



SAINT LOUIS
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THE COUNTY LEVEL ECONOMIC IMPACT OF PROPOSED CUTS IN MEDICAID SPENDING IN MISSOURI

Written by

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Economic Analysis by Bednarek and Islam**

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Medicaid is Missouri's health insurance program for low-income children and families, seniors and people with disabilities. While Medicaid's primary purpose is to provide access to health care for low-income people, recent studies have shown that Medicaid and the State Children's Health Insurance Program (SCHIP) also have a substantial economic impact on state and local economies. Medicaid brings significant federal matching dollars into Missouri. In FY 2006, state Medicaid funds will generate federal matching funds at a 62% rate for most individuals and a 73% rate for SCHIP children.² Missouri Medicaid spending generates \$1.627 in federal matching funds for every state dollar spent while SCHIP spending generates \$2.752 in federal matching funds. These federal matching funds are an important source of funding for hospitals, doctors, pharmacists, and nursing homes in every part of the state -- funding which, in turn, leads to economic ripple effects as these health care providers pay rent, purchase food, pay taxes and so on.

The Governor has recently proposed cuts in state spending on Medicaid. These cuts will result in a loss of \$379 million federal matching funds to the State of Missouri. Using the IMPLAN model to estimate the economic impact of the loss of federal matching funds, we found that the loss of \$379 million in federal matching funds will result in a loss of \$737.4 million in economic activity and a loss of 10,130 jobs in the state.³ This analysis is consistent with seventeen other studies that are reviewed in a recent Kaiser Commission report. The Kaiser report concludes that, "[a]ll of the studies provide evidence that Medicaid spending has a positive impact on state economies. It is clear from the studies conducted thus far that, in addition to providing valuable health coverage for low-income people, state Medicaid spending also yields significant economic benefits for states. As a result of Medicaid's unique matching arrangements, these benefits may be larger than state spending alone."⁴

County Level Impact of State Medicaid Spending Cut

Federal matching funds affect county economies as the matching funds are disbursed by the state to providers of medical care and other health related services including long-term care located in various counties. This brief report demonstrates the impact of state Medicaid spending cuts, and the consequent loss of \$379 million in federal matching funds, in every county of the state. The IMPLAN model was used to develop county-specific multipliers. These county-level economic impacts are included in Tables 1 and 2 below. Table 1 shows the impact on jobs and economic activity for the counties where the proposed Medicaid spending cuts will have the most significant impact. Table 2 shows the economic impact on all Missouri counties. For example, if the Governor's proposal were fully implemented, federal Medicaid matching funds disbursed to Jackson County would fall by over \$43 million as shown in Table 2. **This decrease in federal funds will result in a loss of 1036 jobs and \$82 million in economic activity. Similarly, with the loss in federal matching funds, St. Louis County will lose 966 jobs and \$77 million in economic activity. St. Louis City will also see losses of over 900 jobs and \$69 million in economic activity.** These economic impact results in Tables 1 and 2 also show that the economic impact of Medicaid spending is not just felt in the major urban areas of the state. Cuts in Medicaid spending will result in a loss of 178 jobs and \$12.6 million in economic activity in Boone County, 146 jobs and over \$11 million in economic activity in Clay County, and 243 jobs and over \$13.5 million in economic activity in Jefferson County.

Table 1

Economic Impact of \$379 Million Loss in Federal Matching Funds in 10 Missouri Counties with the Most Significant Impact for Proposed State Medicaid Cut in January 2005

| County | Lost Jobs | Lost Economic Activity |
|------------------|-----------|------------------------|
| Jackson County | 1036 | \$82.3 million |
| St. Louis County | 966 | \$77.2 million |
| St. Louis City | 915 | \$69.4 million |
| Greene County | 398 | \$27.9 million |
| Jasper | 238 | \$15.3 million |

| | | |
|------------------|-----|----------------|
| Jefferson County | 243 | \$13.5 million |
| Boone County | 178 | \$12.6 million |
| St. Charles | 179 | \$12.8 million |
| Dunklin | 153 | \$7.7 million |
| Clay | 146 | \$11.0 million |

Conclusion

These figures demonstrate the potential economic impact of Medicaid spending on *county* economies. This impact is not often considered when Medicaid policy decisions are made. Medicaid spending not only translates into economic activity but also jobs and therefore, wages along with increased tax revenues based on those wages. When Medicaid is cut, the loss of federal funds triggers a loss of jobs and economic activity in the counties that would otherwise benefit from those federal matching funds. The economic impact of state Medicaid spending in Missouri counties should be taken into account when Medicaid spending decisions are considered.

