

Medicaid in Washington State: A Vital Link

Bob Crittenden, MD, MPH; Jeff Huebner, MD and Hugh W. L. Ewart, MSc

October 2005

American Academy of Pediatrics, Washington Chapter • Association of Washington Public Hospital Districts • Children's Alliance
Children's Hospital & Regional Medical Center • CHOICE Regional Health Network • Community Health Network of Washington
Group Health Cooperative • Harborview Medical Center • Health Coalition for Children and Youth • Healthy Mothers, Healthy Babies
King County Health Action Plan • King Country Medical Society • League of Education Voters • League of Women Voters of Washington
Lutheran Public Policy Office of Washington State • National Multiple Sclerosis Society, Greater Washington Chapter
Seattle - King County Public Health • SEIU Local 775 • SEIU Local 1199 NW • SEIU Washington State Council
United Food & Commercial Workers • Washington Academy of Family Physicians • Washington Association of Churches
Washington Association of Community & Migrant Health Centers • Washington Citizen Action • Washington Dental Service Foundation
Washington Education Association • Washington for Health Care • Washington Rural Health Association
Washington State Association of Local Public Health Officials • Washington State Hospital Association • Washington State Labor Council
Washington State Medical Association • Washington State Nurses Association • Washington State PTA • Washington State Public Health Association

Executive Summary

Question: When does cost-cutting cost more? *Answer:* When cuts are based on faulty premises and specious logic. Congress is considering at least a \$10 billion cut to the Medicaid program over the next five years. If approved, those cuts represent more lives lost, an increase in costs borne by working people when they buy insurance, a loss of jobs and a huge financial hit to Washington State businesses. The reality is that Medicaid is integral to a healthy, productive workforce; forms the backbone of many rural economies in Washington; and is the primary healthcare insurer of our state's sick, elderly and disabled.

What does Medicaid look like? A Seattle man with Multiple Sclerosis gets up daily and goes to his work. A Walla Walla child starts school this year with her immunizations, normal hearing and teeth intact. A pregnant Enumclaw woman with diabetes is working to keep her family in a home and fed. These are the faces of Medicaid.

Cuts to Medicaid both hurt people and increase the cost paid by individuals, businesses, and the already beleaguered Washington State budget. Medicaid is more than a health insurance program. It is a vital link in our economy, supporting working families and local businesses by creating jobs, keeping workers healthy and sheltering business owners and consumers from unwieldy increases in health care costs.

To sum up: Working for Health conducted an analysis of the impact of the proposed Medicaid cuts on the people and economy of Washington State. Our analysis shows that imposition of these proposed cuts will have negative consequences for Washington families. First, we can expect an increase in premature deaths (a number that already exceeds 200) among people who lack affordable health care. Second, we can expect an increase in the \$380 million in health care costs now being borne by people with health insurance. In fact, the burden on every insured family to cover the costs of people without coverage would rise from the more than \$1200 they now pay. Finally, under the scenario where the \$10 billion in federal Medicaid spending reductions being proposed are applied evenly to all Medicaid programs, our state likely would experience a yearly loss of over 570 jobs, over \$24 million in lost wages, and \$50 million in lost business activity.

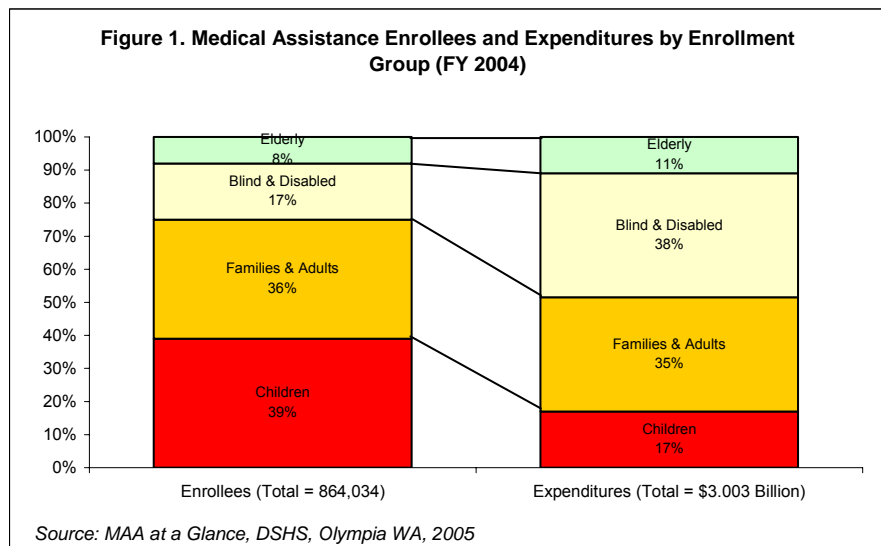
Conclusion: Proposed Medicaid cuts represent an enormous personal and financial burden disguised as savings.

