4, 2003; Federal Funds Information for States (FFIS), "Some Questions and Answers on Fiscal Relief," Issue Brief 03-28, May 30, 2003.

## Acknowledgments

We would like to thank the following for their contributions to this report:

David Holland, Professor, Department of Agricultural and Resource Economics at Washington State University performed the economic impact analysis.

Mark Gardner of the Health Policy Analysis Program at the University of Washington helped collect data.

Tom Vasquez, Brett Houghton, Adrienne Easter, Kyle Tanner, and Ania Beszterda of Washington Citizen Action, and Jill Reese of the Northwest Federation of Community Organizations collected stories.

## About the organizations releasing this report



Northwest Federation of Community Organizations (NWFCO) is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon.



Washington Citizen Action (WCA) is a social and economic justice organization with over 50,000 individual members statewide. In addition to its dynamic grassroots membership, WCA also includes permanent coalition partners from other community organizations, labor, senior, religious, and people of color organizations. WCA has both a legislative and non-legislative issue agenda that focuses on increasing access to health care and living wage jobs.

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