



Medicaid Investment Brings Economic Growth, New Jobs

Data Analysis Shows Increased Federal Funding Creates Jobs in the Hardest-Hit States

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Every dollar a state spends on Medicaid—whether from state or from federal sources—doesn't just help keep people with Medicaid coverage healthy. It also brings additional economic benefits and new jobs to everyone in that state.

Medicaid enrollment naturally increases during an economic downturn as people make less money, or lose their jobs altogether, and qualify for this publicly funded health insurance. States, at the same time, have to tailor their budgets to shrinking revenues amid increasing demand for services.

But Medicaid is one of the most effective and efficient forms of economic stimulus. Every dollar spent generates new dollars that pass from one person to another in successive rounds of spending. This multiplier effect means that Medicaid spending provides a greater boost to the state economy than the value of the services purchased directly by the Medicaid program. The magnitude of the multiplier effect varies from state to state, depending on how the dollars are spent initially and the economic situation in the state.

Congress has temporarily increased federal responsibility for total Medicaid spending on occasion during recessions and economic downturns by increasing the federal medical assistance percentage, or FMAP—the formula that drives the federal-state split of Medicaid costs.

Temporarily increasing FMAP is a proven strategy for stimulating the economy that protects both health coverage and vulnerable state budgets. It provides immediate relief to state and local economies and helps low-income and unemployed families who are eligible for Medicaid to get the health care they need.

The American Reinvestment and Recovery Act included a temporary increase in the FMAP. ARRA increased FMAP for all states, and approximately 35 percent of the total additional assistance was targeted to states with the greatest economic problems, as measured by increases in unemployment. The new funding began to flow in October 2009 and will end in December 2010 unless Congress extends it.

The current push to extend an increased FMAP to June 2010 recognizes the very real value that these additional funds will have on the economy in every state—and the positive results that the ARRA investment has already had.

ARRA put \$87 billion toward the FMAP increase, and \$75 billion of that has so far gone out to the states. This \$75 billion has generated \$132 billion in additional business activity, 1,238 million new jobs, and \$54 billion in wages and salaries.

Every \$1 million in federal funds generates \$1.7 million in business activity on average, 17.1 new jobs, and \$600,000 in wages and salaries.

Many of the states that can expect to see the highest number of new jobs are exactly those that have the highest unemployment levels—such as Florida, Mississippi, Oklahoma, and South Carolina.

Methodology

Families USA provided estimates in December 2008 of the economic benefits and new jobs that would be generated by President Obama's proposed FMAP increases for each state based on their RIMS II model.

Economic returns already delivered by the American Recovery and Reinvestment Act's investment in federal medical assistance percentages, or FMAP

State	Federal Medicaid funds invested (\$m)	Business activity generated (\$m)	New jobs created	Wages and salaries generated (\$m)
Alabama	\$733	\$1,218	12,950	\$433
Alaska	\$185	\$288	2,794	\$105
Arizona	\$1,724	\$2,976	26,785	\$1,097
Arkansas	\$551	\$860	9,417	\$315
California	\$9,470	\$18,675	161,775	\$6,525
Colorado	\$785	\$1,500	16,170	\$531
Connecticut	\$1,088	\$1,893	15,680	\$647
Delaware	\$273	\$407	2,982	\$130
Florida	\$3,907	\$7,260	74,800	\$2,640
Georgia	\$1,369	\$2,470	23,940	\$920
Hawaii	\$318	\$532	5,152	\$198
Idaho	\$265	\$425	4,875	\$159
Illinois	\$2,716	\$5,225	47,652	\$1,648
Indiana	\$1,329	\$2,310	22,680	\$804
Iowa	\$474	\$761	8,478	\$274
Kansas	\$401	\$661	6,724	\$225
Kentucky	\$941	\$1,531	15,023	\$528
Louisiana	\$1,245	\$2,040	22,950	\$739
Maine	\$462	\$771	873	\$290
Maryland	\$1,456	\$2,541	21,945	\$880
Massachusetts	\$2,683	\$4,704	42,112	\$1,747
Michigan	\$2,169	\$3,480	35,728	\$1,341
Minnesota	\$1,695	\$2,860	28,160	\$1,107
Mississippi	\$707	\$1,100	12,525	\$396
Missouri	\$1,352	\$2,338	22,044	\$770
Montana	\$167	\$265	3,200	\$99
Nebraska	\$251	\$405	4,340	\$146
Nevada	\$395	\$640	5,876	\$234
New Hampshire	\$224	\$367	3,240	\$124
New Jersey	\$1,884	\$3,345	28,321	\$1,166
New Mexico	\$543	\$845	9,114	\$312
New York	\$10,169	\$16,856	141,120	\$5,684
North Carolina	\$1,937	\$3,344	35,552	\$1,251
North Dakota	\$86	\$133	1,430	\$45
Ohio	\$2,670	\$4,750	47,310	\$1,704
Oklahoma	\$853	\$1,556	17,670	\$564
Oregon	\$770	\$1,283	12,627	\$460
Pennsylvania	\$3,453	\$6,460	57,760	\$2,090
Rhode Island	\$397	\$630	5,356	\$216
South Carolina	\$795	\$1,403	15,366	\$500
South Dakota	\$105	\$159	1,749	\$59
Tennessee	\$1,282	\$2,198	20,253	\$796
Texas	\$4,924	\$10,206	97,146	\$3,591
Utah	\$289	\$553	5,940	\$199
Vermont	\$243	\$354	3,726	\$130
Virginia	\$1,323	\$2,200	20,460	\$7,766
Washington	\$1,645	\$2,750	27,250	\$1,052
West Virginia	\$399	\$579	5,880	\$202
Wisconsin	\$1,279	\$2,119	21,375	\$781
Wyoming	\$96	\$133	1,488	\$50
Total	\$74,483	\$132,362	1,237,762	\$53,683

We used that data to generate the multiplier factors for each state for business activity, jobs, and new salaries and wages, and applied these to the federal increases in Medicaid funding that have flowed to each state in fiscal years 2009 and 2010, through until July 23, 2010.

The data we have generated must be used cautiously since there have been significant changes in most states' economic situation over the past few years and it is not clear whether continued funding will continuously generate new jobs or sustain those already created. Yet comparison with some recent state data shows that our calculations are within range.

A policy brief from Iowa, for example, estimates business activity generated from ARRA funds at \$701 million (our data \$761 million), new jobs created at 6,559 (8,478) and salary and wages increases at \$316 million (\$274 million).