



## NEWS RELEASE

For Immediate Release

September 19, 2008

Contact

Lincoln Nehring, JD or Judi Hilman

Work: (801) 433-2299

Cell: (801) 638-7695 / (801) 870-3887

### **Cutting Medicaid is Bad for Economy, at Cross-Purposes with Health Reform Goals**

Utah is facing a serious economic deficit, and the Legislature has been called into special session to shave \$200 million from the state budget. Some have suggested targeting Utah's Medicaid program as a way to save the state money. However, cutting Medicaid during hard times is exactly the wrong approach to addressing the state's revenue challenges.

Medicaid serves two critical functions during slow economic times. First, it provides an important safety net for Utah families as they work to find new jobs and regain financial stability. Second and equally important, a strong Medicaid program acts as a much needed economic stimulus for Utah. "In these hard times, we must remember the tremendous 'multiplier effect' of Medicaid on the economy as a whole," says Lincoln Nehring, Medicaid Policy Director of UHPP (*See Medicaid calculator below which models the full economic impact of proposed cuts*). "For every dollar Utah spends on Medicaid, the Federal government provides three additional dollars. Trimming our Medicaid program and telling the Federal government 'no' to this extra money will have dire consequences for the state's economic outlook and the overall health of our citizens."

Medicaid is the third largest health plan in the state. "As the economy falters, more and more Utahns will need this vital program to make it through to better times," adds Nehring. "If the state limits access to Medicaid for families in need, the state will not be curtailing the need for health care. Instead of accessing primary and wellness care, people will use expensive emergency rooms where care is provided regardless of ability to pay. This will amount to a hidden tax increase that will be passed onto businesses and hospitals, who will in turn pass them on to all of us. This will further damage the sputtering economy."

"In view of these facts, Medicaid should be held harmless in the current budget crisis," says UHPP Executive Director Judi Hilman. "What we need is a values-based budget directive that looks at areas of the budget to determine which cuts in services would not interfere with families' ability to weather the economic storm." One example is state libraries and archives. Given the state's AAA bond rating, it would also be appropriate at this time to go in for some bonding on roads and construction projects."

Further, rather than cutting Medicaid, Utah should take bold steps to make Medicaid more efficient. The state can realize immediate savings by strengthening its Preferred Drug List (PDL). Department of Health Officials this week stated that the state could save an additional \$1 million per-year by simply implementing

*For further info, contact Lincoln Nehring (801) 433-2299 or cell: (801) 638-7695 Email: [lincoln@healthpolicyproject.org](mailto:lincoln@healthpolicyproject.org)*

a prior authorization enforcement mechanism for the PDL. In addition, the state should create an intra-state bulk purchasing program for drugs which would allow the state's Medicaid program, prison system, and Public Employee Health Plan to band together to negotiate deeper savings. Lastly, the Federal government should help states weather this downturn by passing a stimulus plan that includes a temporary increase in the Federal Medicaid match rate (FMAP). This would amplify the economic stimulus benefit of Medicaid, pumping additional dollars into state economies.

### The Economic Impact of Across-the-Board Cuts to Utah Medicaid

For every \$1 Utah spends on Medicaid, the federal government contributes roughly \$3 more. Monies spent on Medicaid flow through the Utah economy supporting jobs and incomes for Utah workers. This income, in turn, generates economic activity along with tax revenue for state government. The Medicaid Impact Calculator\* below illustrates the harmful impact of across the board cuts to Medicaid. All told, a cut of \$6.7 million to Medicaid would translate to a loss of \$56 million in Federal Medicaid funding for 2007 alone. This level of funding supports 684 Utah jobs. These jobs would otherwise generate economic activity to the tune of roughly \$35.3 million.\*\* Against this background, UHPP joins with our community partners to ask that Medicaid be held harmless in the current state

	State General Funds	Federal Funds	Jobs Supported	Salaries / Wages	Economic Activity Lost	Tax Revenue (State and Local)
Proposed Medicaid cuts	\$6,700,000					
<b>Total</b>	<b>\$6,700,000</b>	<b>\$17,353,000</b>	<b>684</b>	<b>\$18,367,197</b>	<b>\$35,309,000</b>	<b>\$1,989,167</b>

\*Source: Jan Crispin-Little, "Economic Impact of Medicaid and CHIP on the Utah Economy," Bureau of Economic and Business Research, University of Utah, January 2003.

\*\*Please note: To obtain a more precise estimate of the impact of cuts on Utah's economy, we would need to update the Crispin-Little study so that the algorithm is based on more recent Medicaid and health sector information. Thus we consider this a very rough estimate of the impact of proposed cuts on Utah jobs and economic activity.

For further info contact Lincoln Nehring (801) 433-2299 or cell: (801) 638-7695

#### Utah Health Policy Project

455 East 400 South, Suite 312; Salt Lake City, Utah 84111  
[www.healthpolicyproject.org](http://www.healthpolicyproject.org)



#####