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MEDICAID MATTERS *for* **IDAHO'S COUNTY ECONOMIES**

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Medicaid Matters for Idaho's County Economies

EXECUTIVE SUMMARY

This report provides an overview of the contributions Medicaid makes to the economy and the quality of life in Idaho. Medicaid spending supports health care industry jobs in Idaho's counties and directly purchases goods and services. These direct health care purchases trigger further cycles of earning and purchases that ripple throughout the economy, affecting individuals and businesses not directly associated with health care, and generating jobs, income, and economic activity.

This analysis measures the economy-wide business activity, jobs, and income produced by Medicaid spending. Medicaid spending results in total county expenditures approximately five times the size of the original investment — because every state dollar is matched by more than two federal dollars, and because this spending stimulates additional economic activity. 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 also provides vital health coverage for low-income families, the elderly, and people with disabilities. People who are on Medicaid are unlikely to be able to access health insurance on their own. If people are pushed off of the Medicaid program, either through premiums and co-pays, benefit cuts, or enrollment reductions, their health will suffer and they will likely rely on county indigency funds and county hospitals for their emergency health care needs. Medicaid changes that lead to reduced enrollment will have a ripple effect on the health of the workforce and on county budgets.

The economic impact of the Children's Health Insurance Program (CHIP) is not included in this analysis, but because it receives an even higher federal match than Medicaid, the relative economic impact of CHIP is likely larger than that of the Medicaid program. Medicaid and CHIP are clearly good investments and an important source of economic activity for Idaho.

MEDICAID MATTERS TO THE ECONOMY

Medicaid supports county economies on many levels. The direct benefits of Medicaid are the most obvious: in paying for health care services for Medicaid recipients, Medicaid spending directly purchases goods and services and supports health care industry jobs.

State spending on the Medicaid program is matched by federal funds; in the state of Idaho, every \$10 invested brings in \$24.44 in federal funding. Because of this federal match, state Medicaid spending is a particularly important funding source that both supports county economies and provides crucial health care.

Medicaid spending provides economic benefits to counties beyond direct spending alone. Direct health care purchases trigger further rounds of wages and purchases that spread throughout the economy, affecting individuals and businesses not directly associated with health care. For 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. For example, 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.¹

This report estimates the economy-wide impact of Medicaid spending on Idaho's counties — the sum of the direct, indirect, and induced economic impacts of Medicaid spending. The following tables show the ripple effect Medicaid spending has throughout the economy of each of Idaho's counties.² State spending on Medicaid results in total business activity that far exceeds the state's original investment because state dollars are matched and initial spending stimulates additional economic activity. Although this economic impact analysis does not include CHIP, CHIP has a higher federal match than the Medicaid program, and likely has a similar economic impact.

Sabrina Swope, LMSW
CEO/President
Affinity, Inc.
Boise, ID

Since 2000, Affinity Inc. has offered a range of mental health services. We provide psychiatric evaluations and pharmacological medication management as well as individual, family, and group psychotherapy. Affinity offers home and community based services for chronically and persistently mentally ill adults and children. We also provide developmental therapy and ancillary services for people with developmental disabilities, intensive behavioral intervention services for children with severe maladaptive behavior, and vocational rehabilitation services.

Ninety-seven percent of the population we serve is on Medicaid, of which 50 percent are children and 50 percent are adults.

If new premiums were put in place in the Medicaid program for low-income children and their families, Affinity clients would more than likely decrease their use of Medicaid services and become less stable. I would see them utilizing higher cost medical services such as emergency rooms and psychiatric hospitalizations.

In addition, since Affinity's primary funding source is related to the provision of Medicaid services, with reductions in Medicaid enrollment Affinity would be forced to downsize dramatically and possibly would become nonexistent. This is because the margin between what Medicaid reimburses and what employees require to support their own families is slim. Simply closing the doors would be a definite alternative as the provision of services seems to be increasingly more difficult year after year.

