



**Nebraska Appleseed Center
For Law in the Public Interest
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THE ECONOMICS OF MEDICAID

MEDICAID IS A BOON TO NEBRASKA'S ECONOMY AND HEALTHCARE INFRASTRUCTURE.

- In 2004 Medicaid provided essential healthcare to 197,154 Nebraskans each month. This included 125,298 children, 27,546 people with disabilities, and 18,294 seniors.¹
- In 2005 Nebraska will spend nearly \$1.6 billion on Medicaid. This huge sum will give Nebraska's economy a shot in the arm-stimulating state business activity and creating new jobs. Medicaid spending has an economic multiplier effect, each \$1 million that Nebraska invests in Medicaid results in nearly \$2.9 million in new business activity and nearly 32 newly created jobs.²
- Medicaid is an essential element of Nebraska's healthcare infrastructure. Hospitals, nursing homes, and community health centers all depend on Medicaid funds to keep their doors open. In 2002, Medicaid payments infused Nebraska's hospital system with nearly \$196 million.³ Furthermore, Medicaid is the primary payer for 52 percent of Nebraska's certified nursing facility (nursing home) residents.⁴

WHY HAVE MEDICAID COSTS INCREASED?

- **Decrease in Employer-Sponsored Coverage:** In Nebraska only 43% of employers offer health insurance to their employees.⁵
- **Health Care Inflation:** Health care costs have grown dramatically over the past five years. Average health care spending per capita in the private market has grown 12.6% since 2000.⁶ Medicaid has actually contained health care inflation better than the private market by keeping growth to 4.5%.⁷ Prescription drug costs are the primary driver behind growing health care costs and are projected to increase another 10.8% over the next eight years.⁸
- **Economic Downturn:** Medicaid is a counter-cyclical program, which means the number of people accessing the program increases as the economy enters a downturn. The recent economic downturns that have plagued the state and national economies caused a modest increase in the number of people accessing Medicaid.
- **An Aging Population:** Medicare does not cover all of the health care needs of seniors. Specifically, Medicare does not provide coverage for nursing home care. Low-income seniors rely on Medicaid to cover the costs of nursing home care. In fact, Medicaid is the major payer of nursing home care in the U.S. paying for 49% of total nursing home spending in 2003.⁹ As the "baby boom" generation reaches retirement, the number of seniors accessing Medicaid for nursing home care will continue to increase.

¹ Dick Nelson, Nebraska Department of Health and Human Services, testimony before the Health and Human Services Committee of the Nebraska Legislature, February 9, 2005."

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

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

⁴ Kaiser Family Foundation, State Health Facts Online, "Distribution of State Medicaid Enrollees by Enrollment Group 2000."

⁵ Dick Nelson, Nebraska Department of Health and Human Services, testimony before the Health and Human Services Committee of the Nebraska Legislature, February 9, 2005.

⁶ Congressional Budget Office historical data and Fact Sheets; Kaiser/HRET Health Benefits 2004; OMB Analytic Perspectives 2004.

⁷ *Id.*

⁸ National Health Accounts for 2002, data published February 2004.

⁹ *Id.*