

Medicaid Essential to New Mexicans' Welfare

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The Journal reported Friday that state Medicaid funding faces a big challenge for the upcoming fiscal year 2012. Medicaid is so important both to our citizens' health and to the state's economy that the Legislature and new governor must rise to the challenge of finding a way to fully fund this essential health program and all New Mexicans should support them.

Medicaid provides vital health care services for 550,000 people — more than one-quarter of New Mexico's population. More than half of those in the program are children, who get the health care they need to go to school and grow up to be good citizens.

Medicaid pays for half of all births in the state and more than half of all nursing and long-term care for elderly and disabled citizens. Medicaid funding is critical all over the state, but especially at our major hospitals, at nursing homes, and in rural areas.

But a lot of people don't realize that Medicaid is also a major driver of the state's economy.

The majority of Medicaid services are paid for with federal dollars. The huge influx of federal Medicaid dollars supports tens of thousands of jobs that would not otherwise exist. In fiscal year 2010, the state made a significant contribution to Medicaid funding — about \$760 million. But the feds matched this with \$3 billion.

This match supported an estimated 58,000 jobs, many of them in rural areas with high unemployment.

These health care jobs are mostly in the private sector (or at the University of New Mexico's Health Sciences Center), and when health care

employees get paid, they spend their salaries in their local communities, generating even more economic activity. Our economy has suffered in the recession, but things would have been far worse without the Medicaid program.

Beginning in 2014, Medicaid is going to do even more for the New Mexico economy.

Under the federal health care reform act, Medicaid will be expanded to cover all low-income adults, most of whom are not presently covered by any kind of insurance. The federal government will pay all of the cost for the first few years and most of the cost thereafter.

This will result in an additional flow into the state's economy of millions every year.

By 2020, when this is all phased-in, the state cost for this expansion will be a little over \$100 million a year, but the feds will be matching this nine to one. So our \$100-plus million will bring in about a billion new federal dollars every year. Because of the federal match, New Mexico will be able to provide health insurance for 150,000 to 200,000 very low-income adults for about \$750 per year in state funds — an incredible bargain.

This Medicaid expansion will produce another huge economic boost to the state.

This \$1 billion per year of new federal Medicaid funds will support about 19,000 new jobs. Hospitals, physicians, nurses and other providers all over the state will see a big increase in the number of their patients who are insured. This means a significant decrease in the services they currently provide for free (called "uncompensated care," which amounted to an estimated \$335 million in 2008). This will help provide a more stable funding stream for health care providers, especially in rural areas

where the lack of health insurance is extremely common.

But here's the problem.

From 2011 to 2014, the federal matching rate will decline substantially as federal stimulus money ends. Because this is such a large program, a 10 percent decrease in federal funding means the state will have to come up with more than \$300 million per year in new state money to keep providing the same level of medical services. Moreover, enrollment is bound to keep growing until the economy is back on its feet, and medical costs always increase from year to year.

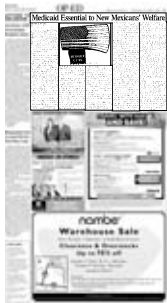
As reported in the Journal on Friday, the state currently estimates that the new funds needed are a minimum of \$360 million. But the federal multiplier effect works both ways. For every dollar we fail to replace, we will lose \$2.35 in federal money.

If we fail to restore \$10 million in state dollars, the loss of federal funds would mean service to Medicaid clients would have to be reduced by \$33.5 million — at a time when enrollment and costs are continuing to grow. Shortfalls like this would really hurt our health care providers, reducing our capacity to handle the new patients who will be covered by Medicaid starting in 2014.

State policy-makers know these facts and the Legislature has been very good these past two years about holding the Medicaid program steady, although it was made easier by federal stimulus funds.

Now that those funds are ending, we citizens are going to have to be understanding when the Legislature and the next governor look for new revenue to fill this gap to keep our health care and our economy on track.

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