

MassHealth's Impact on the State Economy



THE ISSUE

Massachusetts prides itself on its strong and dynamic economy. On many metrics, Massachusetts' economy beats national benchmarks, with its 2019 gross domestic product per capita of \$75,000 outpacing the national average by \$10,000.^{1,2} Prior to the COVID-19 pandemic and resulting recession, unemployment in Massachusetts was 1.5 percentage points below the historically low national average.³ Accordingly, the state frequently lands in the top 10 when state economies are compared and ranked.⁴

MassHealth, the name for Massachusetts' Medicaid program and the Children's Health Insurance Program (CHIP), contributes significantly to the Commonwealth's economic strength by generating extensive economic activity, drawing in large amounts of federal funding, acting as a critical source of revenue for health care organizations, and supporting the workforce of today and tomorrow. A robust and resilient economy requires a high-quality health care system that is affordable and accessible when Massachusetts families need it. MassHealth is a critical component of that system, funding a wide range of health care providers, and providing health insurance to children, pregnant people, individuals with disabilities, low-income workers, and the elderly. During economic downturns, MassHealth becomes even more vital, as many families losing their employer-sponsored insurance (ESI) are able to enroll in MassHealth instead of becoming uninsured, and the federal funds MassHealth draws into the state economy act as a stabilizing force during times of reduced economic activity.

This issue brief describes the many roles MassHealth plays in the Massachusetts economy, benefiting all Massachusetts families as well as health care providers, the Commonwealth's workforce, and employers.

KEY TAKEAWAYS: THE ROLE OF MASSHEALTH IN THE ECONOMY

MassHealth Brings Billions in Federal Funds to the State

MassHealth brings billions of federal dollars into Massachusetts' economy each year. In state fiscal year (SFY) 2018, Massachusetts received \$8.05 billion in federal funding for MassHealth.⁵ This was by far the largest source of federal funds in the state's budget, making up 56 percent of all federal funds.⁶ The amount of federal funding for MassHealth is sevenfold larger than the next largest source of federal funds to the state—elementary and secondary education, which came in at \$1.2 billion for the same time period.⁷ In the SFY 2019 budget, the state estimated it would receive \$8.4 billion in federal funding for MassHealth.⁸

These federal dollars cover nearly half the cost of MassHealth. In SFY 2018, MassHealth spent \$16.7 billion, but only \$8.6 billion of that came from state funds.⁹ Medicaid is jointly funded by the state and federal governments, with the federal government covering a proportion of the cost of each state's Medicaid program based on a rate called the Federal Medical Assistance Percentage (FMAP). The FMAP for most MassHealth spending is 50 percent, meaning that for every dollar in MassHealth spending, the federal government covers half.¹⁰ For some populations and services, like the care provided to many low-income adults and family planning services (e.g., counseling, gynecological exams, and contraceptives),¹¹ the federal government covers a greater share.¹² Under the Families First Coronavirus Response Act, states and territories, including Massachusetts, are eligible for a 6.2 percent increase in their FMAP rate, for most populations.¹³ It was estimated that the increased FMAP rate would bring \$1.06 billion in additional federal funding to the state in calendar year 2020.¹⁴

MassHealth Is a Critical Source of Revenue for Health Care Providers

Providers rely on MassHealth as a key source of revenue—especially those delivering long-term care, preventive care, prenatal care, and emergency care. MassHealth is responsible for more than half of all revenue for nursing homes (52 percent), and 43 percent of spending on long-term services and supports (composed of home health, Home and Community-based Services [HCBS], durable medical equipment, and residential care facilities). Community health centers, which provide a broad range of health care services to children and adults, receive over half of their revenue (60 percent) from MassHealth, and providers delivering prenatal care, critical to the long-term well-being of Massachusetts families, count on MassHealth for one-third of their revenue.¹⁵

Hospitals, too, rely heavily on MassHealth funding. MassHealth makes up about one-fifth (18 percent) of all hospital revenue,¹⁶ and in 2014 the payments it provides for uncompensated care covered 40 percent of hospital uncompensated care costs (care provided by the hospital for which no payment is received).¹⁷