Affinity employs nearly 100 people and provides full medical dental and vision benefits, a 401(k) plan, and paid sick and vacation days. These are good jobs, varying from entry level to Masters level clinical personnel to doctors and nurse practitioners. With enrollment reductions, Affinity would find itself responsible for displacing many individuals and families, which would put additional strain on our economy and our state resources.

If staffing cutbacks were required where would these people go to work and support their families? Before thinning down eligibility, decision makers should look for other ways to improve the program's administration and potentially save costs.

**DIRECT MEDICAID EXPENDITURES BY
COUNTY INCLUDING STATE AND FEDERAL
DOLLARS, STATE FISCAL YEAR 2005³**

COUNTY	DIRECT EXPENDITURES 2005
Ada	\$238,754,921
Adams	\$140,924
Bannock	\$76,933,78
BearLake	\$2,589,763
Benewah	\$11,345,154
Bingham	\$27,843,158
Blaine	\$2,789,742
Boise	\$619,710
Bonner	\$20,882,382
Bonneville	\$108,527,619
Boundary	\$5,370,769
Butte	\$2,176,587
Canyon	\$126,437,238
Caribou	\$3,010,263
Cassia	\$17,622,101
Clearwater	\$5,930,603
Custer	\$1,223,785
Elmore	\$7,358,572
Franklin	\$4,292,556
Fremont	\$6,056,103
Gem	\$8,310,419
Gooding	\$8,671,565
Idaho	\$8,355,755
Jefferson	\$6,299,527
Jerome	\$9,073,881
Kootenai	\$84,905,231
Latah	\$14,207,847
Lemhi	\$5,080,002
Lewis	\$1,751,112
Lincoln	\$914,333
Madison	\$20,187,679
Minidoka	\$7,955,380
NezPerce	\$40,726,584
Oneida	\$2,180,192
Owyhee	\$3,460,487
Payette	\$7,353,177
Power	\$2,148,935
Shoshone	\$11,282,182
Teton	\$2,644,087
TwinFalls	\$67,619,569
Valley	\$5,189,750
Washington	\$4,341,349
Idaho State	\$992,564,772

**TOTAL SALES GENERATED AS A RESULT
OF 2005 MEDICAID SPENDING
(INCLUDING THE MULTIPLIER EFFECT)**

COUNTY	SALES
Ada	\$396,248,285
Adams	\$163,320
Bannock	\$123,763,668
BearLake	\$3,345,909
Benewah	\$14,075,267
Bingham	\$33,863,556
Blaine	\$4,089,716
Boise	\$766,683
Bonner	\$31,572,246
Bonneville	\$163,064,303
Boundary	\$7,410,207
Butte	\$2,675,272
Canyon	\$183,943,953
Caribou	\$3,479,743
Cassia	\$25,884,941
Clearwater	\$7,522,824
Custer	\$1,639,153
Elmore	\$9,424,085
Franklin	\$5,507,267
Fremont	\$7,660,661
Gem	\$10,488,697
Gooding	\$10,345,797
Idaho	\$10,817,272
Jefferson	\$7,246,939
Jerome	\$11,734,960
Kootenai	\$127,967,429
Latah	\$21,125,593
Lemhi	\$7,305,178
Lewis	\$2,173,573
Lincoln	\$1,093,929
Madison	\$31,489,182
Minidoka	\$9,633,638
NezPerce	\$62,437,214
Oneida	\$2,505,369
Owyhee	\$3,959,487
Payette	\$9,531,163
Power	\$2,492,241
Shoshone	\$15,937,031
Teton	\$3,449,687
TwinFalls	\$105,336,593
Valley	\$7,656,394
Washington	\$5,355,401
Idaho State	\$1,496,183,826

