

Economic Impacts of Proposed Cuts to the Long-Term Health Sectors in Washington and Oregon



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Background

- Washington and Oregon faced \$1.6 and \$0.8 billion budget shortfalls, respectively
- Both Governors proposed cuts in state funding for long-term care
 - Nursing homes
 - Residential care
 - Assisted living facilities



Study Question

What are the *net* effects on jobs, wages, and business income associated with proposed cuts in publicly funded long-term health programs?



Assumptions

Assuming a spending cut:

- Associated *state* dollars would remain in local economy
- Associated *federal* dollars would return to US Treasury and represent a net loss to the local (state) economy
 - Foregone federal dollars would not be replaced by spending of relatives
 - Interactions with other federal programs would be minimal



Assumptions

- Majority of state spending eligible for federal match under the Medicaid program
 - Washington (FFP = 50%)
 - Oregon (FFP = 60%)



Method

- Estimate impacts associated with each \$1.00 million loss in *state* funding
 - \$1.00 million loss in federal funding (WA)
 - \$1.48 million loss in federal funding (OR)
- Scale impacts based on budget proposal

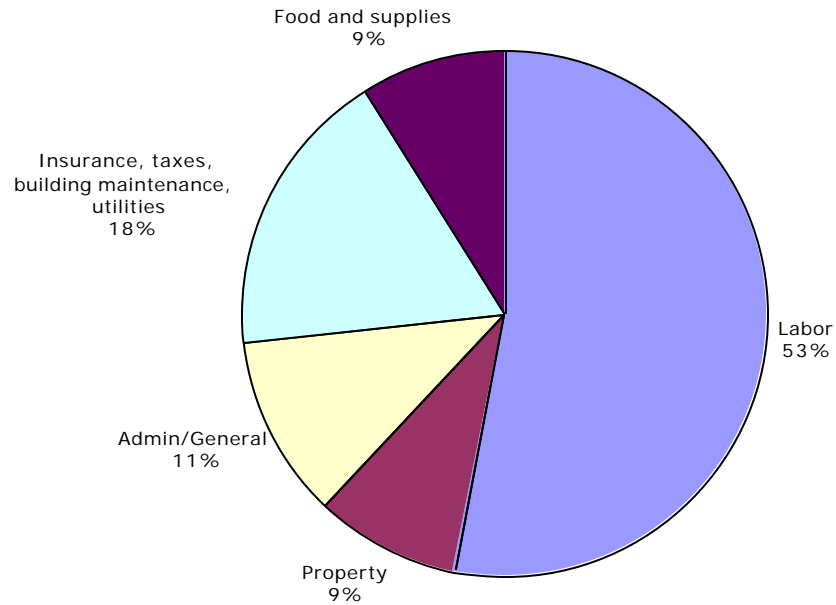


Method

Input-output analysis steps

- Characterize spending
- Estimate share of spending in local economy
- Trace spending through economy
 - Direct (e.g., facility hires nurse)
 - Indirect (e.g., facility purchases food services)
 - Induced (e.g., nurse purchases groceries)

