



MEDICAID CUTS IN RYAN BUDGET WOULD COST JOBS IN EVERY STATE

BY ETHAN POLLACK

Wisconsin Rep. Paul Ryan's fiscal 2013 budget (U.S. House Budget Committee 2012) proposes massive cuts to the non-retirement social safety net in the next decade. While there are many reasons why these cuts are ill-advised, one stands out in today's current economic context: job losses. A new EPI analysis finds that Ryan's proposed Medicaid cuts, which total \$544 billion over the next five years, would cost the economy about 10,600 jobs in the first year—a figure that would rise to nearly 1.5 million jobs lost in 2017. These job losses—overwhelmingly in the private sector—would affect every state.

A breakdown of Ryan's proposed cuts

Ryan proposes cutting \$1.742 trillion from Medicaid, \$134 billion from the Supplemental Nutrition Assistance Program, roughly \$650 billion from other health programs, more than \$463 billion from other safety net pro-

grams (likely significantly more), and at least \$291 billion from low-income discretionary programs over a decade (relative to spending under current policies). Totalling \$3.3 trillion, these cuts to programs for lower-income households represent roughly 62 percent of Ryan's total budget cuts over the next 10 years (Merrick and Horney 2012).

Hurting the disadvantaged and increasing household risk

There are three problems with Ryan's cuts to the safety net, two obvious and one less so. First, these cuts would overwhelmingly fall on the most vulnerable members of our society, who are unable to bear the brunt of deficit reduction (or, more accurately in Ryan's case, the financing of upper-income tax cuts). For example, more than 85 percent of Medicaid benefits currently go to poor seniors, blind and disabled people, and children (Congressional Budget Office 2012a). Yet many of these vulnerable cit-

TABLE 1

Medicaid cuts in Ryan budget* (\$billions) and job loss, 2013–2017

	2013	2014	2015	2016	2017	2013–2017
<i>Expansion</i>	\$1	\$48	\$81	\$98	\$103	\$331
<i>Block grant</i>	0	37	47	59	70	213
<i>Total cut</i>	1	85	128	157	173	544
<i>Total job loss</i>	-10,557	-861,553	-1,220,599	-1,410,242	-1,474,737	-4,977,690
<i>Private-sector job loss</i>	-10,098	-823,205	-1,172,795	-1,353,832	-1,419,149	-4,779,080

*Cuts from Affordable Care Act repeal and block granting

Sources: Author's analysis of Center on Budget and Policy Priorities data (Park and Broaddus 2012) and Congressional Budget Office (2012b)

izens cannot work full-time. And fewer and fewer jobs are providing health insurance (Gould 2012). Most insurance companies in the individual market would charge elderly or disabled policyholders prohibitively expensive premiums because of their risk. For many vulnerable populations, public assistance programs are the only answer.

Second, cuts weakening the social safety net would weaken the economy. This is because the safety net helps promote a strong economy by establishing a base level of economic security that frees people to take risks, such as starting a business or going back to school (Bordoff, Deich, and Orszag 2006). And by promoting equal opportunity, the safety net helps ensure that individuals with exceptional abilities are able to realize their potential, no matter what their station in life at birth.

Cutting jobs and impeding the recovery

Third and perhaps most important in the current economic context, Ryan's safety net cuts would immediately reduce employment and impede recovery. Consider Ryan's proposed Medicaid cuts, which total \$544 billion over the next five years (a period in which the economy

is expected to remain below potential). Using standard macroeconomic modeling consistent with private- and public-sector projections, we estimate that these cuts would cost the economy roughly 862,000 jobs in 2014 and that annual job loss would rise to nearly 1.5 million in 2017 (Table 1).

Furthermore, these job losses would overwhelmingly come from private-sector employment. Medicaid has very low overhead—CBO (2012a) reports that about 96 percent of the program's funds go toward benefits (including the "disproportionate share hospital" payments and vaccines for children), which are spent in the private sector (CBO 2012a). Accordingly, Medicaid cuts of this magnitude would result in the loss of more than 823,000 private-sector jobs in 2014, and annual job losses would rise to above 1.4 million private-sector jobs in 2017.

No state would be spared the economic pain. As Table 2 shows, every state loses: In 2014 these cuts would cost Michigan between about 24,700 and 25,800 jobs, Arizona between about 15,800 and 21,000 jobs, and California between approximately 82,600 and 92,300 jobs. Even Wyoming, with the smallest labor market in the

country, would still lose between about 1,300 and 1,900 jobs.

