



Medicaid Is a Powerful Economic Stimulus Tool for Kentucky

Medicaid is a powerful economic force. Medicaid cuts harm the economy, and increased federal funding boosts local economies and can help prevent our economic crisis from getting worse. That's because for every dollar Kentucky cuts in Medicaid, the state loses \$2.35 in federal matching funds. An 8% increase in funding to states for 15 months, as recently proposed by Congressional leaders (H.R. 7110), would generate \$508,749,212.00 for Kentucky.¹ That money then flows through the economy, providing jobs and generating tax revenue for both state and local governments. Leading economists and academics agree that this is true:

Moody's Analytics, Inc., Mark Zandi²: An “economically potent tool of the federal government is aid to financially pressed state governments. This could take the form of general aid or a temporary increase in the Medicaid matching rate to help ease the costs of health coverage... Additional federal aid to state governments would fund existing payrolls and programs and so provide a relatively quick economic boost. States that receive a check from the federal government will quickly pass on the money to workers, vendors and program beneficiaries.”

Kaiser Commission on Medicaid & the Uninsured³: “New [Medicaid] spending can create a larger impact than the amount of new spending alone through “multiplier effects” because of the successive rounds of spending that occur when money is injected into a state economy. For instance, state businesses and residents spend their earnings on purchases from other businesses or residents in the state, who in turn make other purchases and so on.”

Rural Policy Research Institute⁴: “Medicaid payments in rural communities contribute directly to the community’s financial base, leading to additional employment in health care and associated occupations (e.g., suppliers, retailers serving the health care employees) and more local spending from workers, patients, and families while care is being provided.”

Massachusetts Institute of Technology, Simon Johnson⁵: “Direct aid to state and local governments... replaces money that state and local governments have been forced to cut from their budgets, it can have a very rapid effect, without the need to design new programs... The money will go to programs that these governments have already decided are important and worth funding, minimizing the risk that the stimulus will be wasted on inappropriate ends.”

¹ Analysis of H.R. 7110 Medicaid provisions done for AARP by Health Management Associates, www.healthmanagement.com

² http://www.economy.com/dismal/article_free.asp?cid=102598

³ The Role of Medicaid in State Economies: <http://www.kff.org/medicaid/upload/The-Role-of-Medicaid-in-State-Economies-A-Look-at-the-Research-Policy-Brief.pdf>

⁴ Medicaid and Its Importance to Rural Health http://www.raconline.org/info_guides/medicaid/

⁵ Testimony before the Joint Economic Committee, October 30, 2008