**VALUE ADDED FROM MEDICAID
SPENDING IN 2005**

COUNTY	VALUE ADDED
Ada	\$242,746,496
Adams	\$112,110
Bannock	\$77,667,800
BearLake	\$2,478,409
Benewah	\$9,243,467
Bingham	\$22,888,594
Blaine	\$2,688,376
Boise	\$438,349
Bonner	\$21,045,700
Bonneville	\$100,653,741
Boundary	\$4,772,941
Butte	\$1,416,102
Canyon	\$113,819,714
Caribou	\$2,638,408
Cassia	\$15,242,501
Clearwater	\$3,942,372
Custer	\$1,058,233
Elmore	\$6,959,512
Franklin	\$3,669,418
Fremont	\$5,698,418
Gem	\$7,054,266
Gooding	\$5,800,326
Idaho	\$5,586,834
Jefferson	\$5,275,418
Jerome	\$5,275,418
Kootenai	\$86,320,679
Latah	\$12,876,475
Lemhi	\$3,922,123
Lewis	\$1,601,322
Lincoln	\$685,218
Madison	\$19,900,254
Minidoka	\$6,114,093
NezPerce	\$38,024,126
Oneida	\$1,765,764
Owyhee	\$2,653,515
Payette	\$6,254,791
Power	\$1,767,464
Shoshone	\$9,023,094
Teton	\$2,510,899
TwinFalls	\$69,802,505
Valley	\$4,893,716
Washington	\$3,599,339
Idaho State	\$941,139,457

MEDICAID MEANS JOBS AND COUNTY REVENUES

Medicaid spending leads directly to jobs in Idaho's counties. The jobs produced by Medicaid spending and the resulting ripple effects are particularly important because most of these jobs are in the health care sector, which provides above-average annual wages.⁴ Medicaid supports good jobs for residents and substantial income for area businesses.

In addition, taxes generated from Medicaid spending contribute to state and county revenues.

TAXES GENERATED BY MEDICAID SPENDING, 2005 (NOT INCLUDING PERSONAL OR CORPORATE INCOME TAXES)

COUNTY	SALES and PROPERTY TAXES
Ada	\$11,542,0217
Adams	\$3,131
Bannock	\$3,517,239
BearLake	\$91,380
Benewah	\$349,005
Bingham	\$771,236
Blaine	\$121,416
Boise	\$16,195
Bonner	\$928,166
Bonneville	\$4,144,412
Boundary	\$182,588
Butte	\$48,226
Canyon	\$4,547,844
Caribou	\$75,408
Cassia	\$644,480
Clearwater	\$138,822
Custer	\$54,507
Elmore	\$214,882
Franklin	\$133,128
Fremont	\$192,404
Gem	\$263,654
Gooding	\$205,672
Idaho	\$224,171
Jefferson	\$163,927
Jerome	\$297,723
Kootenai	\$3,626,572
Latah	\$519,938
Lemhi	\$167,253
Lewis	\$50,260
Lincoln	\$23,539
Madison	\$829,262
Minidoka	\$227,903
NezPerce	\$1,574,204
Oneida	\$52,001
Owyhee	\$83,297
Payette	\$222,630
Power	\$59,486
Shoshone	\$388,204
Teton	\$89,257
TwinFalls	\$2,881,128
Valley	\$204,386
Washington	\$131,416
Idaho State	\$40,002,368