Introduction

As Congress contemplates cutting Medicaid by at least \$10 billion over the next five years, it is important for people in the State of Washington to understand what the real impact of those proposed cuts could look like. Soaring health care costs impact all of us, and Working for Health recognizes the tremendous pressure to find ways to reduce these expenditures and make the health care system function more efficiently and effectively. The challenge facing all of us is how to make real improvements that do not hurt working families, vulnerable people, local wage earners, and local businesses

The Working for Health Coalition analyzed the potential impact of a \$10 billion Medicaid cut on health, employment and business activity in our state. Since Congress is yet to approve legislation specifying exactly what shape the funding reductions will take, we calculated impacts on employment and economic activity based on a scenario whereby the \$10 billion federal cut to Medicaid is spread evenly among every county in Washington State.

It is important to understand what Medicaid actually does. The program purchases health services in the private market for the lowest income children and their mothers as well as the blind, disabled, and elderly poor. Medicaid does not provide income support and it covers few healthy adults. Affordable health insurance is not available in the individual or traditional employer-based market for these people, even though a majority of beneficiaries are either employed or are dependents of employed people. In fact, only dependents of working people—mothers and their children—have been added to the rolls of Medicaid in the past 17 years.¹ Figure 1 provides a snapshot of the people enrolled in Medicaid.



Analysis

The Current Situation

Fewer working people can now afford health insurance as the cost increases and fewer employees are enrolled in company health plans. In 2004, only 53% of private industry workers were enrolled in their company’s health plan—this percentage was even lower (40%) for low-wage workers that make less than \$15 per hour.² Employee affordability is the main factor limiting enrollment. These same low-income workers already pay a higher proportion of their income toward health care costs—about 17% of their income versus less than 5% of income for most other employees.³ The decrease in small businesses offering health insurance to their employees from 68% in 2000 to 59% today explains why employees of small businesses have an increasingly difficult time securing health insurance.⁴ According to the 2004 Washington Population Survey, nearly 10% of Washingtonians,

¹ MAA at a Glance, DSHS, Olympia WA, 2005

² National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2003. US Bureau of Labor Statistics. Accessed at <http://www.bls.gov/ncs/ebs/sp/nr2003table1.pdf>, 5th October 2005.

³ US Bureau of Labor Statistics, 2004.

⁴ "Employer Health Benefits: 2005 Summary of Findings." Kaiser Family Foundation and Health Research and Educational Trust.

more than 600,000 people, are uninsured.⁵ That number would be much larger if employed people and their dependents had not been able to access Medicaid over the past two decades.

What Happens When Medicaid is Cut?

Medicaid cuts will affect health status, productivity, and business activity. Losing Medicaid health coverage will increase the number of premature deaths in the State of Washington. We already know that more than 200 people die prematurely each year because they are uninsured.⁶ That number is expected to increase if more people are removed from the rolls of coverage.

Adults and children without coverage do not get needed preventive care. A \$40 cost per year to Medicaid for children's oral health is converted to a \$3,500-\$4,500 dental care cost—the fifth most common reason for hospitalization at Children's Hospital and Regional Medical Center in Seattle. Losing access to interventions for health risks will decrease the ability of children to learn⁷, increase absenteeism at work, and make working people more unproductive when they are at work.⁸ Decreasing health risks increases productivity, decreases absenteeism and increases productivity.⁹

Every family in Washington pays about \$1200 per year in health care costs to pay for the people who cannot afford their care—mainly uninsured and underinsured people.¹⁰ If fewer people are employed or eligible for Medicaid, these costs will increase.

Medicaid plays a significant role in the economy of many communities. It is one of the main conduits of support for local working people, their dependents and local hospitals and nursing homes. Many counties, particularly those in rural and Eastern Washington, are heavily dependent on Medicaid to provide insurance for dependents of working families, salaries for health workforce personnel, and the economic activity generated by those wages.

