A Shot In the Arm for West Virginia

Increasing Health Coverage For Working Families

Families USA

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Families USA

1201 New York Avenue NW, Suite 1100

Washington, DC 20005

Phone: 202-628-3030

E-mail: info@familiesusa.org

www.familiesusa.org

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INTRODUCTION

Thousands of working parents in West Virginia lack health coverage, and as the economy sinks deeper into a recession, even those with coverage are in a precarious position. It is becoming increasingly difficult for working families to make ends meet, and rising health care costs are making the situation worse. In fact, from 2000 to 2007, insurance premiums for West Virginia workers rose four times faster than median earnings, making health insurance even more difficult to afford.[1] During the three-year period 2005 through 2007, an average of 268,000 West Virginians were uninsured—about 15 percent of the population.[2] Without intervention, this number is likely to grow higher in the future.

As families across the country face these hard times, many are turning to Medicaid for health coverage for themselves and their children. Nationally, enrollment in Medicaid increased by 2.1 percent between 2007 and 2008, and it is projected to increase by another 3.6 percent in 2009.[3] In West Virginia, Medicaid and WV CHIP (West Virginia Children's Health Insurance Program) provide a robust safety net for low-income children. However, coverage for parents is comparatively thin: West Virginia ranks 43rd in the nation in terms of Medicaid eligibility for working parents.[4] Although children in families with incomes up to 250 percent of the federal poverty level ($44,000 for a family of three in 2008) are eligible for coverage under Medicaid or CHIP, eligibility for their parents is a meager 35 percent of poverty ($6,160 for a family of three in 2008).

Fortunately, West Virginia has an opportunity to reduce the number of its uninsured residents. The state can strengthen its health care safety net by expanding Medicaid coverage to parents with incomes up to 100 percent of poverty ($17,600 for a family of three in 2008). Taking this action would not only help working families through tough economic times, but it would also create new jobs, wages, and business activity to help bolster West Virginia's economy. A larger expansion to 200 percent of poverty would provide coverage to significantly more parents and provide even more of an economic stimulus for the state.

In this report, we examine data from the U.S. Census Bureau about uninsured West Virginians, and, using the RIMS II model developed by the U.S. Department of Commerce, demonstrate how providing Medicaid coverage to uninsured West Virginia parents can help boost the state's economy.

KEY FINDINGS

The majority of uninsured parents in West Virginia have incomes at or below twice the federal poverty level (see Table 1).

- For the three-year period 2005-2007, there were 70,000 uninsured parents in West Virginia. Of these, 22,000 (31 percent) had incomes at or below the poverty level ($17,600 for a family of three in 2008).
- Another 26,000 (37 percent) uninsured parents had incomes between 101 and 200 percent of poverty ($35,200 for a family of three in 2008).[5]
- A total of 48,000 uninsured parents (69 percent) had family incomes up to twice the federal poverty level.

More than three-quarters (79 percent) of all uninsured West Virginia parents work full- or part-time (see Table 1).

- Of uninsured parents with incomes up to the poverty level, 15,000 (68 percent) worked full- or part-time.[6]
- Of uninsured parents with incomes between 101 and 200 percent of poverty, 20,000 (77 percent) worked full- or part-time.
- Of uninsured parents with incomes up to twice the poverty level, a total of 35,000 (73 percent) worked full- or part-time.[7]

Table 1

Income and Working Status of Uninsured West Virginia Parents, 2005-2007

Family Income	Total		Worked Full- or Part-Time	
	Number	Percent	Number	Percent
Income up to 100% of Poverty	22,000	31.4%	15,000	68.2%
Income 101 - 200% of Poverty	26,000	37.1%	20,000	76.9%
Income 201% of Poverty or Higher	22,000	31.4%	20,000	90.9%
Total*	70,000	100.0%	55,000	
Average				78.6%

* Numbers do not add due to rounding.

Source: Analysis conducted by the Census Bureau for Families USA based on the 2007 *Current Population Survey*.

Raising the Medicaid eligibility level for parents to the federal poverty level would bring new jobs, more wages, and increased business activity to West Virginia (see Table 2).

- Expanding Medicaid coverage to parents with incomes up to the federal poverty level could bring up to $72.6 million in new federal dollars to West Virginia during the first year of such an expansion. This infusion of federal funds would generate up to:
  - $132.4 million in increased business activity,
  - $46.3 million in increased wages, and
  - 1,351 additional jobs for state residents.

