



# MB&TPI FACT SHEET

## MEDICAID & MARYLAND'S ECONOMY

FEBRUARY 3, 2009

- **Medicaid and related programs provide health care to low-income Marylanders**

Maryland's Medical Assistance (MA) or "Medicaid" program and Maryland's Children's Health Program (MCHP) provide vital health care coverage to over 500,000 of Maryland's low-to-moderate income and vulnerable people. In total, health care costs account for twenty-eight out of \$100 in Maryland's state budget.

- **Proposed 2010 budget**

The Governor's FY 2010 budget preserves existing coverage, including the recent expansion of Medicaid for low-income parents. The planned expansion of Medicaid coverage to low-income adults without dependents would be deferred.

Most provider rates are being held at their current levels. Community providers (for example in areas on mental health, developmental disabilities and substance abuse treatment) will get a 9/10 of 1% rate increase.<sup>1</sup>

- **Medicaid's economic impact**

Medicaid is also vital to our economy. Medicaid has an economic impact of pulling in federal dollars. For every \$1.00 Maryland invests in the Medicaid program, the federal government will also match it with \$1.00. State spending on MCHP is matched a rate of 35% state/ 65% federal, leveraging \$1.86 federal dollars for every state dollar.

Families USA has conducted an economic input-output analysis of the state-level impact of the Medicaid program on the economies of all 50 states<sup>2</sup>. By their methodology, every \$10 million cut from the Maryland's MA program results in a loss of \$23.3 million worth of business activity, 170 jobs lost, and \$7.7 million worth of salary and wages depleted.

- **Economic losses to date**

\$40 million has already been cut from the state's Medicaid program in the current fiscal year. Back in June 2008, the Governor was charged with cutting the FY 2009 budget by \$50 million. This resulted in a \$19.3 million cut in Medicaid. In October, 2008 the BPW approved \$300 million in cuts to the current year budget, due to the slow up of state revenues. This resulted in \$20.7 million cut from the general fund to Medicaid.<sup>3</sup>

The cuts in June and October to the Medicaid program total \$40 million, and using Families USA methodology will result in a slow down of business activity worth \$89.2 million, job loss totaling 678 positions, and a depletion of salaries and wages totaling \$30.8 million.

- **Economic Stimulus Effect**

Mark Zandi, chief economist and cofounder of Moody's Economy.com recommends aid for state governments, including Medicaid, as one of the most effective economic stimulus options.<sup>4</sup> Zandi estimates that aid to state government delivers \$1.38 in stimulus value for every \$1.00 spend. This compares with \$0.31 for extending the 2001 and 2003 tax cuts or \$1.28 for a lump-sum, refundable tax rebate.

*Medicaid is not only an important safety net for low-income families and newly eligible applicants (due to job loss), it also serves as life support for our economy.*

**About the Maryland Budget & Tax Policy Institute**

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting low-income Marylanders and other vulnerable populations and the important community programs that serve them. For additional information, to be added to our e-mail list, or to make a tax-deductible contribution, please visit our website at [www.marylandpolicy.org](http://www.marylandpolicy.org).

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**Sources:**

<sup>1</sup> Maryland Budget & Tax Policy Institute. Special Report: Maryland Budget Update Instant Analysis. Jan 22, 2009 <<http://www.marylandpolicy.org/html/research/special-jan09.asp>>

<sup>2</sup> Families USA. Families USA Medicaid Calculator Methodology. April 2008. <<http://www.familiesusa.org/assets/pdfs/medicaid-multiplier-methodology-4-08.pdf>>.

<sup>3</sup> The Board of Public Works sheltered \$23 million worth of cuts to Medicaid by using special funds for some of the state's Medicaid expense. In addition, 181 vacant positions were eliminated from the health department worth \$5.3 million.

<sup>4</sup> Written Testimony of Mark Zandi, Chief Economist and Cofounder of Moody's Economy.com Before the U.S. Senate Budget Committee. "The Economic Outlook and Stimulus Options." Nov 19, 2008. <[http://www.economy.com/mark-zandi/documents/Senate\\_Budget\\_Committee\\_11\\_19\\_08.pdf](http://www.economy.com/mark-zandi/documents/Senate_Budget_Committee_11_19_08.pdf)>