

Proposed Medicaid Cuts Would Cost Jobs, Harm Economies of Every State



Montana Could See as Many as 4,250 Jobs at Risk

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The pivotal debate currently underway in Congress on how to address the federal deficit will undoubtedly have an enormous impact on our nation, our state, and our collective ability to address priorities from Social Security and health care to education. For example, many of the proposals being discussed would result in deep cuts to Medicaid. In addition to jeopardizing the health of many of our most vulnerable neighbors, the Medicaid cuts could have a devastating impact on the struggling economies of every state in the nation, putting hundreds of thousands of jobs and billions of dollars of economic activity at risk. Considering the state has only gained 7,500 jobs since the lowest point of the recession, these proposed cuts to Medicaid could eliminate over half of all jobs gained since Montana began its recovery.

Montana is Still Suffering in the Wake of the Great Recession

When the recession began in December 2007, there were 447,400 jobs for Montanans across the state. Since then, Montana has experienced 24 months of job loss. Statewide employment dipped to its lowest point in February 2010, with a total loss of 20,300 jobs compared to pre-recession figures. Since February 2010, Montana has gained 7,500 jobs.¹

Montana's jobs deficit, or the difference between the number of jobs Montana has and the number it needs to reach the pre-recession employment rate, is 26,000. That number includes the 12,800 jobs Montana lost in the recession, along with the 13,200 jobs needed to keep up with the growth in population since the recession began.

Montana is slowly recovering from the Great Recession. As elected officials at both the state and federal level face revenue and budget challenges, they should make balanced decisions to protect and continue this tentative economic recovery. Putting Montanans back to work and protecting the most vulnerable Montanans should be the primary goals for lawmakers. Cutting Medicaid will do neither.

Severe Cuts on the Table will Stall Montana's Recovery

Several budget proposals would result in severe cuts to the Medicaid program. For example, the budget proposal adopted by the U.S. House of Representatives, sponsored by Rep. Paul Ryan (R-WI), calls for cuts in federal funding to current state Medicaid programs of 5 percent in 2013, 15 percent in 2014, and 33 percent in 2021. Other proposals being considered also include significant Medicaid cuts. For example, the euphemistically named "Cut, Cap and Balance" plan that passed the House on July 19th would result in Medicaid cuts at least as severe as the Ryan plan.²

A recent study from Families USA uses the 5, 15, and 33% cuts from the Ryan plan as examples to estimate the effect of the proposed cuts on state economies and jobs (see table on page 2).³ The 50 states and the District of Columbia would lose between \$13 and \$90 billion needed to support health care for vulnerable populations including funding for nursing homes and other long-term care services for seniors and individuals with disabilities. Montana alone would lose between \$32 and \$217 million for health care, and the state economy could lose between \$59 to \$390 million in economic activity. Additionally, the proposed cuts would result in a job loss totaling between 640 and 4,250. Considering the state has only gained 7,500 jobs since the lowest point of the recession, these cuts to Medicaid could eliminate over half of all jobs gained since Montana began its recovery.

Medicaid spending both directly and indirectly benefits Montana's economy.⁴ Medicaid payments to doctors, hospitals, nursing homes and other health related businesses have a direct impact by purchasing goods and

Table 1: Cuts to Montana’s Economy Resulting from Medicaid Cuts			
	Dollars for Health Care Lost	Economic Activity Lost	Jobs Lost
5 Percent Cuts	\$32,859,000	\$59,048,000	640
15 Percent Cuts	\$98,577,000	\$177,144,000	1,930
33 Percent Cuts	\$216,869,000	\$389,717,000	4,250
Source: Families USA			

services and supporting Montana jobs. The cuts to these direct dollars are listed in the column of the table titled “Dollars for Health Care Lost.” However, the effect does not stop there. These dollars trigger additional economic activity and create and maintain jobs for people outside of the health care industry. For example, when a nurse spends part of her salary on a new car, the car dealership and its employees earn additional income. In turn, the car dealership employees spend this money at the local grocery store, which increases income for the store owners and employees. These ripple effects continue and are measured in the second and third columns of the table. “Economic Activity Lost” is the amount of both indirect and direct economic activity that will be lost if Medicaid is cut. Likewise, “Jobs Lost” are the numbers of jobs that will be lost for nurses, car sales people, grocery store baggers, and others.

Abandoning Commitments to a Healthy Workforce Will Harm Our Economy

In addition to the devastating loss of dollars and jobs, the inevitable decline in health of thousands of Montanans stemming from cuts to Medicaid would also cause a drag on the state’s economy. Without Medicaid, our families and neighbors will go without needed health care, jeopardizing their ability to work or learn in school. Increasing the number of sick employees and working parents with sick children without access to necessary care does not strengthen our economy. Additionally, delaying care and preventative treatment for many illnesses will result in much more costly care later on.

Let’s Move Forward, Not Backward

Deficit reduction needs to happen, but it needs to happen in a responsible way that will protect both our economic recovery and our most vulnerable neighbors. Current proposals in Washington to slash Medicaid benefits will cause immense harm to Montana’s children, low-income families and people with disabilities. The healthcare provided through Medicaid maintains a healthy state with a productive workforce and school children who are able to learn and thrive. Furthermore, the proposed cuts to Medicaid could cause extensive harm to Montana’s recovering economy. Jobs will be lost, and much-needed income will be pulled from local economies across the state.

There are other choices available. Instead of slashing Medicaid, Congress can support a balanced approach to deficit reduction that includes revenues, closes tax loopholes, and exempts cuts that would increase poverty and inequality throughout the state and country.

Endnotes

1. Bureau of Labor Statistics, "Current Employment Statistics," June 2011, <http://www.bls.gov/sae/>.
2. Greenstein, Robert, "Greenstein Statement on the "Cut, Cap and Balance Act" That the House Will Consider on July 19," Center on Budget and Policy Priorities, July 16, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3537>.
3. Families USA, "Jobs at Risk: Federal Medicaid Cuts Would Harm State Economies," June 2011, <http://familiesusa2.org/assets/pdfs/Medicaid-Cuts-Hurt-State-Economies.pdf>.
4. The Families USA "Jobs at Risk" report is based on the latest version of an economic modeling tool known as the Regional Input-Output Modeling System, or RIMS II. Developed by the U.S. Department of Commerce. RIMS II has been used extensively for a variety of major projects calling for economic projections, such as military base closures, hospital and airport expansions, and the impact of natural disasters on regional economies. In preparing this report, Families USA worked closely with Richard Clinch, Director of Economic Research at the Jacob France Institute of the Merrick School of Business at the University of Baltimore.