Raising the Medicaid eligibility level for parents to twice the federal poverty level would more than double the positive economic impact on West Virginia's economy (see Table 2).

- Expanding Medicaid coverage to parents with incomes up to twice the federal poverty level could bring up to $158.3 million in new federal dollars to West Virginia during the first year of such an expansion. This infusion of federal funds would generate up to:
  - $289.0 million in increased business activity,
  - $101.0 million in increased wages, and
  - 2,947 additional jobs for state residents.

Table 2

Economic Impact of Increasing Parent Eligibility Levels in West Virginia Medicaid

Family Income	Number of Newly Covered Parents	New Federal Dollars	Increased Business Activity	Increased Wages	New Jobs
Income up to 100% of Poverty	22,000	$72.6 million	$132.4 million	$46.3 million	1,351
Income up to 200% of Poverty	48, 000	$158.3 million	$289.0 million	$101.0 million	2,947

Source: Analysis conducted by the Census Bureau for Families USA based on the 2007 *Current Population Survey*.

DISCUSSION

The Uninsured in West Virginia

There are 70,000 uninsured parents in West Virginia, or about one-third of all uninsured adults in the state.[8] The majority of these uninsured parents are poor or near poor: Approximately 31 percent had incomes below the poverty level, and 69 percent had incomes below twice the poverty level.[9] While the children in these families are eligible for Medicaid or West Virginia's Children's Health Insurance Program (WV CHIP), only a small number of these parents have a health care safety net for themselves. With the weakening economy and the rising costs of health care, many employers are dropping health coverage, and an increasing number of families are unable to afford health insurance. As a result, the number of uninsured will likely increase in 2009.

The majority—79 percent—of uninsured parents in the state works.[10] This high percentage indicates that many parents do not have access to employer-based insurance or are unable to afford it. In fact, in a recent poll of West Virginians, 50 percent indicated that paying for their or their family's health insurance was a problem, and 70 percent worried that if they were faced with a serious illness or injury, they or their family wouldn't be able to pay the resulting medical bills.[11] In addition, 85 percent said that it was important to reduce the number of uninsured West Virginians and to ensure that all residents have adequate and reliable health insurance.[12] These poll results highlight the financial strain that high health care costs are causing for West Virginia families and show that West Virginians support expanding health coverage to the uninsured.

Rising Health Care Costs in West Virginia

In addition to the crisis that thousands of uninsured West Virginia parents are facing, those *with insurance* are at serious risk of losing their coverage. Because most people get their health coverage through their jobs, the current economic crisis is having a detrimental effect on health coverage for working Americans. Low-income workers are especially affected by the erosion of employer-based coverage. Nationally, in 2007, approximately 22 percent of households in the bottom fifth of the income range (those with incomes below $20,000) had employer coverage, compared to 86 percent of people in the top fifth of the income range (those with incomes between $62,000 and $100,000).[13] And for those workers who are able to maintain coverage through their employer, the cost is becoming prohibitive because health care premiums are rising at a much faster pace than wages. From 2000 to 2007, insurance premiums for West Virginia workers rose four times faster than median earnings. On average, premiums for families increased by 75 percent, while median earnings rose by only 19 percent.[14]

The high cost—or lack—of insurance has physical and financial effects on both individuals and society. In terms of physical health, those without insurance lack a regular source of care and often forgo needed treatment, which can end up being costly, and, in some cases, deadly. Many uninsured individuals end up in the emergency room for serious conditions that could have been prevented with regular access to less costly primary and specialty care. Uninsured adults are also more likely to be diagnosed with a disease at a later stage, requiring more aggressive and costly treatment, and decreasing the chances for survival.[15] In fact, an estimated four working-age West Virginians die each week due to lack of health insurance.[16]

In terms of the financial effects of having so many uninsured residents, the cost of providing health care to the uninsured is passed on to hospitals, to the state, and to those with private insurance. For example, in 2005, health insurance premiums in West Virginia were $660 higher for individuals and $1,796 higher for families due to the cost of health care for the uninsured. By 2010, the increased cost of health care for the uninsured in West Virginia is expected to add $2,940 to family premiums and $1,037 to individual premiums.[17]

Strengthening West Virginia's Safety Net for Adults

In times of economic crisis, Medicaid is the safety net program that low-income working families rely on when they lose their health coverage. Several states' Medicaid programs cover parents with incomes up to or above the poverty level; West Virginia is not yet among them. Although the West Virginia Medicaid program covers some parents, it could be covering far more. And when the state does cover parents, it provides Medicaid only for parents who would have qualified for the now-nonexistent AFDC (Aid to Families with Dependent Children) program in 1996. The state does not increase its Medicaid income eligibility limits annually, even to account for inflation or rising medical costs. Thus, West Virginia's Medicaid income eligibility limits for parents are extremely low (see Table 3).

