State Economic and Employment Losses If Community Health Center Funding Is Not Restored

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About the Geiger Gibson / RCHN Community Health Foundation Research Collaborative

The Geiger Gibson Program in Community Health Policy, established in 2003 and named after human rights and health center pioneers Drs. H. Jack Geiger and Count Gibson, is part of the Milken Institute School of Public Health at the George Washington University. It focuses on the history and contributions of health centers and the major policy issues that affect health centers, their communities, and the patients that they serve.

The RCHN Community Health Foundation is a not-for-profit foundation established to support community health centers through strategic investment, outreach, education, and cutting-edge health policy research. The only foundation in the U.S. dedicated solely to community health centers, RCHN CHF builds on a long-standing commitment to providing accessible, high-quality, community-based healthcare services for underserved and medically vulnerable populations. The Foundation's gift to the Geiger Gibson program supports health center research and scholarship.

Additional information about the Research Collaborative can be found online at https://publichealth.gwu.edu/projects/geiger-gibson-program-community-health-policy or at www.rchnfoundation.org.

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For the past several years, Congress has provided a dedicated stream of federal grant funding so that community health centers (CHCs) can deliver primary health services to patients in medically underserved areas across the nation. In 2016, health centers served 26 million patients at about 10,000 locations. However, while the federal fiscal year ended on September 30, 2017, the Community Health Center Fund, which was $3.6 billion in Fiscal Year 2017, has not yet been renewed by Congress, resulting in a deep funding gap.[1] This "CHC funding cliff" might be addressed as part of a continuing resolution, in conjunction with renewed funding for the Children's Health Insurance Program (CHIP),[2] the National Health Service Corps and the innovative Teaching Health Centers program.[3] But even though an extension of funding passed the House, alongside other bipartisan health priorities, debate has not yet moved forward in the Senate. Thus, it remains unclear when – or if – the CHC funding will be renewed.

Key Findings

This brief addresses the state-level economic and employment consequences if the mandatory community health center funding is not restored. Key findings include:

- If $3.6 billion in funding is not immediately restored, CHCs would sustain substantial losses in revenue, severely reducing their capacity to provide health care to low-income patients. In addition, there would be broader and dramatic repercussions for state and local economies and health and non-health employment would decline.
- The number of jobs lost in 2018 could range from 76,000 to 161,000 nationwide. State economies (gross state product) would be reduced by $7.4 to $15.6 billion.
- Job losses will occur in both health care and non-health employment. There is a projected loss of 32,000 to 68,000 health care jobs, and 44,000 to 93,000 non-health jobs (e.g., in retail, construction, finance, and other industries.)
- Because CHCs are located in every state in the U.S. (as well as in U.S. territories), economic and employment losses will occur in every state. Table 1 has more detail.
- Our estimates are for 2018 only. If the mandatory health center funding is also lost in future years, the cumulative losses would be substantially higher.

These estimates are based on economic models of changes in employment and state economies if federal CHC funding is reduced.[4] The direct effect is the loss of revenue to health centers. CHCs are not-for-profit organizations, and operate at low margins; with sharp revenue losses, they are forced to downsize staff, curtail services and reduce purchasing of goods and services such as equipment, rent,

[1] Shin P, Sharac J, Gunsalus R, Rosenbaum S. What Are the Possible Effects of Failing to Extend the Community Health Center Fund? Geiger Gibson/RCHN Community Health Foundation Research Collaborative. Policy Research Brief #49. Sept. 21, 2017. https://publichealth.gwu.edu/sites/default/files/images/GG%20Health%20Center%20Fund%20Brief_9.18_Final.pdf

[2] Itkowitz C, Somashekar. States Prepare to Shut Down Children's Health Programs If Congress Doesn't Act. Wash Post. Nov. 23, 2017.

[3] Regenstein M, Nocella K, Jewers M, Mullan F. The Cost of Residency Training in Teaching Health Centers. New Eng J Med. 2016; 375:612-614. Aug 18, 2016.

[4] Our analyses use the well-respected PI+ model, developed by Regional Economics Models Inc. www.remi.org. For examples of this type of analysis, see Ku L, Steinmetz E, Brantley E, Holla N, Bruen B. The American Health Care Act: Economic and Employment Consequences for States. Commonwealth Fund, June 14, 2017. http://www.commonwealthfund.org/publications/issue-briefs/2017/jun/ahca-economic-and-employment-consequences or Ayanian, J., Ehrlich, G., Grimes, D., Levy, H. Economic Effects of Medicaid Expansion in Michigan. New Eng J Med. 2017 Feb 2;376(5):407-410.

consulting, supplies, etc. But the repercussions would extend well beyond CHCs and their patients; they would create losses for health care employment in other settings and to employment and business in non-health care settings.

