

## Medicaid Cuts Are Bad Medicine

### Medicaid Is a Boon to California's Economy

In 2005, California will spend just over \$36.9 billion on Medicaid. Of this, the federal government will contribute more than \$18.7 billion.<sup>1</sup> This \$36.9 billion dollar investment will give California's economy a shot in the arm—stimulating state business activity and creating new jobs. Because Medicaid spending has an economic multiplier effect, each \$1 million that California invests in Medicaid results in nearly \$2.3 million in new business activity and more than 18 newly created jobs.<sup>2</sup>

### Medicaid Is Essential to California's Health Care Infrastructure

A substantial portion of California's health care industry relies on Medicaid spending. Hospitals, nursing homes, and community health centers all depend on the Medicaid funds flowing into them to keep their doors open. In 2002, Medicaid payments infused California's hospital system with nearly \$6.5 billion.<sup>3</sup> In addition, Medicaid is the primary payer for 66 percent of California's certified nursing facility residents.<sup>4</sup> Any cut in Medicaid funding will have a profound effect on the economic viability of California's health care system.

### Medicaid Offers a Helping Hand to California's Most Vulnerable

In California, Medicaid provided essential health services to more than 8 million people in 2000. Of these, nearly 3.2 million were children, just over 772,000 were people with disabilities, and nearly 752,000 were elderly.<sup>5</sup> For those in rural California, particularly the elderly, Medicaid provides access to health care that they might otherwise have to go without. Children, people with disabilities, and the elderly—these are California's most vulnerable groups. Ensuring that they have access to health care is the right thing to do.

### Medicaid Provides Help in Desperate Times

Medicaid is essential to the security of California and the United States as a whole. In times of need, Medicaid provides a cushion to protect both citizens and the economy. Medicaid is ready to respond to any sort of event—a terrorist attack, economic downturn, natural disaster, or public health catastrophe—that increases the need for health services and disrupts the economy. In the days and weeks following September 11, 2001, Disaster Relief Medicaid came to the aid of nearly 350,000 New Yorkers.<sup>6</sup> California's security hangs in the balance—will Medicaid be able to respond to such events in the future?

### Medicaid Reduces the Number of Uninsured

Any cut in Medicaid funds will leave many Californians uninsured. In 2003, the Administration proposed cuts that would have resulted in thousands of Californians and other Americans losing coverage and becoming uninsured. The nation's Governors—from both parties—voiced such strong opposition that the proposal was shelved.

## Endnotes

<sup>1</sup> U.S. Department of Health and Human Services, FY 2005 CMS-37 summary table of Medicaid and SCHIP budget estimates, February 2004 submission.

<sup>2</sup> Rachel Klein, Kathleen Stoll, and Adele Bruce, *Medicaid: Good Medicine for State Economies, 2004 Update* (Washington: Families USA, May 2004).

<sup>3</sup> U.S. Department of Health and Human Services, CMS-64 Medicaid Financial Management Report, FY 2002.

<sup>4</sup> Kaiser Family Foundation, State Health Facts Online, "Percent of Certified Nursing Facility Residents by Primary Payer Source, 2002."

<sup>5</sup> Kaiser Family Foundation, State Health Facts Online, "Distribution of State Medicaid Enrollees by Enrollment Group, 2000."

<sup>6</sup> Michael Perry, *New York's Disaster Relief Medicaid: Insights and Implications for Covering Low-Income People* (Washington: Kaiser Commission on Medicaid and the Uninsured and United Hospital Fund, August 2002).