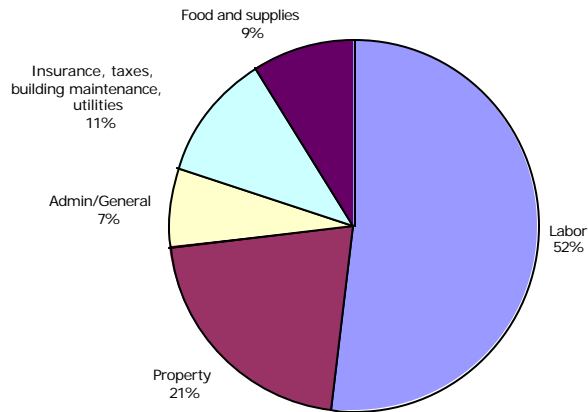
Nursing Home Spending



Source: 1999 Medicaid Cost Report

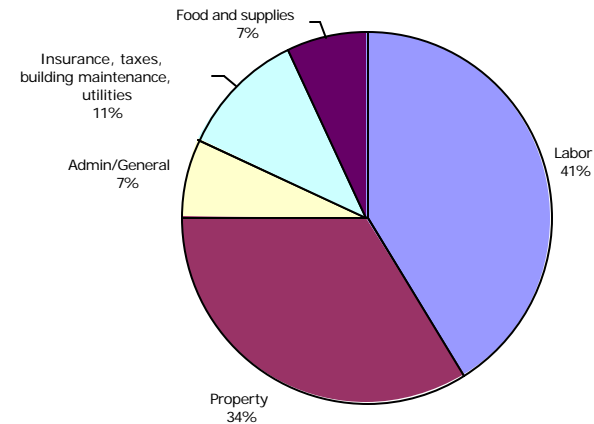
Residential Care/Assisted Living Spending

Residential Care



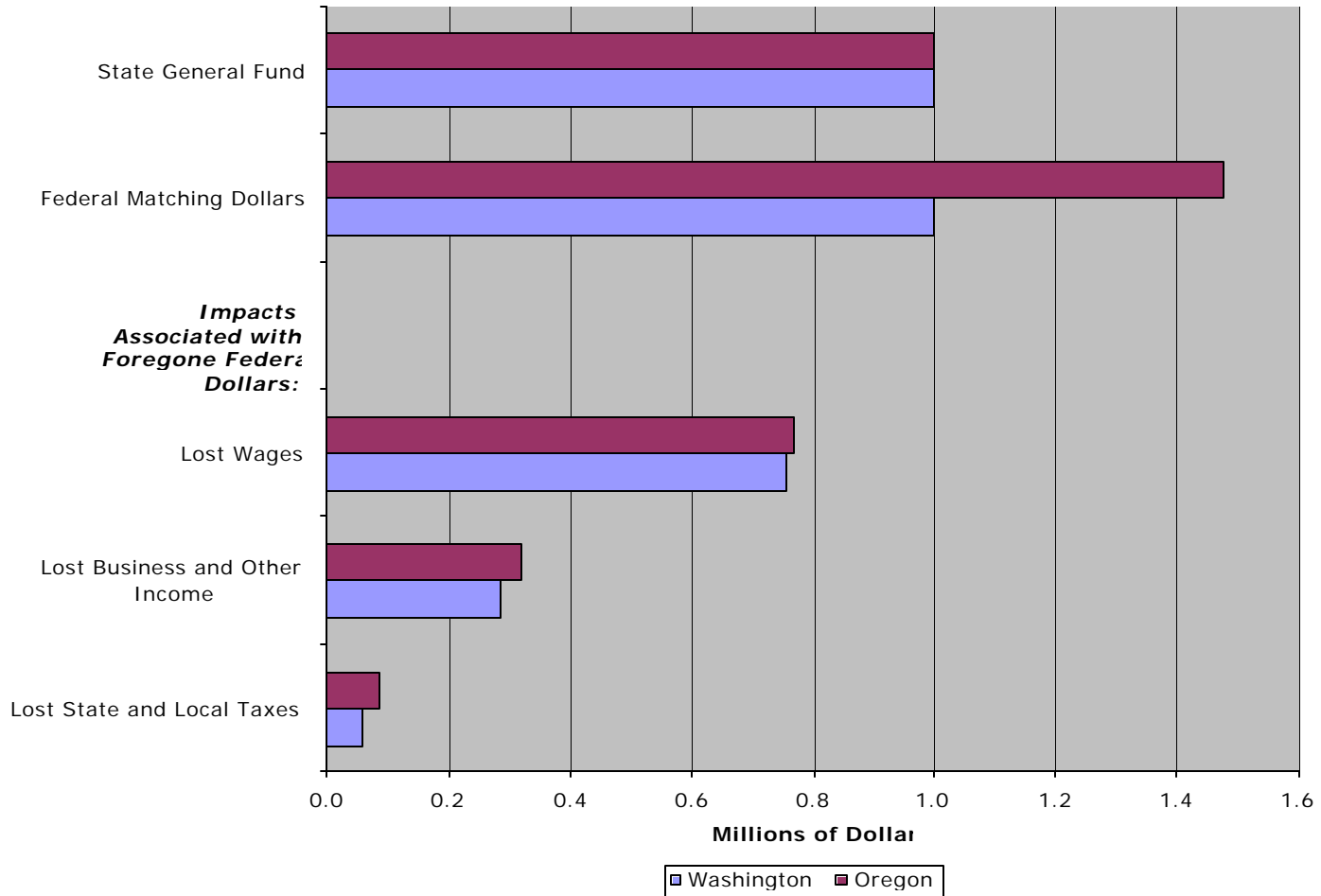
Source: 2000-2001 Oregon Health Care Association

