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Medicaid Boost in Stimulus is Helping Iowa Economy

IOWA CITY, Iowa (Nov. 12, 2009) — Federal stimulus for Medicaid is boosting jobs and incomes in Iowa while meeting immediate health needs of vulnerable Iowans in a recession, researchers reported today.

“Increased Medicaid spending has an economic benefit for the state of Iowa far greater than the federal government’s initial investment,” said David Swenson, an economic scientist at Iowa State University. Swenson co-authored the Iowa Fiscal Partnership report with research intern Molly Fleming and Research Director Peter Fisher, both of the nonpartisan Iowa Policy Project.

In their policy brief, “Just What the Doctor Ordered,” the researchers estimated that Iowa, due to Medicaid funding provided through the American Recovery and Reinvestment Act (ARRA), or federal stimulus package, saw or will receive:

- a \$252 million increase in output, the value of goods and services produced in Iowa, in state fiscal year 2009 (ended June 30), and \$114 million in income for 2,354 workers in created or saved jobs.
- a \$449 million increase in output in FY2010, and \$203 million income for 4,206 workers.

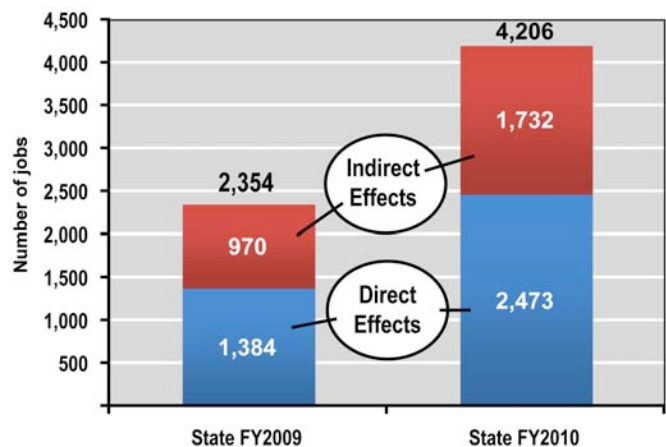
“Every federal dollar of economic stimulus invested in Medicaid yields about \$1.68 in total output for the state of Iowa. Out of that dollar, 76 cents is returned to Iowa workers in the form of wages and salaries and incomes of small business owners,” Swenson said.

The federal government allocated \$150 million for fiscal 2009 and an estimated \$268 million for fiscal 2010 for Iowa’s Medicaid program, which is jointly funded by the state and federal governments. Under ARRA, the federal government boosted its share of the funding to help states keep pace with increased demands for assistance in a recession.

Fleming said the Medicaid funding boost has been important to states – and their economies.

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Total Jobs Effect of Federal ARRA Spending to Enhance Medicaid in Iowa



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The report notes that in May 2009, Medicaid provided essential health care coverage for 410,857 state residents, or nearly 1 in 7 Iowans. Enrollment had risen 13 percent from October 2007.

“In a recession, revenues fall just when more people need to rely on Medicaid and other safety-net services,” Fleming said. “If states don’t have revenues, they may have to make major cuts to Medicaid to keep their budgets balanced.

“The recovery – or stimulus – legislation was designed to help states avoid those kinds of cuts, which not only could hurt people who really need help, but also could hurt the economy generally. Budget cuts by the state would aggravate a recession, because that lost spending causes further reductions in household incomes as people lose jobs or hours at work. Then they have less to spend.

“Our policy makers need to keep in mind the economic impacts of their budget decisions.”

The Iowa Fiscal Partnership is a joint budget and tax policy initiative of IPP in Iowa City and another nonpartisan organization, the Child & Family Policy Center in Des Moines. IPP reports are at www.iowapolicyproject.org.

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