



## **Economic Impacts of Cutting Arizona Medicaid**

Unlike many other state-funded expenditures, for every state dollar spent on Medicaid there is a match by the federal government (often in the ratio 1:2 or higher, state to federal). Thus the total impact of cuts in Medicaid expenditure by the state on the Arizona economy is far greater than the state-determined reduction alone would indicate following any state cut. (ASU, Siedman Research Institute, W.P. Carey School of Business)

### **Cumulative Economic Impact of Excluding the Prop. 204 Expansion Group from Medicaid**

“Due in large part to federal matching criteria that does not generally otherwise occur in many other areas of state expenditures, cuts in state-funding for healthcare programs such as Medicaid inevitably lead to amplified negative economic impacts on the Arizona economy.” (ASU, Siedman Research Institute, W.P. Carey School of Business)

“In the first year that reduced funding is assumed, Arizona employment would be approximately 30,000 lower relative to the baseline of no change. Real Gross State Product (GSP) would be lower relative to the baseline by approximately \$2.5 billion (2010\$), real disposable income would be lower relative to the baseline by approximately \$1.35 billion (2010\$) and the Arizona population would be lower relative to the baseline by approximately 8,200.” (ASU, Siedman Research Institute, W.P. Carey School of Business)

“Examining employment at a more disaggregated level (Table 7), the healthcare sector would suffer the majority of the reduction in employment due to the concentration of Prop. 204 expenditures in the healthcare sector. This amounts to approximately 13,600 jobs in year one (45 percent of the total reduction in employment).” (ASU, Siedman Research Institute, W.P. Carey School of Business)



“Other sectors, such as construction, administrative and waste services and the retail trade would also suffer significant reductions in employment: combined, these 3 sectors account for 27 percent of the total reduction in employment.<sup>20</sup> By year 20, the healthcare sector would still have an employment level 6,000 jobs below baseline levels. Overall, private sector non-

farm employment would be 16,000 below the baseline case.” (ASU, Siedman Research Institute, W.P. Carey School of Business)

“The reduction in state-wide employment is caused by the reduction in economic activity associated with (amplified) reduced healthcare expenditures. For instance, healthcare workers who would lose their jobs, thus suffering a reduction in income, would spend less money in the Arizona economy. Also the reduction in economic activity is further dampened



by the reduction in population growth as some Arizonans seek employment and a higher quality of life elsewhere and/or individuals who previously would have migrated to Arizona decide not to do so.” (ASU, Siedman Research Institute, W.P. Carey School of Business)

### **Bottom Line**

“It is important to note that state-funded healthcare expenditures via programs such as Medicaid receive a federal match – often in ratios of 1:2 (state to federal). This federal matching does not occur in many other areas of state expenditures. Thus, cuts in state-funding for healthcare programs such as Medicaid inevitably lead to amplified negative economic impacts on the overall Arizona economy once the loss in matching federal funds are incorporated.” (ASU, Siedman Research Institute, W.P. Carey School of Business)