If the proposed \$10 billion cut to Medicaid is made in Washington, DC and these cuts are spread evenly among all Washington State counties evenly, our state will lose \$31 million every year for the next five years. Importantly, about 570 Washingtonians serving these people will lose jobs, and \$50,000,000 in economic activity will be lost yearly. Spokane County itself will lose nearly 50 jobs and nearly \$5,500,000 in economic activity. Yakima County will lose approximately 41 jobs and almost \$4,500,000 in economic activity. King County will lose nearly 140 jobs and \$15,600,000 in economic activity. County level impacts are listed in Table 1 below.

When public health programs pay less, we all pay more

There is compelling evidence that any cuts to health programs, yield only minimal associated savings. The uninsured and poorly insured continue to get sick and consume health care dollars to receive needed medical attention. When public health programs like Medicaid get cut, the cost to private payers to cover expenses for the uninsured and under-insured goes up proportionally. The rest of us all pay more. Providers pass along the cost of these unpaid bills to all businesses and individuals that pay for health services. These costs are embedded in increased premiums, co-pays, prescriptions and other health services. The cost implications on private payers are evident in Figure 2.¹¹ When public programs pay less, private payers pay more. This doesn't begin to reflect the

⁵ "The Uninsured Population in Washington State." 2004 Washington State Population Survey. February 2005. Accessed at <http://www.ofm.wa.gov/researchbriefs/brief031.pdf>, 5th October 2005.

⁶ Figure extrapolated from national data for Washington State from national report. *Care without coverage: too little, too late*. Institute of Medicine. May 2002.

⁷ Schwarz C, Lui E. *The Link between school performance and health insurance*. Consumers Union. October 2000. <http://www.healthykidsproject.org/publications/HIRResearch.pdf>, 6th October 2005.

⁸ Boles M, Pelletier B, Lynch W. *The relationship between health risks and work productivity*. *Journal of Occupational and Environmental Medicine*. 2004;46:737-745.

⁹ Pelletier B, Boles M, Lynch W. *Change in health risks and work productivity over time*. *Journal of Occupational and Environmental Medicine*. 2004;46:746-754.

¹⁰ Paying a Premium: The Added Cost of Paying for the Uninsured, Families USA Foundation, 2005

¹¹ The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2003,

Table 1. Impact on Washington of \$10 billion Reduction In Medicaid

County	Job Loss	Wages Lost	Business Loss
ADAMS	3.2	\$134,655	\$362,147
ASOTIN	2.8	\$118,300	\$318,159
BENTON	14.2	\$589,805	\$1,586,242
CHELAN	8.8	\$366,475	\$985,610
CLALLAM	4.37	\$288,181	\$775,044
CLARK	35.4	\$1,471,476	\$3,957,436
COLUMBIA	0.2	\$9,858	\$26,513
COWLITZ	11.8	\$490,699	\$1,319,703
DOUGLAS	3	\$123,577	\$332,353
FERRY	1.8	\$71,224	\$191,551
FRANKLIN	9.6	\$396,523	\$1,066,421
GARFIELD	0	\$2,514	\$6,762
GRANT	11.8	\$491,894	\$1,322,917
GRAYS HARBOR	8.6	\$357,339	\$961,038
ISLAND	3.2	\$133,510	\$359,067
JEFFERSON	2.2	\$939,774	\$252,746
KING	139.4	\$5,803,627	\$15,608,460
KITSAP	16.2	\$678,007	\$1,823,455
KITTITAS	3.6	\$153,202	\$412,026
KLICKITAT	2.4	\$97,238	\$261,517
LEWIS	9.2	\$386,167	\$1,038,569
LINCOLN	0.8	\$32,189	\$86,570
MASON	5.6	\$229,131	\$616,232
OKANOGAN	6.4	\$263,610	\$708,961
PACIFIC	2.4	\$99,529	\$267,677
PEND OREILLE	1.8	\$70,975	\$190,882
PIERCE	63.2	\$2,630,598	\$7,074,817
SAN JUAN	0.6	\$22,082	\$59,387
SKAGIT	12.8	\$535,958	\$1,441,423
SKAMANIA	0.8	\$35,649	\$95,876
SNOHOMISH	44.4	\$1,846,714	\$4,966,613
SPOKANE	49.6	\$2,064,144	\$5,551,377
STEVENS	5.4	\$221,662	\$596,146
THURSTON	16.8	\$700,462	\$1,883,846
WAHKIAKUM	0	\$3,037	\$8,168
WALLA WALLA	6.4	\$269,286	\$724,227
WHATCOM	18	\$748,534	\$2,013,132
WHITMAN	3.4	\$141,327	\$380,090
YAKIMA	41	\$1,701,354	\$4,575,676
UNSPECIFIED CO.	1.2	\$46,553	\$125,201
Total	572.37	\$24,766,839	\$64,334,037

*Uses data for Month of June 2005, by County, State of Washington Department of Social and Health Services Health and Recovery Services Administration, June 2005.