IMPACT OF MEDICAID SPENDING ON JOBS AND WAGES IN 2005

COUNTY	EMPLOYMENT: JOBS	TOTAL EARNINGS
Ada	4,388	\$184,096,214
Adams	6	\$89,773
Bannock	1,703	\$58,358,148
BearLake	68	\$1,876,822
Benewah	261	\$7,384,448
Bingham	511	\$17,610,242
Blaine	38	\$2,032,386
Boise	12	\$346,264
Bonner	468	\$15,529,628
Bonneville	2,059	\$78,246,166
Boundary	126	\$3,806,593
Butte	31	\$1,193,177
Canyon	2,443	\$86,277,216
Caribou	78	\$2,052,250
Cassia	371	\$11,065,601
Clearwater	108	\$3,283,916
Custer	21	\$807,854
Elmore	147	\$5,394,724
Franklin	122	\$2,798,640
Fremont	147	\$4,518,790
Gem	181	\$5,559,440
Gooding	149	\$4,655,208
Idaho	154	\$4,608,267
Jefferson	107	\$4,139,519
Jerome	147	\$5,156,883
Kootenai	1,827	\$63,147,755
Latah	333	\$10,147,709
Lemhi	105	\$3,151,393
Lewis	38	\$1,227,648
Lincoln	18	\$552,160
Madison	476	\$14,620,090
Minidoka	179	\$4,883,794
NezPerce	807	\$29,892,198
Oneida	59	\$1,358,309
Owyhee	90	\$2,110,351
Payette	179	\$4,912,560
Power	36	\$1,426,832
Shoshone	263	\$7,108,030
Teton	63	\$1,945,660
TwinFalls	1,479	\$53,532,658
Valley	100	\$3,472,532
Washington	98	\$2,818,068
Idaho State	19,993	\$717,195,915

THE GOVERNOR'S PROPOSAL MAY SHIFT COSTS TO COUNTIES AND HEALTH CARE PROVIDERS

The Governor's Medicaid proposal will institute co-pays and premiums. While this may save money for the state budget, the Governor's proposal will in fact lead to higher costs for the health care system as a whole. Much of those costs will likely be borne by counties.

The experiences of other states demonstrate how reduced enrollment and health care utilization as a result of increased premiums and co-pays can lead to increased pressures on providers and the health care safety-net. For example:

- After Oregon instituted Medicaid premiums in 2003, 50,000 people were disenrolled from Medicaid coverage. Following these coverage losses, Oregon saw an increase in emergency room use by uninsured patients and increased pressure on clinics. In addition, some physicians diverted funds previously targeted to the uninsured to help Medicaid patients pay new prescription drug co-pays that they could not afford.
- Washington State attempted to transition a group of immigrant families from a state-funded Medicaid look-alike program to its state-funded Basic Health program, which charges premiums and co-pays. After this transition, the state experienced a marked increase (54%) in use of its Alien Emergency Medicaid Program, because many people were unable to afford the new premiums or needed services that weren't covered under the new plan. Providers also reported a substantial increase in demand for charity care, emergency room use, and strains on clinic resources.⁵

If the waiver proposal becomes reality, Idaho can anticipate increasing costs to the health care system, as former Medicaid recipients who are unable to afford premiums and co-pays or for whom needed services aren't covered will likely receive emergency care for which they cannot pay. These health care costs are shifted to counties, who are legally obligated to pay for indigent care through the County Indigency Fund and through county hospitals. Many counties already struggle with medical indigency costs as the cost of health care is rising faster than county revenue. Because counties are limited to 3 percent growth in property tax revenue, increases in medical costs come at the expense of other services.

Other health care providers, particularly non-profit and for-profit hospitals, also bear the increased cost of emergency care and pass those costs on through higher prices for those who are insured. In sum, increasing financial

obligations on low-income families may provide short-term savings in the state's budget, but those costs are passed on to counties and the insured. In terms of counties' fiscal and physical health, the cost-shifting that would result from the Governor's Medicaid proposal could come at a high price.

Retta Green **Medicaid Transportation Company Driver** **Canyon County, ID**

My name is Retta Green. I am 65 years old and live in western Canyon County. Two years ago, I had to come out of retirement to be able to pay my bills. I went to work for a small Medicaid transportation company in Canyon County. It's a good operation, and the business provides a critical service to Medicaid recipients, getting them back and forth to medical appointments and helping to make sure they can get where they need to go. All of the company's business is with Medicaid, so I literally rely on Medicaid for my job.

Now I'm afraid that with the changes that are being proposed for Medicaid, the company I work for is going to have to shut down, and I'll be out of work. Medicaid transportation is already undergoing major changes that threaten the business. If a federal spending cap is put in place, that will only mean more pressure on the state Medicaid budget, and more pressure on small businesses that provide Medicaid services.

Without Medicaid dollars, the business I work for would have to shut down, leaving me and several other people out of work. That's not good for the clients we serve, and it's not good for the local economy, either.