Table 3

Medicaid Eligibility Levels for West Virginia Parents, 2008*

Family Size	Monthly Income		Yearly Income		Percent of Federal Poverty Level	
	Working	Non- Working	Working	Non- Working	Working	Non- Working
1	$342	$149	$4,104	$1,788	39%	17%
2	$420	$201	$5,040	$2,412	36%	17%
3	$498	$253	$5,976	$3,036	34%	17%
4	$585	$312	$7,020	$3,744	33%	18%
5	$658	$360	$7,896	$4,320	32%	17%

* These eligibility levels do not include income disregards for child dependent care or child support. Working families may be eligible for additional income disregards that would allow them to have higher incomes than those listed here and still be eligible for Medicaid.

Source: *West Virginia Income Maintenance Manual,* Appendix A.

Why Covering Parents Matters

Uninsured parents often delay or forgo needed medical care.

- Uninsured, low-income parents are twice as likely as their insured counterparts to not receive preventive care (68 percent versus 34 percent) and almost three times as likely to forgo recommended care completely due to cost (21 percent versus 8 percent).[18]
- Among uninsured low-income parents who skipped or delayed care, 60 percent saw their condition get worse as a result, and 13 percent developed a disability.[19]
- Uninsured adults are 25 percent more likely to die prematurely than adults with private health insurance.[20]

Parents' lack of health insurance jeopardizes the well-being of families.

- Uninsured parents are unable to negotiate the same kinds of discounts on hospital and doctor charges that insurance companies do. For example, they are often charged more than 2.5 times what insured patients are charged for hospital services.[21]
- One in three low-income parents without insurance (32 percent) reports that medical bills have a major financial impact on their families.[22]
- Health care bills directly compete with families' most basic needs. More than one in three low-income parents without insurance (36 percent) spent less on food, heat, or other basic needs in order to pay for health care in 2005.[23]

Covering parents helps get children covered and improves health for working families.

- States that have expanded health coverage to parents have enrolled 20 percent more of their eligible children than states that have not.[24]
- Covering parents helps children obtain care: Children who have insured parents are more likely to see a doctor for well-child visits and when they are sick.[25]
- Making coverage simpler for families helps them understand and use that coverage. Family coverage allows everyone in the family to get health care from the same doctors, with the same cost-sharing rules, renewal processes, and other policies.

Especially during a recession, when unemployment is high and the number of uninsured increases, safety net programs such as Medicaid are extremely important and can mean the difference between life and death for millions of low-income Americans. Expanding Medicaid coverage would lead to improved health for parents, and it would have a positive impact on the health of families, too. When a parent has health insurance, her or his child is more likely to get needed health care as well. Family coverage allows everyone in the family to get health care from the same doctors, with the same cost-sharing rules, renewal processes, and other policies. In addition, covering more parents will also cover more children. States that have expanded Medicaid coverage to more parents have higher participation rates among eligible children than states that have not. In fact, the Congressional Budget Office estimates that expanding Medicaid coverage for parents with incomes below the federal poverty level would result in one additional child gaining coverage for every two parents who gain coverage. If this finding holds true in West Virginia, an additional 11,000 uninsured children could be covered if the state expands Medicaid coverage for parents to 100 percent of poverty.[26]

Many states, as well as the District of Columbia, have recognized the value of Medicaid coverage for family health, for worker productivity, and for their economies, and have therefore expanded Medicaid coverage to parents with incomes at or above 100 percent of the federal poverty level (see Table 4).