*Medicaid: Good Medicine for State Economies: 2004 Update, a report by Families USA, Tables 1 and 2, May 2004.

hidden costs in lost lives and wages—the real costs of cost-cutting go beyond the cost of health care.

This is an unacceptably inefficient way to care for people. People have difficulty accessing care without incurring unaffordable bills. The cost is shifted directly to those people who do pay for health insurance or health care services. We currently pay more than \$380 million for costs shifted to us for the care of uninsured and underinsured people.¹² That number will increase if further cuts are made. Add to this increasing cost the decrease in productivity caused by poor educational outcomes and any possible savings quickly erodes. The unfortunate outcome is that, with increasing cost of health insurance and decreased productivity of the work force, fewer employers will be interested or able to afford insurance for their employees.

What are the Policy Choices?

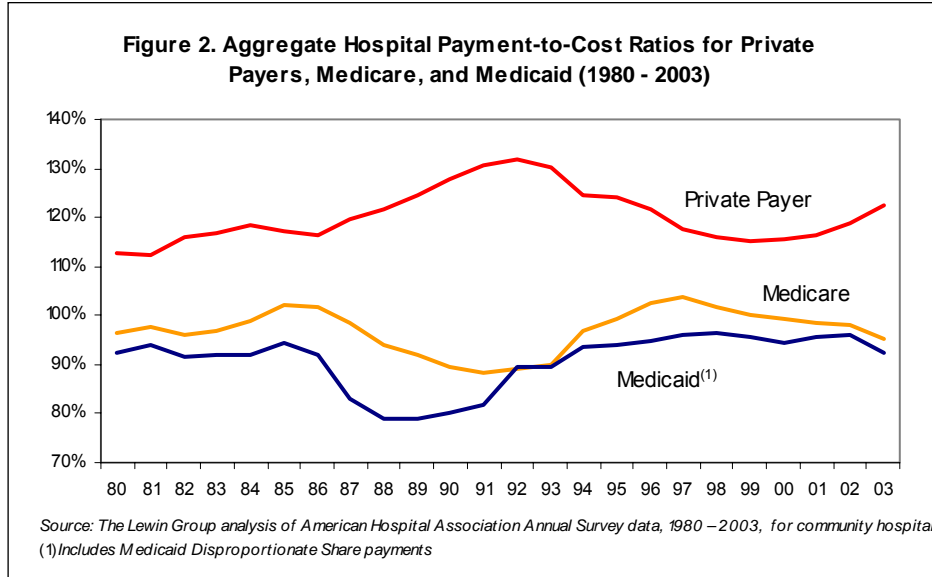
1. The rate of cost inflation in Medicaid can be controlled—when we control the costs in our health care system. Medicaid costs per person are rising slower than costs in the rest of the health care system. The overall system is inefficient, has high administrative costs, uses a lot of unnecessary services, and can do better.
2. Cutting Medicaid is bad for your pocket book, the vulnerable people covered by Medicaid, and the productivity of business. While it is often an easy choice to cut care for the vulnerable, controlling costs is a shell game if sick and vulnerable people are left out—they still cost us money.

¹² "Report release on why not insuring everyone is costing you over \$318 million." Washington Insurance Commissioner, July 2004. <http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?offset=40&rcdNum=415>, 5th October 2005.

- There are ways to control the health care costs that we all face—if we work together.

Summary

Medicaid is a vital part of our health system and it is a major part of our economy. Cutting Medicaid hurts vulnerable people, negatively impacts the economy in all communities in the state, and drives health care costs up. If we do cut Medicaid, are we prepared to live with the consequences -- the decrease in health status, the increase in early death of a vulnerable population, and a decrease in jobs and economic activity in our communities?



How important is our health, our economy and our community?

Who We Are: The Working for Health Coalition is broad group of organizations that are focused on making sure all people including children in Washington State have affordable access to needed personal and public health services for vulnerable people.