MassHealth Is a Stabilizing Force During Economic Downturns

When the economy shrinks, the MassHealth program grows, as many Massachusetts families losing employment—and their associated ESI—are able to enroll in MassHealth instead of becoming uninsured. During the last recession, from 2007 to 2009 with impacts into 2010, year-over-year MassHealth enrollment growth ranged from 4.0 to 5.6 percent, notably higher than the pre- and post-recession year-over-year typical enrollment growth of 3.5 percent.¹⁸ During the current recession, resulting from the COVID-19 pandemic, MassHealth enrollment grew by over 13 percent between March 2020 and January 2021.¹⁹

While much of the rest of the economy contracts in a recession, MassHealth enrollment and spending grows, acting as stabilizer for the economy. And MassHealth spending has a multiplier effect, meaning that MassHealth spending ultimately benefits industries well beyond health care as it ripples throughout the state economy.²⁰ For example, MassHealth spending on hospitals and other providers allows for the purchase of needed medical, cleaning, and administrative supplies, benefiting vendors of those products. MassHealth dollars also support staff wages, and those employees that use the dollars to purchase a wide range of goods and services such as food, cars, and household supplies.

MassHealth's Role in Creating Jobs and Supporting the Workforce of Today and Tomorrow

A healthy and productive workforce is vital to the long-term strength of the Massachusetts economy. MassHealth directly creates jobs in the health care sector and keeps workers in a range of industries healthy. MassHealth provides support to enable individuals with disabilities to be active members of the workforce. By providing health care to more than 40 percent of the Commonwealth's children,²¹ MassHealth also ensures that the workforce of tomorrow is healthy and prepared to enter the labor market.

Creating jobs. Employment in Massachusetts's health care sector accounts for 14 percent of all jobs in the state²²—employing half a million individuals. Roughly a quarter (or 125,000) of these jobs can be attributed to MassHealth, providing employment to workers at a mix of skill and wage levels, including home health care aides and personal care attendants as well as physicians and nurses.²³ Notably, during the recovery from the 2007–2009 recession, 37 percent of all new Massachusetts jobs created were in health care and social assistance.²⁴ Without the stabilizing role played by MassHealth, as described above, health care job growth would not have been this strong.

Supporting a healthy workforce today. MassHealth coverage supports the low-income workforce across many industries, keeping employees healthy through preventive care and treatment for chronic conditions. In a study on Ohio's Medicaid expansion, a large majority (83.5 percent) of employed adults who gained coverage through Medicaid expansion reported that Medicaid coverage made it easier to work; a similar result is likely the case in Massachusetts.²⁵

More than three-quarters of MassHealth members who are not elderly live in working families. MassHealth enrollment by industry includes:

- About 80,000 sales workers
- About 88,000 food service workers
- About 55,000 cleaning and maintenance workers
- About 56,000 health care support workers including nursing assistants, home health aides, and medical and dental assistants²⁶

Individuals with disabilities receive support to be active members of the workforce through MassHealth CommonHealth. By enabling individuals with disabilities who earn over 150 percent of the federal poverty level to obtain coverage, MassHealth provides more flexibility to work without fear of losing health insurance.²⁷

Supporting tomorrow's workforce. MassHealth covers over 700,000 children, setting up the Commonwealth's children for long-term health and educational success. Medicaid coverage during early childhood leads to health improvements in adulthood, as measured by the prevalence of high blood pressure, diabetes after age 18, heart disease or heart attack, and obesity.²⁸ Medicaid's role in addressing children's immediate physical and behavioral health and developmental needs also improves primary, secondary, and higher education outcomes. On a population level, increases in eligibility at birth for Medicaid and CHIP lead to improvements in reading test scores in the fourth and eighth grades.²⁹ Decreased high school dropout rates, increased college attendance and completion, and increased incomes in adulthood are also tied to more generous Medicaid eligibility policies for children.³⁰ What's more, children enrolled in Medicaid may experience increased income in adulthood. In one study, each additional year of Medicaid eligibility from birth to age 18 increased cumulative tax payments by \$186 and reduced cumulative Earned Income Tax Credit receipts by \$75.³¹

