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Economic Impact of Low Income Health Program Spending on Select California Counties

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California recently received federal approval for a Section 1115 Medicaid Demonstration Waiver which includes the Low Income Health Program (LIHP). County-based LIHPs will offer comprehensive benefits to low-income adults who are currently ineligible for Medi-Cal coverage. County spending on LIHPs will improve access to health services for low-income adults and help maintain the safety network of providers.

The LIHP will also have broader economic benefits in each county where the program operates. County health spending supports economic output and jobs in hospitals, clinics and other health care settings, at medical supply companies and other health care suppliers, and also at the grocery stores, retail stores and other local businesses in which health care workers shop. The federal matching dollars brought in as a result of the county investment also serves as a stimulus to the local economies.

The projected economic impact of the LIHP in nine select counties was analyzed using IMPLAN 3.0, an industry-standard input-output modeling software package. IMPLAN allows computation of not just the direct impact of health care spending, but also the indirect impact on suppliers, and the induced effect resulting from changes in household income and resulting spending patterns. IMPLAN estimates not only the first round of effects, but also the subsequent rounds of effects as the dollars cycle through the economy, continuing until all of the money is leaked from the county.

Our analysis found that for every dollar spent by counties on LIHPs, economic output would increase by \$2.50 to \$3.54, including the federal matching dollars, as shown in Table 1. For example, in Los Angeles County, \$150 million in county spending on LIHPs would yield \$150 million in federal matching dollars and a total of \$485 million in economic output. County spending on LIHPs would also result in state and local tax revenue. For example, in Los Angeles County, \$150 million in county spending on LIHPs would yield \$22 million in state and local tax revenue.

Our analysis found that LIHP spending by counties would also have a significant employment impact, as shown in Table 2. For example, in Los Angeles County, \$150 million in county expenditures would yield 3,200 jobs in the county, including 2,100 direct jobs in health care, 400 indirect jobs among suppliers and 700 induced jobs among the local businesses where health care workers shop.

Table 1: Economic Impact of County LIHP Spending, Fiscal Year 2011-2012

County	(\$ millions)				Economic Output Multiplier
	County Expenditures	Federal Matching Dollars	Economic Output	State and Local Tax Revenue	
Fresno	28	28	75	3	2.69
Kern	16	16	43	2	2.70
Los Angeles	150	150	485	22	3.23
Orange	73	73	220	10	3.03
Riverside	41	41	101	4	2.50
Sacramento	47	47	164	8	3.45
San Bernardino	31	31	108	5	3.49
San Diego	53	53	186	10	3.54
Santa Clara	58	58	173	8	2.98

Source: Author's analysis of IMPLAN 3.0 2008 California State Package for one year change in 2011; county LIHP applications to the California Department of Health Care Services

Table 2: Employment Impact of County LIHP Spending, Fiscal Year 2011-2012

County	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
Fresno	400	100	100	500
Kern	200	-	100	300
Los Angeles	2,100	400	700	3,200
Orange	1,000	200	200	1,500
Riverside	600	100	100	800
Sacramento	600	200	300	1,100
San Bernardino	500	100	200	800
San Diego	700	200	300	1,300
Santa Clara	700	100	200	1,000

Note: Columns may not sum to totals due to rounding to the nearest 100 jobs

Source: Author's analysis of IMPLAN 3.0 2008 California State Package for one year change in 2011; county LIHP applications to the California Department of Health Care Services

Methodology/Sources

The LIHP spending was modeled as flowing to a set of IMPLAN industry sectors using the default IMPLAN 432-industry sector system. The total spending amount, including the federal match, was distributed across five health care related IMPLAN sectors. The distribution of these funds was weighted across these five sectors according to the relative share of economic output in 2008. The IMPLAN National Trade Flows method was used for all counties except San Bernardino. The Econometric RPC method was used for San Bernardino County because it is a geographically large but relatively sparse county that abuts an economically large county, Los Angeles, and the Econometric RPC method is recommended in these instances.

Projected county expenditures are based on county LIHP applications to the California Department of Health Services. Expenditures reflect projections for Fiscal Year 2011 to 2012.¹

¹ California Department of Health Care Services, "Submitted Applications and Letters of Initial Approval of Applications," <http://www.dhcs.ca.gov/provgovpart/Pages/Applications.aspx>