Table 2**Economic Impact of \$379 Million Loss in Federal Matching Funds in Each Missouri County for Proposed State Medicaid Cut in January 2005**

| COUNTY | Share of \$379 million Lost Federal Funds in each County (based on FY 04 Medicaid paid claims) | Reduction in Business Activity in each County | Reduction in Jobs in each County | Reduction in Wages each County |
|----------------|---|--|---|---------------------------------------|
| ADAIR | \$2,324,712 | \$3,486,696 | 58 | \$1,702,573 |
| ANDREW | \$891,320 | \$1,220,092 | 31 | \$662,598 |
| ATCHISON | \$672,815 | \$924,455 | 19 | \$466,524 |
| AUDRAIN | \$1,766,501 | \$2,567,044 | 44 | \$1,257,961 |
| BARRY | \$2,520,044 | \$3,713,940 | 71 | \$1,867,806 |
| BARTON | \$877,883 | \$1,207,669 | 25 | \$631,391 |
| BATES | \$1,274,136 | \$1,751,504 | 38 | \$885,869 |
| BENTON | \$1,392,527 | \$1,986,871 | 42 | \$933,578 |
| BOLLINGER | \$1,112,287 | \$1,483,346 | 34 | \$739,971 |
| BOONE | \$7,751,852 | \$12,578,310 | 178 | \$6,328,379 |
| BUCHANAN | \$6,451,350 | \$10,433,511 | 142 | \$5,413,586 |
| BUTLER | \$5,466,251 | \$8,393,428 | 137 | \$4,244,380 |
| CALDWELL | \$503,830 | \$699,427 | 16 | \$348,157 |
| CALLAWAY | \$2,508,198 | \$3,472,123 | 68 | \$1,697,097 |
| CAMDEN | \$2,123,535 | \$3,325,561 | 49 | \$1,674,046 |
| CAPE GIRARDEAU | \$4,630,754 | \$7,718,680 | 116 | \$3,832,135 |
| CARROLL | \$843,935 | \$1,122,788 | 26 | \$573,285 |
| CARTER | \$799,257 | \$1,063,316 | 25 | \$577,535 |
| CASS | \$3,775,055 | \$5,516,148 | 106 | \$2,853,753 |
| CEDAR | \$1,331,383 | \$1,883,055 | 49 | \$940,729 |
| CHARITON | \$690,225 | \$926,261 | 25 | \$446,679 |
| CHRISTIAN | \$2,661,821 | \$3,781,463 | 85 | \$1,915,526 |
| CLARK | \$398,857 | \$516,301 | 9 | \$234,616 |
| CLAY | \$6,951,207 | \$10,977,902 | 146 | \$5,636,525 |
| CLINTON | \$935,428 | \$1,334,631 | 26 | \$675,388 |
| COLE | \$3,515,312 | \$5,150,705 | 74 | \$2,698,916 |
| COOPER | \$1,131,033 | \$1,555,657 | 38 | \$799,471 |
| CRAWFORD | \$2,044,070 | \$2,776,093 | 72 | \$1,472,426 |
| DADE | \$592,313 | \$795,050 | 14 | \$349,441 |
| DALLAS | \$1,275,411 | \$1,761,177 | 43 | \$854,602 |
| DAVISS | \$453,823 | \$579,704 | 13 | \$306,503 |
| DEKALB | \$608,717 | \$791,509 | 19 | \$409,721 |
| DENT | \$1,555,545 | \$2,216,480 | 50 | \$1,092,257 |
| DOUGLAS | \$1,014,665 | \$1,412,028 | 33 | \$724,491 |
| DUNKLIN | \$5,286,807 | \$7,669,412 | 153 | \$3,683,054 |
| FRANKLIN | \$4,659,812 | \$7,129,094 | 121 | \$3,488,103 |
| GASCONADE | \$1,094,374 | \$1,547,204 | 35 | \$790,882 |
| GENTRY | \$648,191 | \$900,454 | 19 | \$457,189 |

