Medicaid:
Essential to Iowa’s Hospitals and Communities

Our hospitals help keep us healthy. They provide emergency care. They are training grounds for tomorrow’s physicians. They are major employers in our communities, creating jobs and generating business activity across the state.

. . . And they rely on Medicaid.

Cuts to federal Medicaid funding would mean less funding for our hospitals, and that would put pressure on their operations. The effects would vary: Some hospitals might have to cut staff, some might cut services, some might delay equipment upgrades, some might postpone new buildings, and some might delay purchasing new technology. And any Iowan who needs hospital care would be affected, not just those who rely on Medicaid. Cuts to federal Medicaid spending will hurt hospitals — and all of us.

Iowa’s hospitals help Iowans throughout all phases of our lives.

- Iowa’s 127 hospitals and their staffs do everything from providing care to mothers and infants during nearly 35,000 deliveries every year to providing vital, often life-saving services for nearly 6,300 heart attack cases.¹

Iowa’s hospitals provide critical support after accidents and injuries.

- Hospitals treat people after accidents and sudden illnesses. Iowa’s emergency rooms handle about 1.2 million visits annually, and, for many who show up in the ER, the care that is provided by the hospital emergency room team makes the difference between life and death.²

Iowa’s hospitals are training grounds for future medical professionals.

- Iowa’s hospitals help prepare the University of Iowa Carver College of Medicine’s 654 medical students to become good doctors.³ Hospitals like Iowa Methodist Medical Center and the University of Iowa Hospitals and Clinics all help give first-hand medical experience to the students who will be Iowa’s doctors tomorrow.
Iowa’s hospitals are a vital economic engine for our communities.

- Iowa’s hospitals employ more than 68,000 people and have a combined annual payroll exceeding $2.6 billion. And those employees create additional economic activity in the state as they use their wages to purchase goods and services locally.
- In addition to the jobs that hospitals generate for their own employees, hospitals are a major economic force in communities throughout the state. They turn to local businesses—from construction and maintenance companies to information technology and security firms—to purchase the goods and services needed to support their operations. With revenues of almost $7.1 billion, Iowa’s hospitals are a major economic force in the state.

Medicaid: A State and Federal Partnership

The Medicaid program is a unique federal-state partnership. Every state Medicaid program must cover certain very low-income children, pregnant women, and some seniors and people with disabilities, but beyond that, states have great flexibility to design their programs and control their spending. Medicaid must provide program enrollees with, at minimum, a defined set of basic health benefits, and hospital care is one of those benefits. Each state’s policy makers must determine who will be covered, what kinds of health care services will be covered, how much the state will spend overall, and where Medicaid fits among competing demands for state dollars. About 482,900 Iowans rely on Medicaid.

Through Medicaid, states and the federal government provide assistance to our lowest-income citizens. The federal government “matches” every dollar that a state invests in Medicaid. In Iowa, the federal government provides $1.55 for each $1.00 that the state contributes. So, if more Iowans need Medicaid coverage, as happens during an economic downturn, the federal contribution rises. This enables the state to continue to serve its most vulnerable residents even in hard economic times, when Medicaid’s health care safety net is in greatest demand.

Cuts in federal Medicaid spending will place a great burden on the state. During a recession, when state tax receipts are down and unemployment is high, it is hard to make up for lost federal dollars. If faced with federal Medicaid cuts, many states will cut their Medicaid spending as well. Because states have a great deal of flexibility in the way they design their Medicaid programs, exactly how a given state would deal with a reduction in federal payments is up to that state. For example, a state could cut the services covered, or cut payments to service providers, or both. Hospitals receive a large share of Medicaid funding—for inpatient, outpatient, and emergency room care—so hospitals would be affected by any federal Medicaid cuts, regardless of how the state responds.
Medicaid Is Essential to the Health of Iowa’s Hospitals

Medicaid, the state and federally funded health insurance program for people with low incomes, is critical to the health of Iowa hospitals. Medicaid helps hospitals cover their bottom line. In Iowa, Medicaid pays for 16.2 percent of all hospital discharges. In 2009, Iowa’s Medicaid program paid for more than $309 million in hospital care, and this figure does not include payments for all services or patients. Cuts in federal Medicaid funding would threaten hospitals’ financial security, and that would hurt communities across the state.

Some hospitals have thin profit margins, and those hospitals don’t have a lot of financial padding to absorb losses. That tends to be the case more often for hospitals that are integral to the health care safety net, such as the University of Iowa Hospitals and Clinics (UIHC). These hospitals often see large numbers of Medicaid patients, so Medicaid is essential to their operations and their financial health. In addition, like UIHC, these hospitals are often among the area’s leading teaching hospitals and trauma care providers. UIHC has Iowa’s only designated level I trauma center.

Medicaid cuts place a real financial strain on safety net hospitals. For a place like UIHC, that likely means less money to invest in new equipment and residency training. For the people of Iowa, Medicaid cuts have a serious impact on the care that’s available throughout the state.

What Medicaid Cuts Could Mean for Iowa’s Hospitals and Communities

Iowa’s hospitals rely on Medicaid, and a large share of total Medicaid spending goes to hospitals. If federal Medicaid spending is cut, hospitals will need to look somewhere else to save money. That could mean staffing reductions, less purchasing, delayed upgrades, or consolidation of health care services. Such cutbacks would affect hospital staff, but they would also affect the businesses that hospitals use—everything from local construction to food services, to security, to information technology support vendors, and more. The vendors and suppliers that hospitals deal with would lose business, so Medicaid cuts would affect them and their employees, too.

Hospitals are major economic forces in their communities. That is part of the reason why Medicaid cuts would have a dramatic ripple effect. For example, a 5 percent cut in federal Medicaid spending in 2011 would put 2,010 jobs and $199.5 million in business activity at risk in Iowa.
Endnotes

1 Data on the number of hospitals are from the U.S. Census Bureau’s 2007 Economic Census, released on August 31, 2010, Sector 62: Health Care and Social Assistance: Geographic Area Series Summary Statistics: 2007. Data on hospital discharges are from the U.S. Department of Health and Human Services, Agency for Health Care Research and Quality, Healthcare Cost and Utilization Project, H*CuPnet statistics on inpatient hospital stays. For births, the data are based on discharges with principal procedure codes CCS 133-137 and 139-141. For heart attacks, the data are based on discharges with principal diagnosis code CCS 100. Data for discharges are for 2010.


4 Data are from the U.S. Census Bureau’s 2007 Economic Census, op. cit.

5 Ibid.


8 State statistics are from HCUP State Inpatient Databases 2010, Agency for Healthcare Research and Quality (AHRQ), based on data for hospital discharges by payer collected by the Iowa Hospital Association and provided to AHRQ.

9 Kaiser Family Foundation, statehealthfacts.org, Distribution of Medicaid Spending on Acute Care, FY 2009, available online at http://www.statehealthfacts.org/comparetable.jsp?typ=4&ind=179&cat=4&sub=47, accessed on February 20, 2012. Services that are not reflected in this figure include certain outpatient services, such as emergency room care that did not result in an admission. This figure also does not include the cost of hospital services that were provided to those who were enrolled in Medicaid managed care plans.