Assisted Living

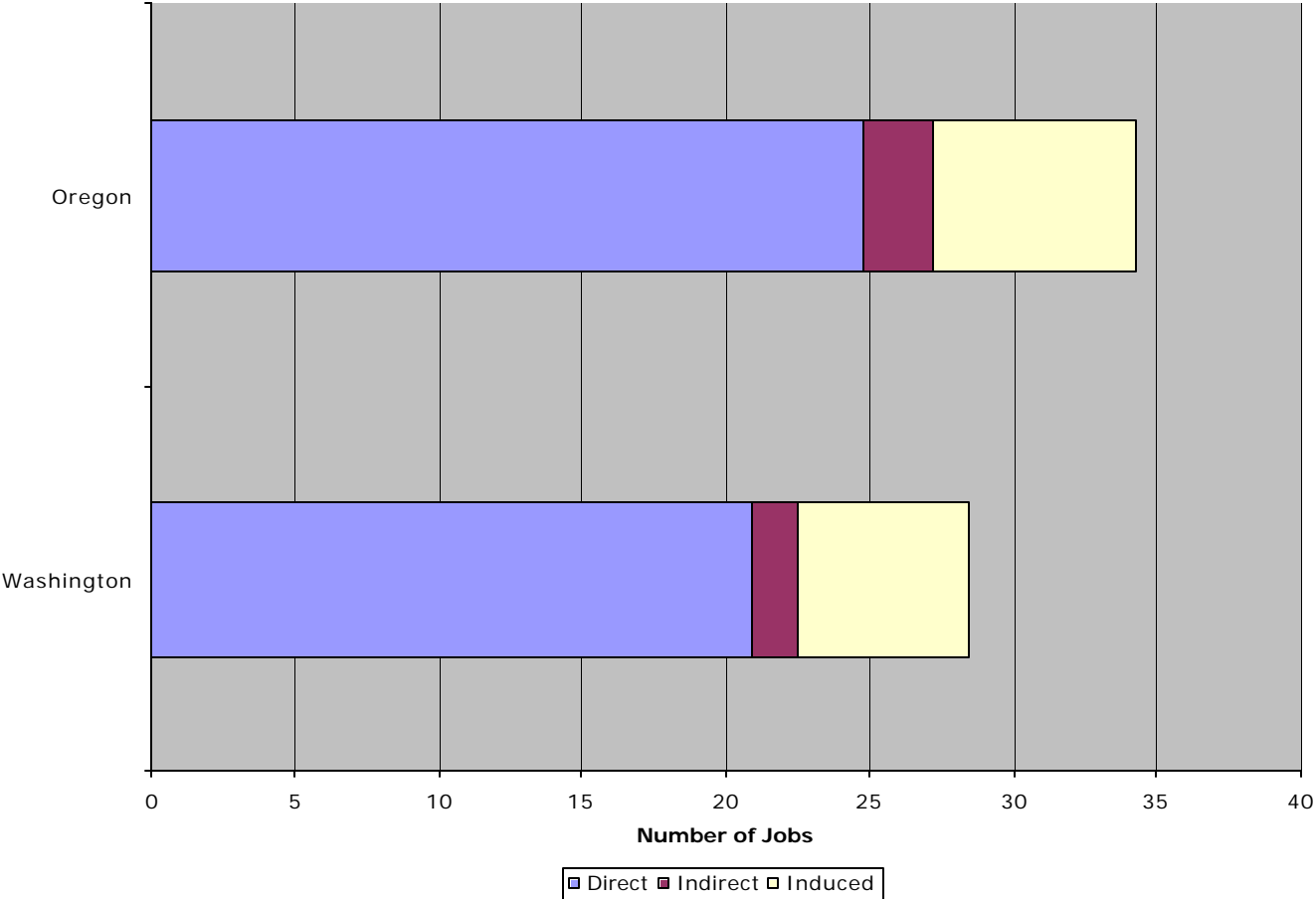


Source: 2000-2001 Oregon Health Care Association

