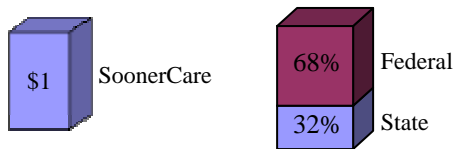


The Economic Impact of SoonerCare on Oklahoma’s Economy

This study has been prepared by the National Center for Rural Health Works for the Oklahoma Health Care Authority (OHCA). SoonerCare is Oklahoma’s Medicaid program and is administered by the OHCA to provide health care services to Oklahoma’s most vulnerable citizens. The study documents the economic impact of SoonerCare on Oklahoma’s economy and, therefore, illustrates the importance of every dollar of State funding to SoonerCare.

A widely-accepted input-output model (IMPLAN) was utilized to estimate the direct, secondary, and total impacts of SoonerCare on Oklahoma’s economy. The economic impact is quantified as employment, income, and output (total “business” spending) resulting from SoonerCare. Employment is defined as full-time equivalent employees. Income is defined as personal income from wages and salaries, proprietor’s income, and benefits. Output is defined as the total expenditures (total “business” spending) of SoonerCare. Additionally, SoonerCare generates a large impact from tax revenue in state sales tax, state income taxes, and selected “other” state taxes.

Oklahoma funded SoonerCare with \$1,225 million. When added to the Federal matching dollars, total SoonerCare expenditures were \$4,498 million. For every one dollar of SoonerCare funding, the Federal government matched \$2.08. Another way to look at the funding is that for every SoonerCare dollar in Oklahoma, 32 cents of the SoonerCare Dollar are from State funds and 68 cents of the SoonerCare Dollar are from Federal funds.



Of the \$4,498 million spent on SoonerCare, approximately 5.5 percent or \$245.5 million was spent on administration of the program. Although the economic impact on employment and income is illustrated separately for the administration and for

the provision of health care services in the study, only the totals will be presented here. Total employment for the SoonerCare program was estimated at 58,702 employees and income was \$2,331 million. These direct impacts generate additional employment and income throughout the economy, resulting in a total employment impact of 114,808 jobs and a total income impact of \$4,246 million.

	Direct Impact	Total Impact
Employment	58,702	114,808
	(millions)	
Income	\$2,331	\$4,246
Output	\$4,498	\$11,167
Taxes	\$180	\$351

For every dollar spent on SoonerCare from all sources of funding, total output of the program or total program (or “business”) spending can be calculated. For the \$4,498 million in total dollars spent directly by SoonerCare, total business spending generated throughout all businesses in Oklahoma’s economy was \$11,167 million.

Another measure of the importance of SoonerCare funding is the amount of taxes generated from SoonerCare expenditures. SoonerCare generates approximately \$180 million in state taxes, including state sales tax, state income tax, and selected “other” state taxes. The total impact of these state taxes throughout all businesses in Oklahoma is \$351 million. Therefore, from the \$1,225 million of Oklahoma funding of SoonerCare, state funds are recovered through the generation of \$351 million in state taxes. These state taxes offset the cost of SoonerCare State Dollars by approximately 29%, as approximately \$1 out of every \$3 of State funds invested in SoonerCare are recovered through these state tax dollars.

Proposed SoonerCare Funding Reductions

Legislation leaders requested that the OHCA estimate the impact that three SoonerCare funding reduction scenarios will have on the state economy based on:

- Five percent reduction
- Seven and one-half percent reduction
- Ten percent reduction

The proposed reduction for SFY 2012 for SoonerCare state and federal funding estimates are shown in the table below for the three scenarios. The proposed reductions in federal and state funds (output) will result in reduced employment and income.

Proposed Reductions of State and Federal Funds for SoonerCare, SFY 2012

Proposed 5 % Reduction

Reduction in State Funds	(\$48,150,786)
Reduction in Federal Funds	(\$84,185,373)
Total Reduction Funds	(\$132,336,159)

Proposed 7 ½ % Reduction

Reduction in State Funds	(\$72,226,179)
Reduction in Federal Funds	(\$126,278,060)
Total Reduction Funds	(\$198,504,239)

Proposed 10 % Reduction

Reduction in State Funds	(\$96,301,572)
Reduction in Federal Funds	(\$168,370,746)
Total Reduction Funds	(\$264,672,318)

Estimated Economic Impacts of Reductions

The estimated impacts on employment, income and output from the three funding reduction scenarios are presented in the last table. The input-output model used in the analysis is based on fixed coefficients (fixed production functions), using averages to estimate employment and income losses. The model may overestimate and the projected losses may be slightly less. After running the model and analyzing the data, the authors did not find inefficiencies or excess profits in the health care delivery system in Oklahoma.

Each of the three scenarios is illustrated in the following table. In summary, any of the proposed

reductions in SoonerCare state and federal funding would result in substantial employment and income losses, as well as substantial losses in total output or total expenditures.

Employment, Income, and Output Impact on Oklahoma from Three Reduction Scenarios in Sooner Care Funds, SFY 2012

Category	5.0% Reduction	7.5% Reduction	10.0% Reduction
Employment			
Direct	(1,749)	(2,623)	(3,498)
Multiplier	1.96	1.96	1.96
Secondary	(1,679)	(2,518)	(3,358)
Total Impact	(3,428)	(5,141)	(6,856)
Income			
Direct	(\$69,234,665)	(\$103,851,998)	(\$138,469,331)
Multiplier	1.83	1.83	1.83
Secondary	(\$57,464,772)	(\$86,197,158)	(\$114,929,545)
Total Impact	(\$126,699,437)	(\$190,049,156)	(\$253,398,876)
Output			
Direct	(\$132,336,159)	(\$198,504,239)	(\$264,672,318)
Multiplier	2.48	2.48	2.48
Secondary	(\$195,857,515)	(\$293,786,274)	(\$391,715,031)
Total Impact	(\$328,193,674)	(\$492,290,513)	(\$656,387,349)

If SoonerCare funds are reduced, health care will still be provided to former SoonerCare members; the cost of this care will be shifted to those with insurance and those who can pay for their health care; thus, continuing to increase health care costs. A large portion of the needed health services will be provided through hospital emergency rooms, etc. Uncompensated hospital emergency room visits shifts the costs to paying health care users, which will, in turn, increase health insurance costs and overall health care costs.

The loss of SoonerCare funds will result in large losses to the economy of Oklahoma. Not only will the overall economy of Oklahoma suffer from SoonerCare fund reductions, but the residents of Oklahoma who require these program services will seek alternatives in obtaining needed health, medical, and other program services; thus, placing a larger cost burden on hospitals, insurance companies, and paying health care users.