Methodology

Data on annual Medicaid cuts proposed by the Ryan budget were taken from a Center on Budget and Policy Priorities analysis (Park and Broaddus 2012) of the potential impact of turning the program into a block grant, and a Congressional Budget Office report on the potential impact of repealing the Affordable Care Act (CBO 2012b). The state distributions applied to these cuts at the federal level were from Families USA (2012).

Both national job loss estimates (Table 1) and state job loss estimates (Table 2) were calculated using a fiscal multiplier of 1.4, which is Moody's Analytics chief economist Mark Zandi's most recent estimate of the near-term economic activity generated by a dollar of government spending (Zandi 2011). The state job loss estimates are presented as a range, with two scenarios modeled. Scenario 1 assumes job loss is proportional to state-level cuts. This would be true, for example, if the dollar cut in each state directly translates into a loss of demand for goods and services produced exclusively in that state and nowhere else in the country. This is certainly not always the case, as supply chains are rarely located solely in one state.

Scenario 2, on the other hand, assumes that job loss is proportional to each state's share of national employment. This would be the case if a state's job loss is determined by overall national spending. As the truth is somewhere between the assumptions behind scenarios 1 and 2, these estimates provide a plausible range of job losses for each state.

The job impact estimates in this analysis are conservative for two reasons. Because Medicaid is a program generally benefiting low-income households—which, out of necessity, are much more likely to consume rather than save an additional dollar of disposable income—the cuts to Medi-

caid would likely have an even larger impact on the economy than we estimate here. For example, Reich et al. (2011) suggests a job impact three times greater than what our model assumes. Additionally, it is likely that an even larger share of the job loss would fall on the private sector because overhead includes not only labor but equipment and supplies, which are provided by private companies.

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TABLE 2

Job loss from Medicaid cuts* in Ryan budget, by state, 2013–2017

	SCENARIO 1					SCENARIO 2				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Total	10,557	861,553	1,220,599	1,410,242	1,474,737	10,557	861,553	1,220,599	1,410,242	1,474,737
<i>Alabama</i>	219	15,719	22,740	26,204	27,162	150	12,247	17,351	20,047	20,964
<i>Alaska</i>	19	2,095	2,847	3,307	3,520	26	2,155	3,053	3,527	3,689
<i>Arizona</i>	221	20,959	29,046	33,654	35,524	193	15,780	22,357	25,830	27,012
<i>Arkansas</i>	135	11,038	15,625	18,055	18,887	93	7,610	10,781	12,456	13,026
<i>California</i>	1,012	82,637	117,072	135,262	141,450	1,131	92,290	130,752	151,066	157,975
<i>Colorado</i>	150	10,381	15,125	17,413	17,996	181	14,790	20,953	24,209	25,316
<i>Connecticut</i>	58	7,386	9,873	11,493	12,321	131	10,651	15,090	17,434	18,232
<i>Delaware</i>	52	3,502	5,126	5,898	6,084	34	2,737	3,878	4,480	4,685
<i>District of Columbia</i>	21	3,090	4,075	4,752	5,124	59	4,777	6,768	7,820	8,178
<i>Florida</i>	943	59,706	88,407	101,585	104,278	585	47,711	67,594	78,096	81,668
<i>Georgia</i>	456	29,622	43,655	50,191	51,623	312	25,459	36,069	41,673	43,579
<i>Hawaii</i>	43	3,246	4,660	5,375	5,590	48	3,885	5,504	6,359	6,650
<i>Idaho</i>	47	3,773	5,363	6,194	6,468	49	3,982	5,642	6,519	6,817
<i>Illinois</i>	307	27,341	38,229	44,242	46,524	455	37,159	52,644	60,823	63,605
<i>Indiana</i>	246	17,946	25,889	29,844	30,971	228	18,567	26,304	30,391	31,781
<i>Iowa</i>	37	5,021	6,672	7,773	8,354	119	9,697	13,738	15,873	16,599
<i>Kansas</i>	53	4,930	6,852	7,936	8,367	107	8,764	12,417	14,346	15,002
<i>Kentucky</i>	224	17,025	24,395	28,145	29,291	144	11,751	16,648	19,234	20,114
<i>Louisiana</i>	253	19,453	27,823	32,107	33,441	154	12,576	17,817	20,585	21,527
<i>Maine</i>	54	5,009	6,961	8,062	8,500	48	3,889	5,510	6,367	6,658
<i>Maryland</i>	127	11,880	16,498	19,110	20,154	205	16,710	23,673	27,352	28,602
<i>Massachusetts</i>	169	17,721	24,237	28,129	29,861	258	21,050	29,822	34,455	36,031
<i>Michigan</i>	265	24,708	34,329	39,762	41,925	316	25,820	36,581	42,264	44,197
<i>Minnesota</i>	58	9,109	11,928	13,924	15,060	215	17,542	24,852	28,713	30,026
<i>Mississippi</i>	140	11,767	16,594	19,183	20,100	88	7,153	10,134	11,709	12,244
<i>Missouri</i>	201	18,107	25,275	29,257	30,788	213	17,380	24,623	28,449	29,750
<i>Montana</i>	29	2,420	3,415	3,948	4,135	34	2,796	3,961	4,576	4,786
<i>Nebraska</i>	43	3,641	5,131	5,932	6,217	76	6,195	8,776	10,140	10,603
<i>Nevada</i>	67	4,381	6,444	7,411	7,628	90	7,383	10,460	12,085	12,638
<i>New Hampshire</i>	34	2,679	3,811	4,400	4,594	50	4,107	5,819	6,723	7,030
<i>New Jersey</i>	230	19,295	27,218	31,464	32,964	310	25,284	35,821	41,387	43,280
<i>New Mexico</i>	73	7,612	10,411	12,083	12,827	65	5,273	7,470	8,631	9,026
<i>New York</i>	623	71,867	97,147	112,923	120,475	698	56,924	80,647	93,177	97,438