Table 4
States That Have Expanded Parent Eligibility In Medicaid

State	Eligibility Levels for Working Parents (family of three)	
	Percent of Poverty	Annual Income
Arizona	200%	$35,200
California	106%	$18,656
Connecticut	191%	$33,616
Delaware	106%	$18,656
District of Columbia	207%	$36,432
Hawaii	100%	$17,600
Illinois	191%	$33,616
Maine	206%	$36,256
Maryland	116%	$20,416
Massachusetts	300%	$52,800
Minnesota	275%	$48,400
New Jersey	133%	$23,408
New Mexico	200%	$35,200
New York	150%	$26,400
Oklahoma	200%	$35,200
Oregon	100%	$17,600
Rhode Island	181%	$31,856
Vermont	191%	$33,616
Wisconsin	200%	$35,200

Source: Families USA calculations.

Expanding Medicaid Is a Good Investment for West Virginia

The Medicaid program not only provides essential health care to millions of low-income working families, it is also good for state economies. This is due to the fact that Medicaid is jointly funded by the states and the federal government, with each state receiving matching dollars from the federal government. Those matching rates vary across the states from 50 to 76 percent. West Virginia's Medicaid matching rate for fiscal year 2009 is approximately 74 percent, among the highest in the nation. This means that for every dollar West Virginia spends on Medicaid, the federal government contributes $2.85.

Medicaid plays a unique role in stimulating state business activity and state economies. Every dollar a state spends on Medicaid pulls new federal dollars into the state—dollars that would not otherwise flow into the state. These new dollars pass from one person to another in successive rounds of spending. For example, health care employees spend part of their salaries on new cars, which adds to the income of auto dealership employees, enabling them to spend part of their salaries on washing machines, which enables appliance store employees to spend additional money on groceries, and so on. Economists call this the "multiplier effect."

Expanding Medicaid coverage to parents with incomes up to the poverty level or twice the poverty level would bring in up to $72.6 or $158.3 million, respectively, in new federal dollars (depending on how many parents enrolled in the expanded coverage[27]). This would generate between $132.4 and $289.0 million in increased business activity, between $46.3 and $101.0 million in increased wages, and between 1,351 and 2,947 additional jobs for state residents (see Table 2). (For more detailed information on the multiplier effect, see the Appendix for our Methodology.)

In order for West Virginia to achieve the maximum benefit of expanding coverage for parents, it should also implement extensive outreach and enrollment efforts to educate newly eligible parents about the expansion. Luckily, efforts to expand coverage for children in Medicaid and WV CHIP over the past 10 years have generated valuable information on how to conduct effective outreach to low-income families. The state should advertise through mediums that are likely to reach low-income parents, such as mailings, radio ads, and bus ads, as well as by distributing information at community organizations, schools, child care centers, community health centers, social service agencies, public health fairs and events, and grocery stores. Another way to increase enrollment is to simplify the application form and income verification process, and to develop a combined application for Medicaid, food stamps, and other public benefit programs. Making coverage simpler for families helps them understand and use that coverage.

CONCLUSION

As the nation's economy continues its downward spiral, Americans' health coverage is in jeopardy. West Virginia has an opportunity to simultaneously strengthen its health care safety net and its economy by expanding Medicaid eligibility for parents who are uninsured or who may become uninsured as a result of the country's economic crisis. Not only will this expansion provide needed health care to thousands of West Virginians, it will also provide a timely boost to the state's economy.

ENDNOTES

[1] Kim Bailey, *Premiums versus Paychecks: A Growing Burden for West Virginia's Workers* (Washington: Families USA, October 2008).

[2] Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, *Current Population Reports, Income, Poverty, and Health Insurance Coverage in the United States: 2007* (Washington: U.S. Government Printing Office, August 2008).

[3] Vern Smith, Kathleen Gifford, Eileen Ellis, Robin Rodowitz, Molly O'Malley, and Caryn Marks, *Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn - Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2008 and 2009* (Washington: Kaiser Commission on Medicaid and the Uninsured, September 2008).

[4] Kaiser State Health Facts Online, *Income Eligibility for Parents Applying for Medicaid by Annual Income as a Percent of Federal Poverty Level (FPL), 2008* (Washington: Kaiser Family Foundation, 2008), available online at www.statehealthfacts.org, accessed on October 20, 2008.

[5] U.S. Census Bureau, *2006 to 2008 Annual Social and Economic Supplement to the Census Bureau's Current Population Survey (CPS)* (Washington: U.S. Census Bureau, October 2008).

[6] Ibid.

[7] Ibid.

[8] Ibid.

[9] Ibid.

[10] Ibid.

[11] Global Strategy Group, *West Virginia Statewide Survey* (Washington: Global Strategy Group, August 2008).

[12] Ibid.

