



National
Association
of Public
Hospitals
and Health
Systems

30
YEARS

Transforming American Health Care

PolicyBrief

OCTOBER 2011

1301 Pennsylvania Avenue, NW, Suite 950
Washington, DC 20004
202 585 0100 tel / 202 585 0101 fax

www.naph.org

Bruce Siegel, MD, MPH
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Safety Net Health Systems: Keeping Americans Healthy and Working

Over the years, social safety net programs have ensured that the most vulnerable in our country have access to crucial health and social services. Those most in need turn to these programs — and specifically to Medicaid — to get the care they need to stay healthy and working. Children, pregnant women, the disabled and the elderly, in particular, rely on Medicaid for care and services they may not otherwise be able to afford. By preventing illness, managing chronic conditions and providing rehabilitative services to millions of people, Medicaid is a vital part of the nation's safety net.

With unemployment hovering around 9.1 percent, millions of Americans are currently out of work.¹ For many, the loss of a job results in the loss of health insurance.² In this economic environment, safety net programs such as Medicaid are

increasingly important. Nearly 60 million Americans currently rely on the Medicaid program for their health care coverage.

The National Association of Public Hospitals and Health Systems (NAPH) represents the nation's largest metropolitan area safety net health systems — the leading providers of care to Medicaid beneficiaries and the uninsured. NAPH members are often the only providers available to these populations in their communities. The Medicaid program has allowed NAPH members to provide essential services to vulnerable people — often at a lower per beneficiary cost than private insurance.³ However, NAPH member health systems do more than offer services to keep Americans healthy and working, they provide vital support to the economic health of the communities they serve.

Impacting Local and State Economies

NAPH members create jobs and purchase services, supplies and equipment from vendors. They also train doctors, nurses and other health care professionals. Through these activities, NAPH members inject economic life into their communities. An analysis conducted by NAPH shows that NAPH members contributed a total of more than \$120 billion in FY 2009 to their respective state economies. As shown by selected states in Table 1, NAPH member health systems' impact on their respective state economies is substantial.

Keeping Americans Working

NAPH members not only keep their communities healthy and drive economic activity, they are also often the largest employers in their regions. Even in the midst of the recession, an analysis conducted by NAPH shows that NAPH member health systems play an important role as employers. In FY 2009, NAPH members

contributed to more than 800,000 jobs nationally. As shown for selected states in Table 2, thousands of American workers across the country rely on NAPH member health systems for their personal financial stability as well as their health.

An Uncertain Budgetary Future

As the United States continues to struggle through the economic downturn and a ballooning national budget deficit, federal and state governments are now facing difficult decisions on how to stimulate the

economy while reducing spending. Medicaid makes up a significant portion of the federal and state budgets, which makes it a target for lawmakers looking for budgetary savings.

Without the continued support from federal funding of the Medicaid program, NAPH members will struggle to provide the essential services and economic strength their communities need. Safety net health systems recognize the need to rein in federal health care spending but warn that cuts in the funding streams for the Medicaid program harm the communities and patients they serve.

TABLE 1 Effect of NAPH Member Hospital Expenditures in Select States, FY 2009	
State	Effect of Hospital Expenditures on Total Output in State Economy (in millions)
Arizona	\$1,194
California	\$22,822
Kentucky	\$1,558
Massachusetts	\$7,129
Michigan	\$809
Nevada	\$1,148
New York	\$18,301
Ohio	\$4,966
Texas	\$10,494
Washington	\$2,984
SOURCE NAPH analysis of FY 2009 American Hospital Association and Bureau of Economic Analysis RIMS-II data.	

TABLE 2 Effect of NAPH Member Hospitals on Total Jobs in Selected States, FY 2009	
State	Effect of NAPH Hospitals on Total Jobs in State Economy
Arizona	11,733
California	133,814
Kentucky	9,547
Massachusetts	49,590
Michigan	5,179
Nevada	7,720
New York	109,409
Ohio	41,703
Texas	65,256
Washington	25,138
SOURCE NAPH analysis of FY 2009 American Hospital Association and Bureau of Economic Analysis RIMS-II data.	

