

Medicaid: Someone You Know Needs it

July 2003

By Dana Warn

Economic impact
analysis performed by
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**Washington
Citizen
Action**

Washington Citizen Action (WCA)



Northwest Federation of
Community Organizations (NWFCO)

The Impact of Medicaid Spending on Spokane County's Economy

Executive summary

This report provides an overview of the important contributions Medicaid makes to the economy of and quality of life in Spokane County. Medicaid spending makes up 19 percent of the healthcare economy in Spokane County, providing services to 22 percent of county residents over the course of a year. Medicaid spending directly purchases goods and services, and supports healthcare industry jobs for Spokane County. And these direct healthcare purchases trigger further cycles of earning and purchases that ripple throughout the economy of Spokane County, 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 \$350 million dollars in total business activity for Spokane County, in addition to generating \$216 million in income, and 4,760 jobs for county residents. State MAA expenditures in Spokane County 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 for Spokane County.

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 economy of Spokane County, and the state of Washington.

Medicaid matters for the economy in Spokane County

*Medicaid supports the economy of Spokane County on
many levels*

The direct benefits of Medicaid are the most obvious: in paying for healthcare services for Medicaid recipients in Spokane County, Medicaid spending directly purchases goods and services, and supports healthcare industry jobs for Spokane County.

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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 in Spokane County brings in these federal funds that help support Spokane County’s goods, services and jobs, in addition to providing crucial healthcare.

Direct Medicaid Spending for Spokane County, 2002¹

Medicaid spending (includes federal match), 2002	Medicaid spending as a percent of total healthcare economy
\$386 million	19%

Medicaid spending is a sizable percentage of the healthcare economy in Spokane County

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 economy of Spokane County, and the state of Washington.²

Pamela Martin — Spokane, WA
Home Health Care Worker

I have been a home health care worker in Washington for nearly 8 years. Up until 2 years ago I worked full time with a woman on Medicaid, and now I work part time with her. She has diabetes, a cracked pelvis, back problems, and requires oxygen for her extreme asthma. She needs me to clean up the house, make trips to the store for food and prescriptions, assist with showers, ensure she gets her medicine, and to simply be there for the tasks that have to get done so she can make it from day to day. Not only did she rely on Medicaid for her critical health care needs, but I relied on it for my paycheck so I could support myself and my children.

Even though I worked full time, I didn’t have any health benefits. I got injured on the job 2 years ago and, as a result of my lack of health insurance, was unable to get the medical care I needed. I was forced out of work and at the time I didn’t qualify for workers’ compensation or Medicaid. Several months ago my house was foreclosed on, and I found myself homeless. In order to make it through this difficult time, I have continued to work the most I can, which is only 31 hours a month. Without this work, I would have no money. Any cuts to Medicaid could mean that I would be completely out of a job, and I don’t know how I would buy food or pay my bills.

I’ve already seen the impacts of Medicaid cuts on the life of my patient. She can’t get the inhaler she needs, her oxygen supply has been reduced, and she can’t get the proper medication for her to deal with the pain of her cracked pelvis. It’s scary for her and me to know that she may not have all of the medical supplies she needs to ensure that she’s not in pain and that she can breathe.

Medicaid is not only vital to the people who depend on it for their health care, it is also critical to the home health care providers who are paid by the program. Medicaid makes a difference in my life.

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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) 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.³ These important services provide crucial economic stimulus for Spokane County. MAA spending alone has an enormous economic impact on Spokane County, accounts for a large portion of the county’s healthcare economy, and directly supports a substantial number of jobs.

Direct MAA spending for Spokane County, 2002⁴

MAA spending, (includes federal match), 2002	MAA spending as a percent of total healthcare economy
\$231 million	12%

Number of jobs directly supported by MAA spending⁵

2,995



Tom Martin — Davenport, WA
CEO, Lincoln Hospital

I am the CEO of Lincoln Hospital in Davenport, Washington. Lincoln Hospital is comprised of a 24 bed critical access hospital and 68 bed long-term care facility. We are a public hospital district owned by the people of the county. This means that we provide services to everyone based on need and not their payer status. We accept all Medicaid-eligible and indigent clients seeking services. In fact, the population of the long-term care facility operated by Lincoln Hospital is 74 percent Medicaid-eligible. There is only one other long-term care facility operat-

ing in Lincoln County, and any cuts to the Medicaid program would severely impact our ability to provide long-term care and keep the most modern medical treatments available to our citizens.

The real tragedy is that Medicaid cuts could result in the district having to close nursing home beds. And this would create a situation in which people who spent their lives building Lincoln County and now rely on our long-term care facility for support are forced to go outside the community for those services. This relocation makes it more difficult for family and friends to visit and could diminish their quality of life in ways you just can't put a price on.

We are committed to providing the people of this community the best healthcare and the broadest range of services Lincoln Hospital can afford. When funding cuts hit, they affect the viability of all our programs: hospital, nursing home, emergency services, medical clinics, and assisted living. These program dollars are not easily replaced, and the loss will seriously jeopardize the health of our rural community.

Economy-wide impacts of Medicaid in Spokane County

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 economy of Spokane County, 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 economy of Spokane County.⁶

This report estimates the economy-wide impact of MAA spending on Spokane County — 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.⁷ The total impact of Medicaid spending on Spokane County is therefore even larger than the impacts discussed below.



Mike Wilson — Spokane, WA

President and Chief Operating Officer of Sacred Heart Medical Center and Chair of the Washington State Hospital Association

I am the President and Chief Operating Officer of Sacred Heart Medical Center in Spokane, and I am also the Chair of the Washington State Hospital Association. In 2002, Medicaid contributed \$30.5 million to Sacred Heart in reimbursements, and Basic Health contributed another \$5.2 million.

We see a growing disparity in health care reimbursement to hospitals and to physicians who care for Medicaid and state-supported patients. The state's costs for health care are significant, and many state policy makers want to reduce those costs. However, the level of care necessary for low-income patients remains the same - the state simply shifts its costs to the hospital.

When the state cuts Medicaid funding, it affects everyone, not just the people whose care is directly paid for by the state. For example, the state's participation in the trauma system makes the entire system stronger, helping anyone suffering traumatic illness or injury in our state.

It is our community responsibility to provide care to those who arrive at our door, no matter how serious their illnesses or injuries and no matter whether they can pay for their care. Along with that duty comes the need to be adequately paid for our services.

Economy-wide impact of MAA spending in Spokane County⁸

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
\$108 million	\$217 million	\$350 million	4,760	\$216 million

The above table shows the ripple effect MAA spending has throughout the economy of Spokane County. State spending on MAA in Spokane County 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 economy of Spokane County, 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 for Spokane County.

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.⁹ And healthcare jobs make up a crucial percentage of total jobs in Spokane County.

Spokane County healthcare jobs as a percent of total jobs¹⁰

10%

Medicaid provides vital access to healthcare in Spokane County

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 Spokane County depend on Medicaid for their healthcare needs.

Percent of Spokane County residents enrolled in Medicaid¹¹

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
78,387	18%	22%

Conclusion

Medicaid makes up a vital portion of the economy of Spokane County. MAA spending alone provides much important economic activity for the county. Keeping Medicaid strong is crucial to keeping the economy of, and quality of life in, Spokane County 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.¹² 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 economy of Spokane County, and the state of Washington.

Medicaid makes a difference in the economy and quality of life for Spokane County. 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. 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.
- 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. 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, 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.
- 11 Service use rates are available at: 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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