LOOKING AHEAD

MassHealth will continue to play a crucial role in supporting the Commonwealth's economy, during both times of growth and periods of economic uncertainty. During the current COVID-19 health and economic crisis, MassHealth is acting as a social safety net for families who have lost ESI, enabling them to access crucial health care services. MassHealth revenue will also support the financial health of vital providers, helping them to keep their doors open. Once the challenging period of the COVID-19 crisis has ended, MassHealth will continue generating federal revenue for the state, creating and supporting jobs in the health care sector, and providing coverage to low-income families as they return to work, helping the state's economy recover and prosper. MassHealth will continue to serve as the largest source of federal revenue in the state budget; a driver of employment; a critical funder of hospitals, nursing homes, and other providers; and a mechanism for ensuring a healthy workforce today and tomorrow.

ENDNOTES

- 1 Per capita real Gross Domestic Product of Massachusetts from 2000 to 2019. Statista. April 2020. Available at www.statista.com/statistics/551745/massachusetts-gdp-per-capita/.
- 2 Gross domestic product (GDP) per capita in the United States in current prices from 1984 to 2024. Statista. 2020. Available at www.statista.com/statistics/263601/gross-domestic-product-gdp-per-capita-in-the-united-states/.
- 3 Monthly Economic Update—State of Massachusetts. Federal Reserve Bank of Boston. April 2020. Available at www.bostonfed.org/-/media/Documents/needi/state-summaries/MA.pdf?la=en.
- 4 Economy Rankings Measuring States' Economic Stability and Potential. US News and World Report. May 2019. Available at www.usnews.com/news/best-states/rankings/economy.
- 5 State Expenditure Report: 2019 State Expenditure Report, Fiscal Years 2017–2019. National Association of State Budget Officers, 2019. Available at www.nasbo.org/reports-data/state-expenditure-report.
- 6 Ibid.
- 7 Ibid.
- 8 What is the Actual State Cost of MassHealth in 2019. Blue Cross Blue Shield of Massachusetts Foundation: Medicaid Policy Institute. June 2019. Available at https://www.bluecrossmafoundation.org/sites/g/files/csphws2101/files/2020-09/MassHealth_cost_2019_Final.pdf.
- 9 Though Massachusetts' FMAP is 50 percent for most program spending, the state spent more on MassHealth in 2018 (\$8.6 billion) than the federal government (\$8.05 billion). This occurred because the state pays 100 percent of costs in some areas, such as in covering services for individuals who are undocumented.
- 10 Ibid.
- 11 MDPH-funded Family Planning Programs. Massachusetts Department of Public Health. Available at www.mass.gov/info-details/mdph-funded-family-planning-programs.
- 12 Social Security Act § 1903. United States Congress. Available at www.ssa.gov/OP_Home/ssact/title19/1903.htm.
- 13 Families First Coronavirus Response Act. Public Law 116–127. March 2020. Available at www.congress.gov/116/plaws/publ127/PLAW-116publ127.pdf.
- 14 Based on a Manatt analysis that assumed the public health emergency lasted through the end of calendar year 2020 and enrollment and per-enrollee expenditures did not change due to the pandemic.
- 15 MassHealth: The Basics. Facts and Trends. BCBSMA Foundation. October 2020. Available at https://www.bluecrossmafoundation.org/sites/g/files/csphws2101/files/2020-10/MassHealthBasics_Oct2020_Final.pdf.