[13] U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplements* (Washington: U.S. Census Bureau, 2008), available online at http://www.census.gov/hhes/www/income/histinc/h01AR.html.

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[20] Institute of Medicine, *Insuring America's Health* (Washington: National Academy Press, 2002).

[21] Gerard Anderson, "From 'Soak the Rich' to 'Soak the Poor': Recent Trends in Hospital Pricing," *Health Affairs* 26, no. 3 (May/June 2007): 780-789.

[22] Karyn Schwartz, *Spotlight on Uninsured Parents: How Lack of Coverage Affects Parents and Their Families* (Washington: Kaiser Commission on Medicaid and the Uninsured, June 2007).

[23] Ibid.

[24] Lisa Dubay and Genevieve Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Coverage under Medicaid," *Health Services Research* 38, no. 5 (October 2003): 1,283-1,302.

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[26] Congressional Budget Office, *Budget Options Volume I: Health Care* (Washington: Congressional Budget Office, December 2008), available online at http://www.cbo.gov/doc.cfm?index=9925&type=1; Jennifer Sullivan and Rachel Klein, *Left Behind: America's Uninsured Children* (Washington: Families USA, November 2008), available online at http://www.familiesusa.org/assets/pdfs/uninsured-kids-2008/national-report.pdf.

[27] The RIMS II multiplier model is based on new federal dollars entering the state's economy over a 12-month period.

APPENDIX: METHODOLOGY

Uninsured Data

The uninsured data in this report come from the March 2008 Annual Social and Economic Supplement (ASEC) to the Census Bureau's Current Population Survey (CPS). The CPS is a monthly survey of a sample of households in the civilian, non-institutionalized population. Questions asked about income, health insurance coverage, and employment reflect respondents' experiences during the preceding calendar year. Due to small sample sizes at the state level, it is necessary to use three years of data from the CPS to generate reliable estimates of state-level data. Hence, the uninsured estimates in this report are generated using a three-year merge of data that reflect household experiences in 2005, 2006, and 2007. The data analysis was conducted by the Census Bureau for Families USA according to the following specifications:

- **Determining Insurance Status**
  For each household member, the ASEC asks whether the person had any of several forms of health coverage at any time during the year in question. If a person reported any source of health coverage for any period during that year, he or she was counted as insured. Those who were counted as uninsured were adults who reported no source of health coverage for the entire year in question. (This report follows the Census Bureau in not counting reported coverage by the Indian Health Service as insurance.)

- **Defining Family Units**
  ASEC defines a family as a single person living alone or two or more people living together and related by marriage, birth, or adoption. This report reconstructs families into "insurance units" consisting of spouses and children[1] under age 19 who are living with them. (Unmarried partners of identified parents are not treated as part of the same unit.) Parents are defined as adults ages 19-64 who have a child aged 18 or younger living in the household. Adults without a child aged 18 or younger in the household are considered "childless adults." Individuals with disabilities are excluded from this analysis.

- **Establishing Income as a Percent of the Federal Poverty Level**
  To establish family income as a percent of poverty, income for all members of the insurance unit was totaled and compared to the federal poverty guidelines established by the Department of Health and Human Services (HHS) for each year. These guidelines are not identical to the poverty thresholds used by the Census Bureau, and our estimates therefore differ slightly from published CPS figures.

- **Determining Employment Status**
  "Full-time" workers are full-time, full-year workers, defined by the Census Bureau as working at least 35 hours per week for at least 50 weeks during the year. "Part-time" workers work fewer hours, fewer weeks, or both.

Multiplier Analysis

In order to measure and quantify the potential impact of expanding Medicaid eligibility for parents in West Virginia, Families USA conducted an economic input-output analysis of the state-level impact of this expansion on the West Virginia state economy. Our analysis uses the Regional Input-Output Modeling System (RIMS II) economic model, created by the U.S. Department of Commerce, Bureau of Economic Analysis, to assess the effect of an expansion on business activity, jobs, and wages in West Virginia.

Our use of the RIMS II model is based on the work of Richard Clinch, Director of Economic Research at the Jacob France Institute of the Merrick School of Business at the University of Baltimore, whom we originally retained to perform the analysis in 2004. This economic input-output analysis is based on the most recently updated RIMS II economic model (October 2007). The RIMS II model is built on Department of Commerce data that show the relationships among nearly 500 industries in the economy. These relationships are adjusted and updated to reflect a state economy's current industrial structure; trading patterns; and wage, salary, and personal income data.