Economic and Employment Impacts

The consequences for employment and state economies flow far beyond the health sector, because of what economists call the "multiplier effect." When health care staff lose their jobs or have their salaries cut, they must reduce how much they spend for food, transportation, housing and other goods. This flows downstream and reduces revenue for a diverse range of businesses, including retail, construction, manufacturing, finance, etc. Furthermore, when companies that sell goods and services to health care providers or to their employees lose business, they will also cut employment and purchases. In the end, state economies and business activity all lose out. State and local governments also lose tax revenue because of the reduced economic activity.

In FY 2017, federal health center grants for CHCs (Section 330) comprised $3.6 billion in mandatory funding, plus $1.5 billion in appropriated funding. The Trump Administration requested the same level for the FY2018 budget.[5] Even that level represents a modest cut from prior years, because it does not account for inflation. If the mandatory funding is not restored, it seems likely that federal funding would plummet to about $1.5 billion in 2018.

Table 1 summarizes the state-level findings for all 50 states and the District of Columbia. Because of the limitations of the multistate economic forecasting model (PI+ from Regional Economic Models, Inc.), we do not include losses for the U.S. territories, such as Puerto Rico or the Virgin Islands, although they also have CHCs and would also sustain serious losses.

We estimate low and high levels of the effects on employment and state economies. The low range simply assumes that the $3.6 billion in mandatory federal funding is eliminated, reducing federal health center grants to CHCs by more than 70 percent from 2017 levels. We distributed the losses evenly across states in proportion to their FY 2017 grant levels. The higher range assumes deeper losses because cuts to core CHC grants would weaken CHCs' ability to provide care for insured patients as well, leading to losses in Medicaid, Medicare, CHIP and private health insurance funding as well as grant funding. Rigorous analyses have shown how both Medicaid expansions and rising CHC grant levels contributed to increasing revenues and the number of patients served.[6] At the high end, the National Association of Community Health Centers (NACHC),[7] following estimates by the Health Resources and Services Administration,[8] has calculated that the aggregate revenue loss felt by CHCs would total $7.6 billion, resulting in nearly 9 million patients losing access to care - more than a third of all people served - and a cut of 52,000 staff jobs. NACHC's state estimates are used for the higher range.

The harm to patients and communities could be especially serious in states that have not expanded Medicaid or those that have higher levels of uninsurance, since displaced CHC patients who are uninsured will have fewer options for health care. The consequences may be particularly severe for patients in areas like Texas, Puerto Rico and Florida, which all have larger uninsured populations and which are still grappling with recovery from recent hurricanes. For nearly two decades there has been bipartisan support for CHCs because of their effectiveness in helping to assure the availability of comprehensive primary and preventive health care in all parts of the nation, urban and rural alike, leading to almost continuous growth in the number of patients served and number of clinic sites. The loss of the health center fund sets us back. Immediate action to renew CHC funding will help safeguard the health of patients across the country, and protect jobs and state economies.

[5] Dept. of Health and Human Services. Putting America's Health First: FY 2018 President's Budget for 2018.

[6] Han X, Luo Q, Ku L. Medicaid Expansions and Increases in Grant Funding Increased the Capacity of Community Health Centers, Health Affairs, 2017 Jan.; 36 (1):49-56.

[7] National Association of Community Health Centers. The Health Center Funding Cliff and Its Impact. Sept. 2017. https://d3n8a8pro7vhmx.cloudfront.net/nachc/pages/297/attachments/original/1506523575/The_Health_Center_Funding_Cliff_and_Its_Impact_September_2017.pdf?1506523575

[8] Health Resources and Services Administration. Response to Congressional request, Dec. 20, 2016.

Table 1. Range of Economic and Employment Losses in 2018 if Health Center Funding is Not Restored

(Low estimates assume a loss of $3.6 billion in federal grants. High estimates assume a total loss of $7.6 billion in federal grants and related patient revenue.)