16 Ibid.

- 17 Evaluation of Safety Net Care Pool (SNCP) Financing Report. Navigant. February 2016. Available at www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ma/MassHealth/ma-masshealth-safetynet-financing-rpt-02012016.pdf.
- 18 Manatt calculations based on data from Medicaid Enrollment: June 2012 Data Snapshot. Kaiser Family Foundation. August 2013. Available at www.kff.org/wp-content/uploads/2013/08/8050-06-medicaid-enrollment.pdf.
- 19 MassHealth and ConnectorCare Enrollment Tracker, March 2021. Blue Cross Blue Shield of Massachusetts Foundation. Available at <https://www.bluecrossmafoundation.org/publication/updated-masshealth-and-connectorcare-enrollment-tracker>.
- 20 Medicaid Responsiveness, Health Coverage, and Economic Resilience: A Preliminary Analysis. Joint Center for Political and Economic Analysis. September 2005. Full text not available online. Summary available at www.commonwealthfund.org/publications/newsletter-article/medicaid-could-help-economy-recover-during-recession-joint-center.
- 21 MassHealth: The Basics. Facts and Trends. BCBSMA Foundation. October 2020. Available at https://www.bluecrossmafoundation.org/sites/g/files/cspwhs2101/files/2020-10/MassHealthBasics_Oct2020_Final.pdf.
- 22 Health Care Employment as a Percent of Total Employment, May 2018. Kaiser Family Foundation. Available at <https://www.kff.org/other/state-indicator/health-care-employment-as-total/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.
- 23 Based on Manatt analysis of U.S. Bureau of Labor Statistics data for MA that determined the state has 500,000 health care jobs. The number of those jobs attributable to Medicaid was then determined based on MassHealth's 25 percent share of total health care state spending, equaling 125,000 jobs. May 2018 State Occupational Employment and Wage Estimates Massachusetts. April 2019. Bureau of Labor Statistics. Available at www.bls.gov/oes/2018/may/oes_ma.htm; Performance of the Massachusetts Health Care System Annual Report October 2019. Center for Health Information and Analysis. October 2019. Available at www.chiamass.gov/assets/2019-annual-report/2019-Annual-Report.pdf.
- 24 Health Care Employment, Structure, and Trends in Massachusetts: Chapter 224 Workforce Impact Study. Commonwealth Corporation and Center for Labor Markets and Policy, Drexel University. December 2016. Available at http://commcorp.org/wp-content/uploads/2017/07/Resources_Health-Care-Workforce_Employment-Structure-and-Trends-in-Massachusetts.pdf.
- 25 2018 Ohio Medicaid Group VIII Assessment: A Follow-Up to the 2016 Ohio Medicaid Group VIII Assessment. The Ohio Department of Medicaid. July 2018. Available at <https://medicaid.ohio.gov/Portals/0/Resources/Reports/Annual/Group-VIII-Final-Report.pdf>.
- 26 These estimates are based on data from before the COVID-19 pandemic began affecting the labor market in Massachusetts. MassHealth: The Basics. Facts and Trends. BCBSMA Foundation. October 2020. Available at https://www.bluecrossmafoundation.org/sites/g/files/cspwhs2101/files/2020-10/MassHealthBasics_Oct2020_Final.pdf.
- 27 MassHealth CommonHealth. MA Health Connector. Undated. Available at www.mass.gov/doc/masshealth-commonhealth/download.
- 28 Medicaid Is A Smart Investment in Children. Georgetown University Center on Children and Families. March 2017. Available at <https://ccf.georgetown.edu/wp-content/uploads/2017/03/MedicaidSmartInvestment.pdf>.
- 29 The Impact of Children's Public Health Insurance Expansions on Educational Outcomes. National Bureau of Economic Research. 2009. Available at <https://ideas.repec.org/p/nbr/nberwo/14671.html>.
- 30 The Effect of Child Health Insurance Access on Schooling: Evidence from Public Health Insurance Expansions. National Bureau of Economic Research. May 2014. Available at www.nber.org/papers/w20178.pdf.
- 31 Medicaid as an Investment in Children: What Is the Long-Term Impact on Tax Receipts? National Bureau of Economic Research. January 2015. Available at www.nber.org/papers/w20835.pdf.