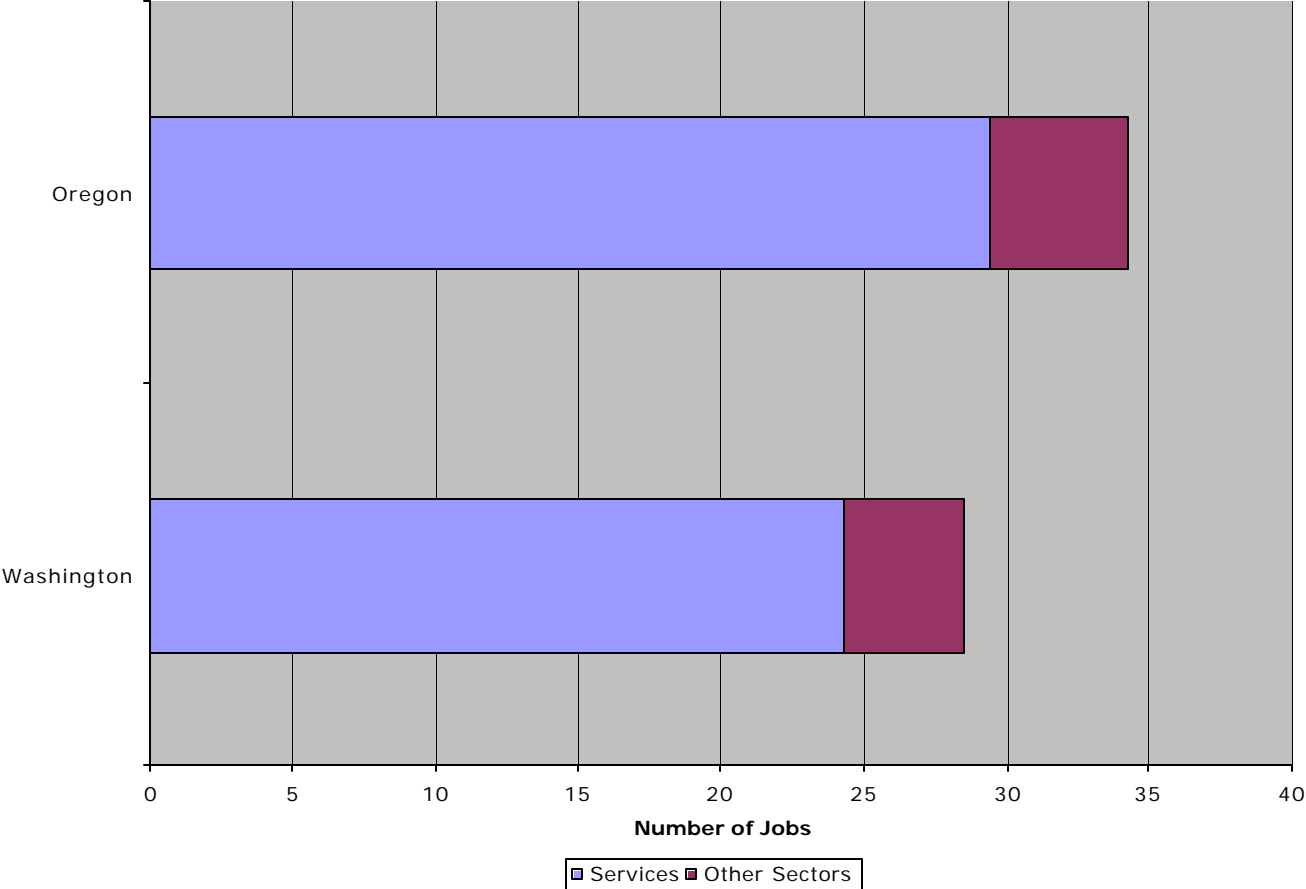
Findings: Impacts per \$1 Million State General Fund Cut (Nursing Homes)



