

## SUBCOMMITTEE ON HEALTH HEARING ENTITLED, "STATE FISCAL RELIEF: PROTECTING HEALTH COVERAGE IN ECONOMIC DOWNTURN"

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As the current economic downturn continues, and the House begins work on a second economic stimulus package, today's hearing will provide a timely insight into how Medicaid can be an integral part of it. For every dollar a State spends on Medicaid, the Federal Government contributes between \$1.00 and \$3.17. This funding not only sustains health coverage, but is critical for supporting jobs and wages throughout the State.

Unfortunately, the situation States are facing is dire. Twenty-nine States face a total budget shortfall of at least \$48 billion in 2009. Michigan, for example, has a \$472 million budget gap to close — nearly 5 percent of its general fund. Nearly half of those States facing deficits have implemented or proposed cuts that will affect eligibility for health insurance programs or access to health services.

When the Census Bureau releases its new report in late August, we expect to see a rise in the number of uninsured. This, in turn, means increased pressure on State Medicaid programs. A 1 percent increase in unemployment, which is roughly equal to what occurred from June 2007 to June 2008, would translate into approximately 1.1 million new uninsured and an increase in approximately 1 million new Medicaid and SCHIP enrollees. If we want to protect existing coverage and make sure that the program can serve those who are affected by the downturn, an increased Federal commitment

to Medicaid is necessary.

In addition to helping secure health coverage, Medicaid can stimulate the economy another way. The injection of new Federal dollars through Medicaid has a measurable effect on State economies, including generating new jobs and wages.

For example, if the provisions of the Pallone-King bill were to take effect this October, Michigan would receive an additional \$324 million in Medicaid funding, which would generate \$539 million in additional business activity, create 5,400 additional jobs, and \$201 million in additional wages.

We know the temporary Medicaid fiscal relief funding was effective in instigating the 2003 economic downturn. The Federal funds helped States avoid Medicaid cuts. States have already adopted a wide range of cost containment strategies during the last economic downturn, and there are fewer policy options to reduce spending without significantly harming coverage or access to care.

I look forward to hearing from today's witnesses about the fiscal condition of the States and how increased Federal assistance can protect health coverage and stimulate their economies. I believe that before the Fall we will have a second stimulus package that will include a targeted and temporary increase in Federal assistance for Medicaid.

Prepared by the Committee on Energy and Commerce

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