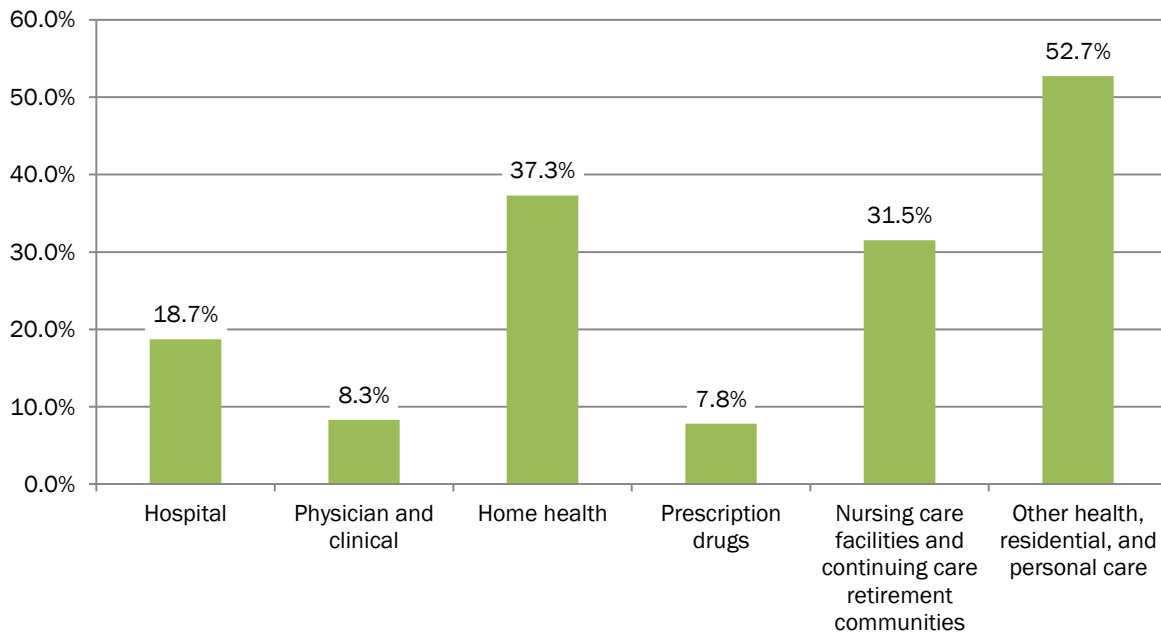


Medicaid and Long Term Service and Supports Facilities: Integral Parts of the Economy

Medicaid plays a key role in financing the health care system as a whole. In 2010, the state and federal share of Medicaid accounted for 17% of all national health spending. For providers such as hospitals, physicians, clinics, and long term supports and services providers such as nursing homes and home and personal care services, Medicaid payments represent a significant portion of revenues (Figure 1).

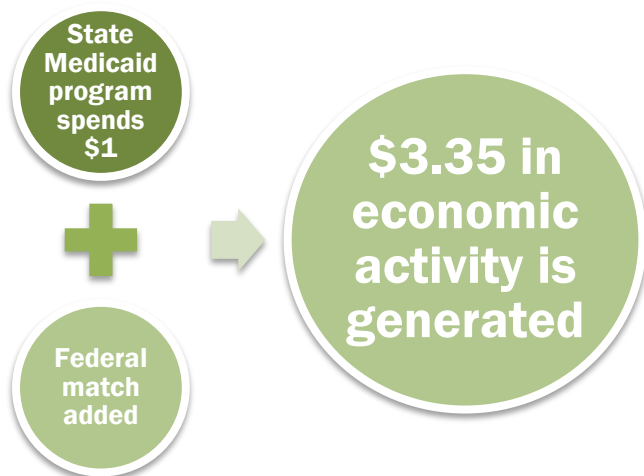
Medicaid is the key source of long term services and supports financing. In 2012, Medicaid composed approximately 31 percent of all nursing center revenues. Medicaid revenues also support other key safety net providers.

