

# Medicaid: Someone You Know Needs it

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## The Impact of Medicaid Spending on Snohomish 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 Snohomish County. Medicaid spending makes up 22 percent of the healthcare economy in Snohomish County, providing services to 14 percent of county residents over the course of a year. Medicaid spending directly purchases goods and services, and supports healthcare industry jobs for Snohomish County. And these direct healthcare purchases trigger further cycles of earning and purchases that ripple throughout the economy of Snohomish 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 \$255 million dollars in total business activity for Snohomish County, in addition to generating \$155 million in income, and 3,186 jobs for county residents. State MAA expenditures in Snohomish 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 Snohomish 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 Snohomish County, and the state of Washington.

### Medicaid matters for the economy in Snohomish County

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

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

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healthcare services for Medicaid recipients in Snohomish County, Medicaid spending directly purchases goods and services, and supports healthcare industry jobs for Snohomish County.

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

#### **Direct Medicaid Spending for Snohomish County, 2002<sup>1</sup>**

<b>Medicaid spending (includes federal match), 2002</b>	<b>Medicaid spending as a percent of total healthcare economy</b>
\$312 million	22%

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

Between April 1, 2003, and June 30, 2004, the federal government has increased the federal



**W. Clark Jones — Arlington, WA**  
Administrator, Cascade Valley Hospital and Clinics

Cascade Valley Hospital and Clinics (CVHC) is a community-based health-care organization with a rich history of caring for the health of our neighbors for over 90 years. In 2001, Cascade Valley's eight clinics saw 72,000 patients, and 40,000 came to Cascade Valley Hospital for emergency, diagnostic, or other care.

Our physician and service referral line receives many calls from Medicaid patients who have spent hours on the phone searching for a clinic that can accept their medical coupons. We are one of only a handful of area providers who accept Medicaid coupons, and we are finding it necessary to only provide service to Medicaid patients who live within our service area.

Our emergency department usage has increased 13 percent in the last two years. Every time a local clinic closes its doors to Medicaid patients, our emergency department and two walk-in clinics see an increase in patient visits.

We treat many of these patients under our charity care program, but not everyone qualifies for charity care. We have to write off quite a bit of care as bad debt. The \$2 million of unpaid care we provided last year has had a huge impact on our budget.

Any cuts in the Medicaid program or benefits will result in a surge in the number of patients coming through our emergency department doors. Add to that the elimination of the Medically Indigent program, a crucial program that pays the costs for those least able to afford medical care. Losing or cutting these programs will significantly increase our cost of providing quality care to our communities.

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 Snohomish County, 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) 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 crucial economic stimulus for Snohomish County. MAA spending alone has an enormous economic impact on Snohomish County, accounts for a large portion of the county's healthcare economy, and directly supports a substantial number of jobs.

#### **Direct MAA spending for Snohomish County, 2002<sup>4</sup>**

<b>MAA spending, (includes federal match), 2002</b>	<b>MAA spending as a percent of total healthcare economy</b>
\$187 million	13%

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

2,243
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## **Economy-wide impacts of Medicaid in Snohomish 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 Snohomish 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 Snohomish County.<sup>6</sup>

This report estimates the economy-wide impact of MAA spending on Snohomish 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.<sup>7</sup> The total impact of Medicaid spending on Snohomish County is therefore even larger than the impacts discussed below.

#### **Economy-wide impact of MAA spending in Snohomish County<sup>8</sup>**

<b>Direct state MAA spending</b>	<b>Total direct MAA spending (includes federal match)</b>	<b>Economy-wide impact of MAA spending</b> <i>Sum of direct, indirect, and induced impacts</i>		
		<b>Total business activity</b>	<b>Total jobs</b>	<b>Total income</b>
\$88 million	\$176 million	\$255 million	3,186	\$155 million

The above table shows the ripple effect MAA spending has throughout the economy of Snohomish County. State spending on MAA in Snohomish 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 Snohomish 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 Snohomish 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.<sup>9</sup> And healthcare jobs make up a crucial percentage of total jobs in Snohomish County.

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

6%

## Medicaid provides vital access to healthcare in Snohomish 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 Snohomish County depend on Medicaid for their healthcare needs.

### Percent of Snohomish County residents enrolled in Medicaid<sup>11</sup>

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
72,263	12%	14%



#### Ellen Dewey — Lynnwood, WA Medicaid recipient

**F**or years, I worked as a special education teacher in the Edmonds school district and I loved my work. My mother also worked in special education. However, around 1995, I started feeling overwhelmed between the stress of my job and taking care of my mother. I was coming into my classroom in tears. I was eventually diagnosed with recurrent major depression, and had to stop teaching.

I receive both Medicare and Medicaid right now because of my disability. I have several other health problems including rheumatoid arthritis and high blood pressure. Of course, when I was working, I had health insurance to pay for my healthcare. Now, I need both Medicare and Medicaid to stay healthy.

The first year, my lifeline was Medicaid. I was hospitalized four times that first year, and was in outpatient programs several times. I don't know how I would have been able to receive that treatment without Medicaid.

I've tried going back to the classroom. I volunteered with a class several times, but I just can't deal with the stress of a group of kids. So I've been volunteering to tutor kids in reading and math. I'm helping four kids right now. It helps me feel like I'm using my experience and education, and that I'm still contributing. I wish I could do more.

My mother is 72 and lives in senior housing. She has pneumonia that doesn't seem to want to quit, and so I check in on her medicine and her breathing every day, and cook and clean while I'm there. I help her keep her finances in order.

I can't imagine what my life would be like without Medicaid. I am able to get my prescriptions, which cost over \$1,000 a month, through Medicaid. Without my medications, I wouldn't be able to move because of the arthritis, or function because of my depression. I would go from stable to suicidal in a matter of days. I am living on my own now, and I couldn't do that if I hadn't gotten the depression under control. And my mother says I do too much, but I know she relies on my help. So really, Medicaid is keeping both of us alive.

## Conclusion

Medicaid makes up a vital portion of the economy of Snohomish 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, Snohomish 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.<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 economy of Snohomish County, and the state of Washington.

Medicaid makes a difference in the economy and quality of life for Snohomish 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](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.

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## 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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