All of us who work here are part of working families, and we put our earnings back into the local economy when we buy groceries and the other basic necessities for our families. We can't afford to lose our jobs. That's why we can't afford to lose guaranteed federal support for Idaho Medicaid by giving up the current matching agreement and accepting a cap on federal spending.

Susan Merrill
Home Health Care Provider
Pocatello, Idaho

My name is Susan. I'm 47 years old. My husband is blind, developed narcolepsy, and his body is ravaged by diabetes. He also suffers from vascular dementia. His two children, 18 and 20 years old, are both mentally challenged.

I want to talk about how important Medicaid is not only to those who are sick or disabled, but also to those who provide care for them and for the entire economy.

I am a certified family home care provider. I'm self-employed and I work for Medicaid. I get \$52 a day to make sure that Michael-Max takes care of his hygiene, eats, and takes care of his medication, among various other things. It saves the state a lot of money to keep disabled people at home, rather than sending them off to a group home.

My biggest concerns are the cuts they could make to mental health services. My husband already needs things that Medicaid doesn't provide, like pinpoint injections to help the muscles in his back. What else is going to get cut?

We currently pay \$680 a month in mortgage, and my husband gets \$685 for social security disability. If I lost my job providing home care, how would we survive? Without the small salary that I get from Medicaid, we'd lose our home and our car.

Medicaid matters to health care providers like me. A waiver that will allow the state to cut more people off the program is not healthy for our economy or for people who need health care.

CONCLUSION

Medicaid and CHIP make up a vital portion of the economy of Idaho's counties. Because of the federal match these programs receive and the economic activity they create, state spending on these programs has a dramatic economic impact. In Idaho's counties, state Medicaid spending produces economy-wide business activity approximately five times greater than the original investment. And the Medicaid program is responsible for a large portion of the economic impact of the health care sector — particularly in Idaho's rural counties.

The Governor's waiver could threaten this investment in Medicaid and shift health care costs onto counties. The waiver may jeopardize people's access to health care and cause counties to divert resources away from other services to meet their emergency health care needs. The Governor's waiver is likely to shift the health care burden and may come at a high price for Idaho's counties.

ENDNOTES

1 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, Ohio State University, April 2003. <http://ppm.ohiostate.edu/ppm/ohiomedicaidcuts03.pdf>.

2 Camas and Clark Counties are not included in this report because of the small size of the health care economy in these counties.

3 Total Medicaid spending (including federal match) provided by the Idaho Department of Health and Welfare (DHW), based on claims paid in SFY 2005. Data is based on county of service delivery and does not include payments to out of state providers.

4 See for example: Steve Seninger, "Economic Impact of Medicaid on Montana and on the Billings, Butte, and Miles City Health care Market Areas," University of Montana, January 2003.

5 State results summarized from "Increasing Premiums and Cost Sharing in Medicaid and SCHIP: Recent State Experiences," Samantha Artiga and Molly O'Malley. Kaiser Commission Issue Paper, May 2005.

The economic impacts were obtained from a preliminary report: "The 2005 Idaho Economic Impacts (by County) of Medicaid and Medicare Spending", Steven Peterson, Research Economist, University of Idaho. Final Report due May, 2006. Email: Stevenp@uidaho.edu.

ABOUT THE ORGANIZATIONS RELEASING THIS REPORT

Northwest Federation of Community Organizations (NWFCO) is a regional federation of four state-wide, 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 Idaho.

Idaho Community Action Network (ICAN) serves as a powerful, consolidated voice for Idaho's poor, with chapters and membership clusters in 12 Idaho communities, including the state's three largest cities and numerous rural towns. Through ICAN, low-income Idaho families have a voice in the decisions that impact their lives. In addition to its direct action work, ICAN runs a statewide, volunteer-driven food program that helps low-income families supplement their monthly budgets. ICAN's community organizing model integrates the provision of food with training, leadership development and action on issues.

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