Figure 1. Percentage of National Health Expenditures Paid by Medicaid in 2010



Sources: Office of the Actuary (OACT), CMS, *National health expenditures by type of service and source of funds, January 2012*; OACT, *National Health expenditure accounts: Methodology paper, 2010, 2012*, <http://www.cms.gov/NationalHealthExpendData/downloads/dsm-10.pdf>

Federal spending on the Medicaid program helps to drive state and local economies. Federal funds support wages for people providing services to Medicaid enrollees, and these funds are in turn spent on other goods and services, producing what economists call the “multiplier effect,” increasing commerce and tax revenue in a local area. An analysis done by the University of Baltimore looked at



the multiplier effect across all 50 states. The analysis found that, on average, every state dollar spent by the Medicaid program resulted in \$3.35 worth of state and local economic activity.¹ In 2010, long term care facilities supported approximately \$529 billion, or 3.7%, of the nation's economic activity.²

The Kaiser Commission on Medicaid and the Uninsured also found strong evidence of the multiplier effect when it examined the results of

29 studies on the economic impact of Medicaid spending on state economies. The Commission found that all 29 studies, despite using different economic models, concluded that Medicaid had a positive impact on state economies.³

AHCA/NCAL research has shown that, including both direct and indirect labor, long term care facilities generate 5.4 million jobs, or 3.2% of the U.S. labor market. Furthermore, these positions produce approximately \$205 billion in labor income or 2.6% of U.S. labor income. Other studies reached similar conclusions:

- Medicaid spending supports jobs; an Oklahoma study showed the state program to be responsible for supporting 99,036 jobs.⁴
- Medicaid spending increased workforce earnings; a study of the Utah program showed that for every \$1 million spent on Medicaid, earnings for Utah workers increased \$2.2 million⁵.
- Medicaid spending increased business activity; a study showed Florida's Medicaid program generated an additional \$8.7 billion in economic activity⁶.

These effects will be even more pronounced for those states that enact the Medicaid expansion authorized in the Affordable Care Act; the federal match on state spending for this expansion will be substantially greater than that evaluated in any of these studies.

In addition to the benefit Medicaid provides to state and local economies, the program is an important part of one of the strongest and fastest growing sectors of the economy: health care and social assistance.

¹ FAMILIES USA, Medicaid: Good Medicine for State Economies, May 2004

² AHCA/NCAL. [Economic Impact of Long Term Care Facilities in the United States](#). January 2011. State-by-state economic impact statements are available [here](#).

³ Kaiser Commission on Medicaid and the Uninsured, The Role of Medicaid in State Economies: A Look at Research. January 2009.

⁴ C. St. Clair and G. Doekson, "The Economic Impact of the Medicaid Program on Oklahoma's Economy" May 2007

⁵ J. Crispin-Little, "The Economic Impact of Medicaid and the Home and Community Based Services Waiver Program" January 2006

⁶ P. Sampath, "Penny Wise and Pound Foolish: Why Cuts to Medicaid Hurt Florida's Economy" October 2003

- According to the Bureau of Labor Statistics, the health care and social assistance sectors will add 5.6 million additional jobs to health care to the economy over the next decade.⁷
- In current projections, jobs in the health care field account for one-third of the fastest growing occupations in the United States.⁸
- During the recent recession, as unemployment rose, the health care sector continued to grow, actually adding 482,000 jobs between 2007 and 2009 in part due to increased Medicaid spending. Over the same time period, the non-farming economy lost 7.5 million jobs.⁹

⁷ <http://www.fiercehealthcare.com/story/healthcare-jobs-will-grow-fastest-all-industries/2012-02-03>

⁸ [Ibid.](#)

⁹ <http://www.bls.gov/opub/mlr/2011/04/art2full.pdf>