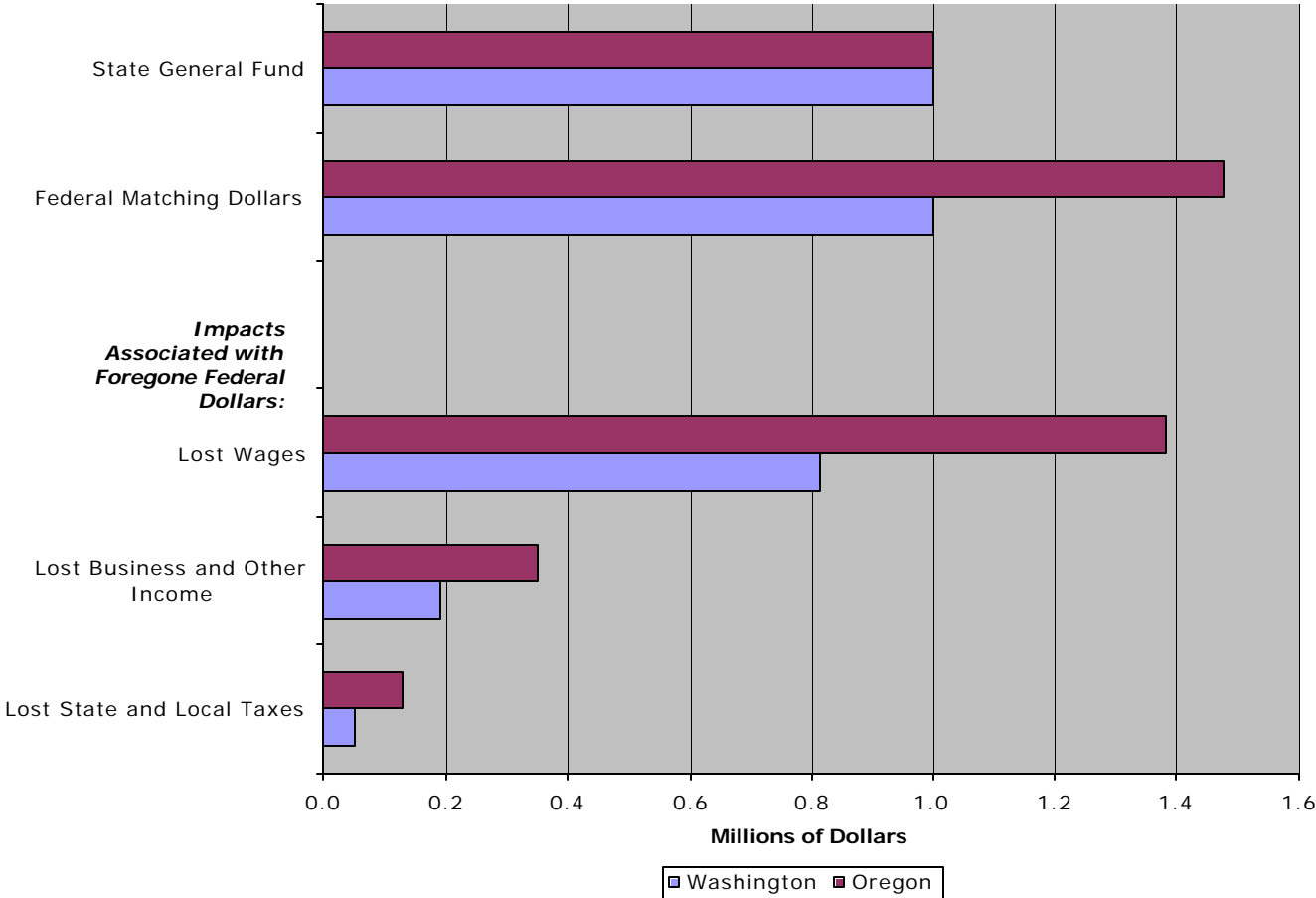
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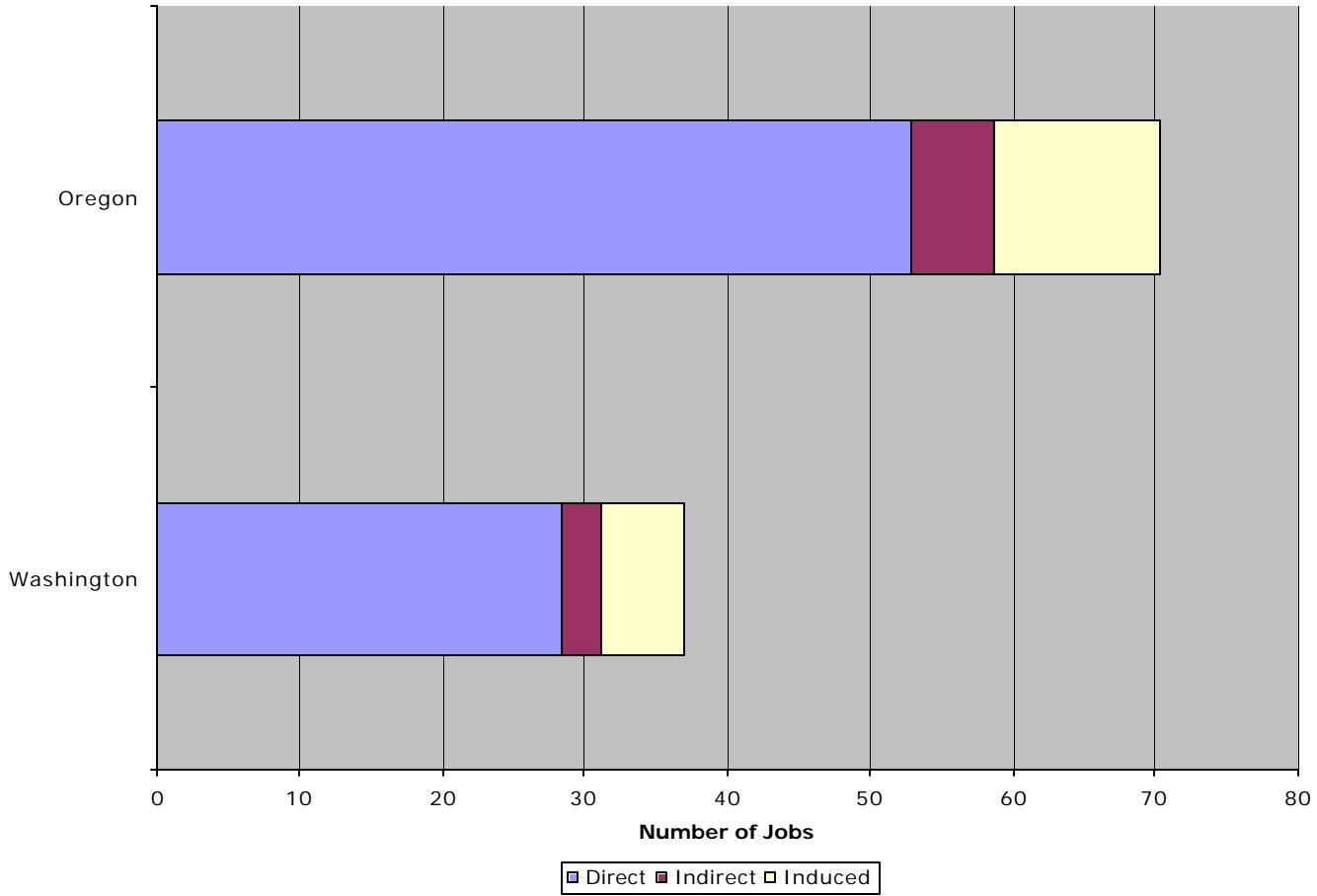
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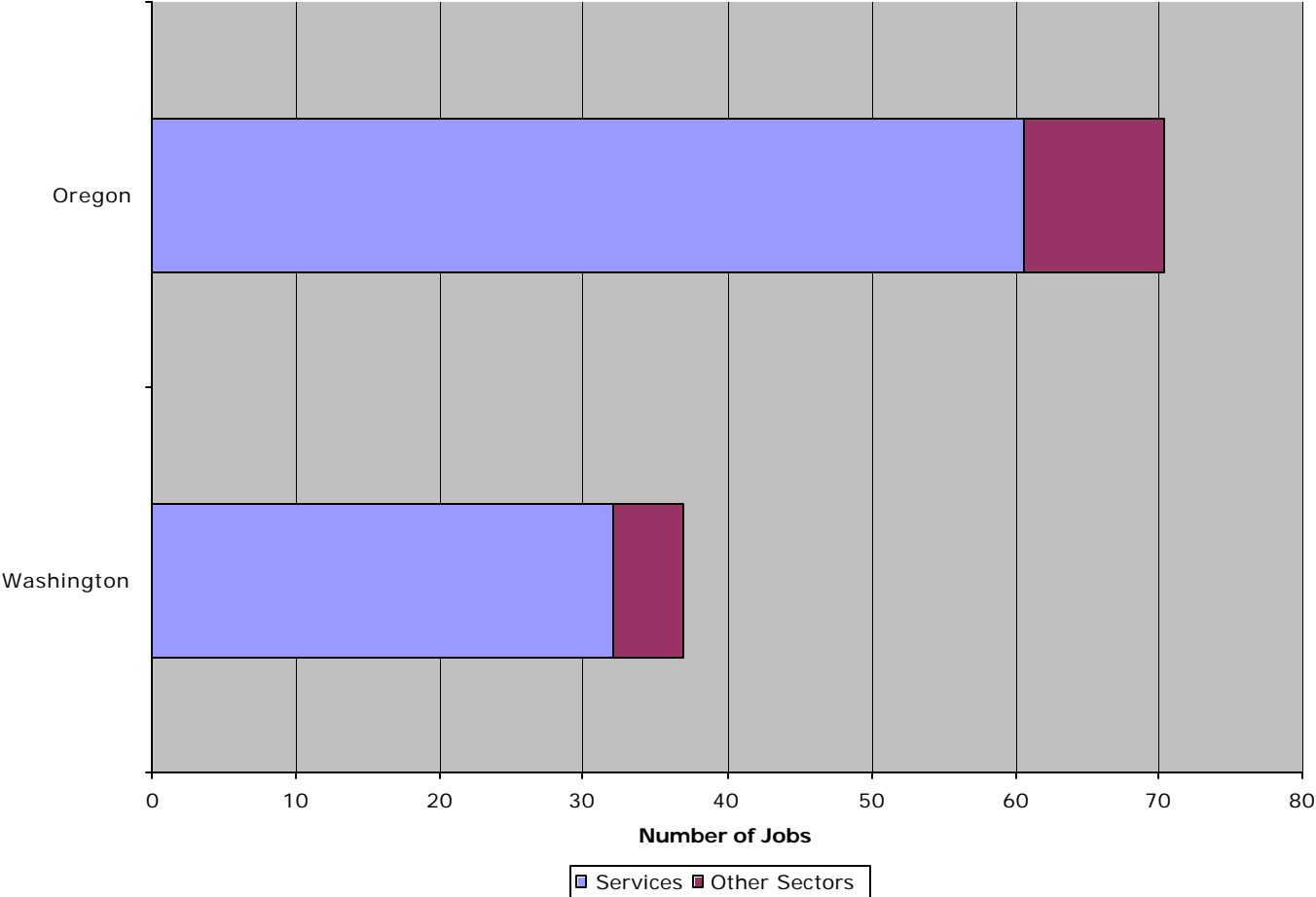
Findings: Impacts per \$1 Million State General Fund Cut (Residential/Assisted Living)



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Net Impacts of Proposed Cuts

	Washington	Oregon
<u>Nursing Homes</u>		
Proposed State GF Cut	34.7	13.7
Federal Match	34.7	20.2
<u>Residential/Assisted Living</u>		
Proposed State GF Cut	1.3	8.1
Federal Match	1.3	12.0
<u>Combined Impacts</u>		
Jobs	1,029	768
Wages	27.2	21.7
Business Income	10.1	7.2
State and Local Taxes	2.1	2.3
<i>All figures other than "Jobs" in millions of dollars</i>		



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