TABLE 2 (CONTINUED)

	SCENARIO 1					SCENARIO 2				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
<i>North Carolina</i>	571	37,839	55,554	63,901	65,828	315	25,732	36,456	42,120	44,047
<i>North Dakota</i>	22	1,749	2,484	2,869	2,997	32	2,586	3,664	4,234	4,427
<i>Ohio</i>	427	36,034	50,791	58,720	61,539	409	33,350	47,249	54,590	57,086
<i>Oklahoma</i>	85	8,221	11,358	13,165	13,915	125	10,169	14,407	16,646	17,407
<i>Oregon</i>	137	10,605	15,155	17,490	18,223	130	10,618	15,043	17,380	18,175
<i>Pennsylvania</i>	427	37,171	52,141	60,319	63,343	457	37,326	52,881	61,097	63,891
<i>Rhode Island</i>	29	3,043	4,156	4,824	5,124	37	3,019	4,277	4,941	5,167
<i>South Carolina</i>	208	15,607	22,419	25,858	26,883	147	12,023	17,033	19,679	20,579
<i>South Dakota</i>	28	2,145	3,063	3,535	3,685	33	2,663	3,773	4,359	4,559
<i>Tennessee</i>	347	25,488	36,744	42,360	43,973	213	17,417	24,675	28,508	29,812
<i>Texas</i>	1,025	73,716	106,640	122,887	127,380	848	69,227	98,078	113,316	118,498
<i>Utah</i>	63	4,961	7,059	8,152	8,508	97	7,923	11,225	12,969	13,562
<i>Vermont</i>	17	2,057	2,775	3,226	3,446	24	1,966	2,785	3,218	3,365
<i>Virginia</i>	176	13,617	19,460	22,459	23,400	296	24,149	34,213	39,529	41,337
<i>Washington</i>	76	9,547	12,783	14,877	15,938	227	18,504	26,216	30,289	31,674
<i>West Virginia</i>	130	9,193	13,335	15,361	15,905	61	4,945	7,006	8,095	8,465
<i>Wisconsin</i>	163	14,165	19,885	23,002	24,147	220	17,965	25,452	29,407	30,752
<i>Wyoming</i>	19	1,329	1,927	2,220	2,299	23	1,874	2,655	3,068	3,208

*Cuts from Affordable Care Act repeal and block granting

Note: Scenario 1 assumes job loss is proportional to state-level cuts; Scenario 2 assumes job loss is proportional to each state's share of national employment.

Sources: Author's analysis of Center on Budget and Policy Priorities data (Park and Broaddus 2012), Congressional Budget Office (2012b), and Families USA (2012)

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