	Gross State Product Lost ($ million)		Total Private Jobs Lost		Health Care Jobs Lost		Non-Health Care Jobs Lost	
	Low	High	Low	High	Low	High	Low	High
US Total*	**-$7,379**	**-$15,568**	**-76,293**	**-160,981**	**-32,106**	**-67,745**	**-44,187**	**-93,235**
Alabama	-$112	-$236	-1,268	-2,668	-553	-1,162	-715	-1,506
Alaska	-$65	-$131	-605	-1,210	-334	-666	-271	-544
Arizona	-$124	-$270	-1,381	-3,005	-562	-1,229	-819	-1,776
Arkansas	-$61	-$125	-707	-1,454	-322	-655	-385	-799
California	-$799	-$1,697	-7,440	-15,814	-3,113	-6,621	-4,327	-9,193
Colorado	-$145	-$312	-1,473	-3,168	-574	-1,241	-899	-1,927
Connecticut	-$109	-$228	-975	-2,033	-408	-846	-567	-1,187
Delaware	-$22	-$45	-219	-455	-92	-189	-127	-266
Dist. of Columbia	-$30	-$60	-238	-482	-118	-232	-120	-250
Florida	-$454	-$961	-5,216	-11,045	-2,205	-4,675	-3,011	-6,370
Georgia	-$227	-$474	-2,455	-5,127	-941	-1,958	-1,514	-3,169
Hawaii	-$31	-$63	-317	-634	-143	-285	-174	-349
Idaho	-$39	-$84	-491	-1,068	-248	-543	-243	-525
Illinois	-$290	-$608	-3,070	-6,440	-1,275	-2,668	-1,795	-3,772
Indiana	-$131	-$277	-1,405	-2,972	-540	-1,145	-865	-1,827
Iowa	-$61	-$132	-627	-1,363	-221	-493	-406	-870
Kansas	-$60	-$122	-642	-1,306	-255	-509	-387	-797
Kentucky	-$92	-$190	-1,046	-2,169	-467	-961	-579	-1,208
Louisiana	-$149	-$313	-1,635	-3,442	-747	-1,572	-888	-1,870
Maine	-$47	-$102	-554	-1,190	-275	-594	-279	-596
Maryland	-$117	-$245	-1,195	-2,499	-490	-1,024	-705	-1,475
Massachusetts	-$242	-$504	-2,219	-4,621	-946	-1,964	-1,273	-2,657
Michigan	-$188	-$404	-2,136	-4,606	-951	-2,067	-1,185	-2,539
Minnesota	-$113	-$238	-1,048	-2,212	-356	-750	-692	-1,462
Mississippi	-$73	-$156	-872	-1,880	-415	-903	-457	-977
Missouri	-$136	-$282	-1,502	-3,124	-628	-1,301	-874	-1,823
Montana	-$31	-$62	-358	-706	-177	-343	-181	-363
Nebraska	-$35	-$73	-370	-764	-129	-261	-241	-503
Nevada	-$40	-$82	-414	-852	-109	-215	-305	-637
New Hampshire	-$42	-$88	-424	-890	-158	-333	-266	-557
New Jersey	-$212	-$453	-1,970	-4,224	-744	-1,621	-1,226	-2,603
New Mexico	-$65	-$139	-783	-1,667	-440	-938	-343	-729
New York	-$544	-$1,142	-4,890	-10,253	-2,327	-4,867	-2,563	-5,386
North Carolina	-$217	-$448	-2,426	-5,001	-1,024	-2,094	-1,402	-2,907
North Dakota	-$22	-$46	-178	-374	-53	-110	-125	-264
Ohio	-$258	-$545	-2,801	-5,924	-1,204	-2,550	-1,597	-3,374
Oklahoma	-$79	-$167	-856	-1,807	-365	-771	-491	-1,036
Oregon	-$104	-$221	-1,116	-2,360	-507	-1,068	-609	-1,292
Pennsylvania	-$271	-$562	-2,802	-5,808	-1,130	-2,322	-1,672	-3,486
Rhode Island	-$36	-$76	-395	-837	-200	-426	-195	-411
South Carolina	-$108	-$227	-1,223	-2,559	-530	-1,109	-693	-1,450
South Dakota	-$20	-$45	-197	-449	-73	-175	-124	-274
Tennessee	-$180	-$381	-1,877	-3,960	-727	-1,536	-1,150	-2,424
Texas	-$627	-$1,332	-6,701	-14,243	-2,650	-5,649	-4,051	-8,594
Utah	-$59	-$123	-671	-1,394	-248	-510	-423	-884
Vermont	-$25	-$51	-288	-595	-151	-311	-137	-284
Virginia	-$156	-$330	-1,546	-3,274	-574	-1,228	-972	-2,046
Washington	-$165	-$364	-1,505	-3,318	-657	-1,463	-848	-1,855
West Virginia	-$58	-$123	-654	-1,398	-392	-842	-262	-556
Wisconsin	-$96	-$201	-1,003	-2,109	-326	-685	-677	-1,424
Wyoming	-$13	-$28	-109	-227	-32	-65	-77	-162

*Does not include US territories, such as Puerto Rico or the Virgin Islands. Totals may not sum due to rounding.