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|-------------|--------------|--------------|------|--------------|
| GREENE | \$15,322,652 | \$27,901,630 | 398 | \$13,824,403 |
| GRUNDY | \$930,486 | \$1,299,266 | 25 | \$620,420 |
| HARRISON | \$868,005 | \$1,223,063 | 30 | \$602,804 |
| HENRY | \$1,832,342 | \$2,652,279 | 44 | \$1,353,661 |
| HICKORY | \$818,678 | \$1,081,842 | 31 | \$599,051 |
| HOLT | \$345,745 | \$466,423 | 10 | \$255,675 |
| HOWARD | \$790,062 | \$1,065,715 | 23 | \$498,055 |
| HOWELL | \$3,578,959 | \$5,650,676 | 107 | \$2,726,415 |
| IRON | \$1,563,857 | \$2,127,455 | 59 | \$1,191,987 |
| JACKSON | \$43,174,814 | \$82,358,979 | 1036 | \$41,880,864 |
| JASPER | \$9,144,205 | \$15,339,770 | 238 | \$7,510,959 |
| JEFFERSON | \$8,989,439 | \$13,524,881 | 243 | \$6,657,039 |
| JOHNSON | \$2,224,120 | \$3,248,861 | 67 | \$1,626,432 |
| KNOX | \$317,817 | \$396,594 | 7 | \$177,326 |
| LACLEDE | \$2,494,560 | \$3,732,586 | 67 | \$1,937,550 |
| LAFAYETTE | \$3,219,496 | \$4,704,553 | 97 | \$2,390,669 |
| LAWRENCE | \$2,620,560 | \$3,816,347 | 76 | \$1,860,781 |
| LEWIS | \$637,883 | \$823,583 | 22 | \$442,608 |
| LINCOLN | \$2,394,064 | \$3,352,982 | 74 | \$1,725,545 |
| LINN | \$1,023,230 | \$1,383,591 | 32 | \$712,659 |
| LIVINGSTON | \$1,225,150 | \$1,894,743 | 38 | \$939,947 |
| MCDONALD | \$1,499,719 | \$1,957,868 | 39 | \$915,714 |
| MACON | \$1,392,713 | \$1,890,845 | 43 | \$896,114 |
| MADISON | \$1,401,564 | \$1,909,393 | 46 | \$893,371 |
| MARIES | \$592,104 | \$821,692 | 21 | \$448,418 |
| MARION | \$3,074,071 | \$4,755,127 | 80 | \$2,359,842 |
| MERCER | \$187,243 | \$242,907 | 5 | \$106,251 |
| MILLER | \$1,703,861 | \$2,428,173 | 53 | \$1,210,900 |
| MISSISSIPPI | \$2,001,523 | \$2,672,954 | 74 | \$1,364,018 |
| MONITEAU | \$751,671 | \$1,046,521 | 24 | \$534,799 |
| MONROE | \$591,266 | \$749,412 | 16 | \$335,360 |
| MONTGOMERY | \$1,042,060 | \$1,365,890 | 38 | \$715,864 |
| MORGAN | \$1,430,010 | \$1,907,933 | 31 | \$865,499 |
| NEW MADRID | \$2,961,859 | \$3,920,583 | 95 | \$2,047,118 |
| NEWTON | \$3,314,690 | \$4,828,012 | 70 | \$2,599,049 |
| NODAWAY | \$928,049 | \$1,323,742 | 27 | \$654,711 |
| OREGON | \$1,161,842 | \$1,614,438 | 34 | \$888,798 |
| OSAGE | \$609,318 | \$788,506 | 16 | \$404,873 |
| OZARK | \$781,170 | \$1,019,887 | 24 | \$551,123 |
| PEMISCOT | \$3,267,385 | \$4,152,062 | 85 | \$1,853,195 |
| PERRY | \$1,353,045 | \$1,896,265 | 41 | \$972,596 |
| PETTIS | \$3,241,608 | \$4,740,138 | 84 | \$2,437,527 |
| PHELPS | \$3,464,075 | \$5,046,914 | 90 | \$2,354,462 |
| PIKE | \$1,397,336 | \$1,937,421 | 48 | \$1,004,978 |
| PLATTE | \$2,007,277 | \$2,956,157 | 46 | \$1,500,801 |
| POLK | \$2,598,044 | \$3,799,016 | 75 | \$1,915,694 |
| PULASKI | \$2,126,058 | \$2,844,602 | 60 | \$1,391,250 |
| PUTMAN | \$357,231 | \$462,410 | 10 | \$174,536 |

