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Economic Impacts of Federal Medicaid and CHIP Expenditures on Mississippi's County Economies, 2003, Revised

INTRODUCTION

Medicaid was established as a cooperative program between federal and state governments to provide financial support for the medical expenses of low-income families. State funding is "matched" by contributions from the federal government. The matching rate is based on the state's average per capita income relative to the national average; states with lower per capita incomes receive a larger proportion of federal matching funds. Medicaid is an entitlement program with no cap on the federal funds available to individual states. In 2003, for every dollar spent on Medicaid by the state government, the federal government provided an additional \$3.39. This means that Mississippi has a Federal Medical Assistance Percentage (FMAP) of 77.23% for Medicaid. In addition, Mississippi has elected to participate in the State Children's Health Insurance Program (CHIP), which extends coverage to a greater number of uninsured children. For each state dollar spent on CHIP in 2003, the federal government matched it with an additional \$5.11. Mississippi has a FMAP of 83.63% for the CHIP program. Since tax collections from Mississippi account for less than 0.5% of the overall federal revenues, almost all the federal matches for Medicaid and CHIP can be viewed as a net inflow of new funds to the state.

ECONOMIC IMPACT

While the intent of these programs is to help those in need, Mississippi's counties also benefit from increased economic activity. The flow of federal funds into the state sparks a chain of economic reactions that ripples through Mississippi's counties. Households, businesses, and the government are linked by their various economic activities within a county. Households purchase final goods and services (output) from businesses. Businesses and the government hire workers in the labor market and purchase inputs from other businesses. The impacts of the federal injections into the county economies can be quantified as changes in output, changes in personal income, and changes in employment within each county.

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The initial inflow of federal funding affects the recipient industries directly. For example, the health services sector of a county receiving Medicaid matching funds benefits directly from that inflow. As the local health sector expands, more intermediate goods and services will be purchased from other local businesses; this is called the *indirect effect* of the initial spending. As economic transactions between businesses increase, more workers are employed, which results in greater household incomes. As households spend their additional income within the county, it sets off another chain reaction of activity called the *induced effect*. The sum of the direct, indirect, and induced effects provides the total impact on the local economy associated with the federal match. The value of the federal Medicaid and CHIP funds going to each county and the associated impacts are presented in Figure 1.

In 2003, Medicaid and CHIP expenditures for the state's 82 counties totaled \$2.33 billion. Those counties with the greatest amount of health care infrastructure and the largest number of CHIP recipients received the largest shares of that amount.¹ For example, Hinds and Harrison counties received 14.01% and 6.85%, respectively, whereas Carroll and Issaquena counties received less than 0.1% each.

The increase in output (the value of final goods and services produced) in the county economies resulting from the federal Medicaid inflow averaged \$34.4 million, but ranged from \$513.5 million in Hinds County to \$7,807 in Issaquena County. The increased economic activity associated with the federal match supported, on average, 508 jobs in the state's county economies. This total ranged from highs of 7,373 in Hinds County and 3,251 in Harrison County to lows of fewer than 4 jobs in Carroll and Issaquena Counties. Because Medicaid funding is a recurring inflow into the county economies, these figures represent continuing impacts.

¹ Medicaid data at the county level are organized by the provider's location. The CHIP data are organized by the county of residence of the patient receiving the service rather than the service provider's location. This difference between county-level Medicaid and CHIP data will result in overestimating the impacts for counties whose residents travel to other counties for their health care and underestimating the impacts for counties that provide services to residents of other counties.

FIGURE 1: ESTIMATED COUNTY ECONOMIC IMPACTS ATTRIBUTABLE TO 2003 FEDERAL MEDICAID AND CHIP EXPENDITURES

County	Federal Inflow (in millions)	Output Impacts* (in millions)	Employment Impacts (jobs)	County	Federal Inflow (in millions)	Output Impacts (in millions)	Employment Impacts (jobs)
Adams	36.8	49.9	716	Leflore	72.4	39.9	648
Alcorn	29.8	39.4	608	Lincoln	26.3	35.6	571
Amite	5.7	3.9	37	Lowndes	41.0	64.9	973
Attala	11.6	14.9	237	Madison	49.4	70.3	1,183
Benton	3.3	3.5	54	Marion	18.6	17.0	284
Bolivar	31.3	41.8	640	Marshall	9.9	13.1	208
Calhoun	9.5	10.3	110	Monroe	17.6	22.6	345
Carroll	2.1	0.6	3	Montgomery	10.9	12.6	183
Chickasaw	9.2	9.7	85	Neshoba	19.3	17.1	235
Choctaw	3.4	2.0	26	Newton	10.3	12.7	206
Claiborne	4.9	4.7	71	Noxubee	7.1	4.7	63
Clarke	7.2	8.4	136	Oktibbeha	38.4	37.9	749
Clay	12.0	14.4	197	Panola	17.1	18.2	334
Coahoma	43.5	60.2	889	Pearl River	21.7	26.6	346
Copiah	20.2	11.9	160	Perry	5.6	3.2	40
Covington	14.0	8.1	98	Pike	43.3	57.0	826
DeSoto	31.7	40.7	402	Pontotoc	13.7	15.9	210
Forrest	145.7	98.6	1,603	Prentiss	10.8	12.9	175
Franklin	4.4	5.3	91	Quitman	6.6	5.7	80
George	8.0	6.1	103	Rankin	105.7	149.3	1,818
Greene	3.9	4.7	87	Scott	14.4	17.0	252
Grenada	28.9	17.5	303	Sharkey	6.9	7.7	97
Hancock	22.4	15.5	226	Simpson	46.2	59.6	1,061
Harrison	159.7	251.9	3,251	Smith	4.0	4.5	77
Hinds	326.6	513.5	7,373	Stone	6.0	7.5	121
Holmes	17.9	20.8	314	Sunflower	18.6	15.0	230
Humphreys	8.1	7.9	77	Tallahatchie	6.2	3.9	40
Issaquena	0.0**	0.0**	0	Tate	9.6	12.1	180
Itawamba	8.1	9.2	140	Tippah	12.0	13.4	220
Jackson	84.8	43.6	643	Tishomingo	9.2	12.0	200
Jasper	6.8	3.4	38	Tunica	3.6	3.5	34
Jefferson	5.2	2.2	25	Union	14.0	18.1	255
Jefferson Davis	5.9	4.1	74	Walthall	9.6	10.7	129
Jones	95.6	97.7	1,848	Warren	37.3	54.8	802
Kemper	2.9	3.3	52	Washington	62.4	86.2	1,231
Lafayette	49.9	72.1	1,344	Wayne	18.2	11.4	218
Lamar	23.8	36.1	499	Webster	8.0	9.7	188
Lauderdale	87.2	132.5	1,939	Wilkinson	9.8	10.9	171
Lawrence	5.1	4.5	66	Winston	11.9	15.3	216
Leake	9.9	10.9	119	Yalobusha	5.2	3.5	74
Lee	71.6	108.7	1484	Yazoo	13.3	15.5	202

* Output impacts represent the value of final goods and services produced in the county as a result of the federal match.

** Less than \$50,000

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For the online version with references, please visit: <http://www.healthpolicy.msstate.edu/publications/medimpactmscounty2003.pdf>

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