Programs such as Medicaid have an economic impact by pulling in federal dollars, which promote new spending that would otherwise not exist in a state. A new source of spending from outside a state creates a larger impact on a state economy than the amount of new spending alone through what economists call "multiplier effects." An economic multiplier quantifies the total impact on a state economy of successive rounds of spending that occur as the new spending is earned by state businesses and residents, who then spend these earnings on purchases from other state firms or residents, who in turn make other purchases, creating successive rounds of earnings and purchases. The RIMS II economic model measures these multiplier effects. The RIMS II model allows economists to estimate three economic impacts:

1. Economic output, or the value of goods and services produced in the state;
2. Employment, or the number of jobs in the state; and
3. Employee earnings, or the wages and salaries associated with the affected jobs.

In order to assess the impact that expanding coverage to parents would have on West Virginia's economy, it is necessary to know the increased amount of federal funding the state would receive for the expansion over a one-year period. We used the fiscal year 2009 average per-member, per-month (PMPM) West Virginia Medicaid managed care capitation rates for women ages 20-39 in region 3 in the enhanced Medicaid plan. The average annual per-person expenditure for this group is $3,633.[2] Costs for mental heath and prescription drugs were not included in these PMPM rates. However, a West Virginia Medicaid managed care plan indicated that the costs for these services would be an additional $70 PMPM.[3] As a result, we added $70 to the capitation rates for women ages 20-39 in region 3. The resulting average annual per-person expenditure for this group is $4,473. West Virginia's federal match is 73.73 percent, so $3,298 of this spending would come from the federal government. We multiplied this annual per-person federal cost by the number of uninsured parents to generate estimates for the potential new federal dollars that would enter West Virginia's economy due to an expansion of parent coverage. We used these estimates, along with the fiscal year 2008 economic impact multipliers from RIMS II, to arrive at the increases in business activity, jobs, and wages in the state.

Deriving Economic Impact Multipliers for Increases in Federal Medicaid Spending

The Bureau of Economic Analysis provides three RIMS II health care industry multipliers for different types of spending (rather than a single, aggregated health care industry multiplier):

- Ambulatory health care services,
- Hospitals and nursing and residential care facilities, and
- Social assistance.

Using CMS-37 report expenditure data, we categorized each state's Medicaid spending as either ambulatory, hospital, nursing and residential care, or social assistance, according to the North American Industry Classification System (NAICS) definitions of those industries. Based on each state's expenditure breakdown, we derived a weighted average health care industries multiplier for each state. We then multiplied West Virginia's estimated gain of federal dollars during the first year that the parent expansion would be in effect by the economic impact multipliers for economic activity, employment, and employee earnings.

It is important to note that the RIMS II model measures economic impacts that occur during a one-year period. The economic gains described in this report would occur in the first year that an expansion was implemented and would be sustained as long as the increased level of federal funding for Medicaid was sustained. There is an increase in the economic impact from one year to the next only if the state's total amount of Medicaid spending (and corresponding federal Medicaid spending) increases over the previous year's spending; spending increases from program expansions do not compound.

[1] Children are defined as all people aged 18 and under, except for those who were family householders, spouses of family householders, or unmarried partners of family householders.

[2] West Virginia Bureau of Medical Services, *Medicaid's MCO 2009 Capitation Rates* (Charleston: West Virginia Bureau of Medical Services, November 2008).

[3] This amount is based on conversations that Renate Pore, Health Policy Analyst, West Virginia Center on Budget, had with the CEO of one of the West Virginia Medicaid managed care organizations.

ACKNOWLEDGMENTS

This report was written by:

Rebecca Bruno, Health Policy Analyst

Families USA

The following Families USA staff contributed to the preparation of this report:

Ron Pollack, Executive Director

Rachel Klein, Deputy Director, Health Policy

Jennifer Sullivan, Senior Health Policy Analyst

Peggy Denker, Director of Publications

Ingrid VanTuinen, Senior Editor

Tara Bostock, Editorial Associate

Nancy Magill, Senior Graphic Designer

FamiliesUSA
The Voice for Health Care Consumers

1201 New York Avenue NW, Suite 1100
Washington, DC 20005
Phone: 202-628-3030
Fax: 202-347-2417
E-mail: info@familiesusa.org
www.familiesusa.org

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