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|----------------|--------------|--------------|-----|--------------|
| RALLS | \$542,200 | \$703,444 | 18 | \$397,953 |
| RANDOLPH | \$2,319,279 | \$3,614,202 | 70 | \$1,788,234 |
| RAY | \$1,150,810 | \$1,583,721 | 29 | \$740,339 |
| REYNOLDS | \$1,177,569 | \$1,463,659 | 32 | \$747,733 |
| RIPLEY | \$2,210,094 | \$2,819,903 | 55 | \$1,273,213 |
| ST. CHARLES | \$8,125,495 | \$12,815,693 | 179 | \$6,480,895 |
| ST. CLAIR | \$770,256 | \$1,040,484 | 25 | \$536,945 |
| ST. FRANCOIS | \$5,313,541 | \$8,252,354 | 149 | \$4,144,880 |
| STE.GENEVIEVE | \$900,448 | \$1,181,010 | 25 | \$585,327 |
| ST. LOUIS | \$41,996,658 | \$77,203,716 | 966 | \$39,334,070 |
| SALINE | \$4,306,816 | \$6,080,579 | 112 | \$3,041,560 |
| SCHUYLER | \$332,936 | \$447,849 | 6 | \$223,903 |
| SCOTLAND | \$413,222 | \$509,185 | 10 | \$210,851 |
| SCOTT | \$4,831,257 | \$7,816,249 | 116 | \$3,651,850 |
| SHANNON | \$870,561 | \$1,110,905 | 24 | \$534,150 |
| SHELBY | \$534,894 | \$675,769 | 12 | \$308,982 |
| STODDARD | \$3,437,683 | \$4,834,482 | 107 | \$2,323,496 |
| STONE | \$1,734,647 | \$2,428,298 | 49 | \$1,194,738 |
| SULLIVAN | \$743,478 | \$938,403 | 21 | \$451,633 |
| TANEY | \$2,649,918 | \$4,180,776 | 64 | \$2,094,283 |
| TEXAS | \$1,959,455 | \$2,631,273 | 61 | \$1,313,364 |
| VERNON | \$3,385,895 | \$4,838,884 | 95 | \$2,390,713 |
| WARREN | \$1,322,089 | \$1,759,132 | 32 | \$869,498 |
| WASHINGTON | \$2,709,617 | \$3,697,733 | 57 | \$1,705,162 |
| WAYNE | \$1,888,129 | \$2,545,858 | 72 | \$1,392,325 |
| WEBSTER | \$1,904,787 | \$2,687,140 | 38 | \$1,293,198 |
| WORTH | \$158,376 | \$213,522 | 4 | \$95,773 |
| WRIGHT | \$1,679,625 | \$2,371,110 | 50 | \$1,157,262 |
| ST. LOUIS CITY | \$39,763,787 | \$69,427,571 | 915 | \$35,006,050 |

Endnotes

¹ Joel Ferber is a Managing Attorney with Legal Services of Eastern Missouri. Heather Bednarek and Muhammad Islam are Professors of Economics at the John Cook School of Business at St. Louis University.

² Missouri's Medicaid and SCHIP matching rates for 2006 are 61.93 percent and 73.35 percent respectively.

³ See Ferber, *Economic and Health Benefits of Missouri Medicaid*, Missouri Foundation for Health, Spring 2004. The methodology for calculating the economic impact of Medicaid spending is described in detail in Appendix A to this report. Available at <http://www.mffh.org/ShowMe5AppA.pdf>. These calculations are based on the most recent information available information from the State of Missouri regarding the size of the state and federal cuts. Because this paper only looks at economic impact of lost *federal* matching funds, state-only programs are not included in determining economic impact of Medicaid spending.

⁴ *The Role of Medicaid in State Economies: A Look at the Research*, Kaiser Commission on Medicaid and the Uninsured, April 2004 (emphasis added).