A recent study conducted by Families USA projected the impact of federal Medicaid spending cuts on state employment and economies.⁴ Even a 5 percent reduction in federal Medicaid spending would cause states to lose almost \$14 billion, and in some states, this loss would have grave consequences. States such as **California** (\$3.7 billion), **Texas** (\$2.1 billion), **Pennsylvania** (\$1.5 billion), **Ohio** (\$1.2 billion), **Massachusetts** (\$1.0 billion) and **Michigan** (\$861.9 million) face the largest potential loss of business activity if a 5 percent cut is implemented.⁵ Decreased business activity will lead to job losses, and these states could also see the largest losses in that area: **California** (28,440 jobs), **Texas** (18,160 jobs), **Pennsylvania** (12,230 jobs), **Ohio** (11,270 jobs), **Michigan** (7,670 jobs) and **Massachusetts** (7,600 jobs).⁶ Such a drastic reduction would stifle business activity and job creation in states already struggling through the recession.

These projected figures demonstrate the severity of the impact of cuts in federal Medicaid spending. As most states are constitutionally required to balance their budgets, it is not easy for states to replace federal funding cut from the Medicaid program. States across the country have faced budget shortfalls that have resulted in large spending cuts to their own Medicaid programs. As a result, health care providers have been forced to provide care to the growing population

of vulnerable Americans with less funding, which means scaling back on programs that help patients and provide jobs and economic activity.

To address budget shortfalls, states have implemented varying levels of cuts, many of them substantial, to their Medicaid programs:

- In FY 2010, as a result of the fiscal pressures from the recession, states nationwide made a total of almost \$2 billion cuts to Medicaid to meet budget obligations. An additional \$470 million was cut in FY 2011.
- In **Arizona**, providers saw \$51 million in Medicaid cuts for FY 2010 and \$17 million in FY 2011. A projected \$630 million in cuts has been proposed for FY 2012.
- **California** enacted around \$100 million in Medicaid cuts in FY 2011 and faces a projected need for almost \$2 billion in cuts for FY 2012.
- **Montana** faced a reduction in state Medicaid funding of \$4.8 million in FY 2011.
- In FY 2010, the state of **New York** decreased its health care spending by \$779 million, with the bulk of the cuts coming out of the Medicaid program. For FY 2011–2012, state initiated measures and caps will reduce Medicaid spending by \$2.85 billion.
- In FY 2010, **Pennsylvania** slashed its Medicaid program by \$23.9 million, only to follow in FY 2011 with an additional \$16.5 million in cuts.

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- **Texas** faces a projected reduction in its Medicaid funding of more than \$3.5 billion for FY 2012.
- In **Washington**, \$43 million in Medicaid cuts were made in FY 2010, followed by an additional \$52.7 million in cuts in FY 2011.
- In FY 2010, **Illinois** cut \$140 million, **Kentucky** cut \$425 million, **Maryland** cut more than \$127 million and **South Carolina** cut \$70.5 million from its Medicaid program.

Safety Net Health Systems: Key Factors in the Economic Health of the United States

Cuts in the Medicaid program, at the federal and state levels, have a devastating effect on national and state economies, employment and the health of the nation’s needy populations.

Safety net health systems acknowledge that there is room to contain costs and increase quality and

efficiency in the Medicaid program, without sacrificing care for the nation’s most vulnerable. Recognizing that there is no straightforward way to achieve savings, NAPH member health systems stand ready to work with policymakers and share innovative ideas to advance the Medicaid program so that they may continue to serve Americans during both good and bad economic periods.

Safety net health systems not only provide care that millions rely on, but also contribute job opportunities and vitality to their state economies. By keeping Americans healthy and working, safety net providers demonstrate their vital importance to our nation. As Congress, the administration and state governments consider spending cuts to meet budget obligations, it is important to recognize how critical the safety net is during the current fiscal crisis, and the crucial role it will play as the nation moves toward a reformed health care delivery system. ■

Notes

1. Bureau of Labor Statistics, The Employment Situation: August 2011, available at www.bls.gov/news.release/empsit.nr0.htm

2. The Kaiser Commission on Medicaid and the Uninsured, *Medicaid, SCHIP, and Economic Downturn: Policy Challenges and Policy Responses*, April 2008.

3. Center on Budget and Policy Priorities, *Medicaid Block Grants or Funding Caps Would Shift Costs to*

States, Beneficiaries, and Providers, Would Also Unravel Health Reform Law, January 2011.

4. Families USA, *Jobs at Risk: Federal Medicaid Cuts Would Harm State Economies*, June 2011.

5. Ibid.

6. Ibid.