

The Economic Impact of the CHFS on Local Economies

Alison Davis, PhD

Introduction

The Kentucky Cabinet for Health and Family Services plays a critical role in administering key social assistance programs like Medicaid and SNAP, which are vital to the state's health and economic stability. Medicaid provides cost-effective healthcare, resulting in significant cost savings, improved health outcomes, and enhanced economic productivity by supporting jobs and generating economic activity. The program's expansion has been linked to increased healthcare access and reduced uncompensated care costs, directly benefiting the state's economy and reducing financial burdens on both individuals and the government. SNAP similarly contributes to food security, health improvement, and economic stimulation, with a significant impact on poverty reduction and local economies. Both programs are crucial for supporting Kentucky's vulnerable populations while also fostering broader economic growth and stability.

Methods

This study allows policy makers and stakeholders to understand how spending by the Cabinet for Health and Family Services (CHFS) affects the local economy. The methodology is based on the "multiplier effect," which measures how money spent in one area can create a ripple effect, leading to more spending and job creation in other areas. Specifically, the results quantify three types of economic impacts: 1. direct effects - the immediate jobs and economic activity created by CHFS spending; 2. indirect effects - the additional economic activity that happens from interaction with other industries to buy supplies and services; 3. induced effects - the further household spending on things like groceries or rent.

By examining these impacts, the study highlights the importance of the CHFS spending for the local economy and why continued investment in these programs is essential for economic growth and community well-being. The findings are focused on two key areas of spending: SNAP (which boosts spending at local grocery stores) and payments to Medicaid providers (which support healthcare services). In addition, funding from federal sources for the Family Resource and Youth Services Centers (which support social programs in the community) is also included.

Results

The results of the study illustrate that spending on programs by the Cabinet for Health and Family Services (CHFS) has a

Partner University: University of Kentucky
College or School: Community and Economic Development Initiative of Kentucky (CEDIK)
Principal Investigator: Dr. Alison Davis

What is Known on This Topic?

The Kentucky Cabinet for Health and Family Services (CHFS) administers crucial programs such as Medicaid, SNAP, and Family Resource and Youth Services Centers (FRYSCs), which aim to improve health and economic stability in vulnerable communities. Research shows that these programs not only enhance well-being but also stimulate local economies by creating jobs and increasing income through their economic impact.

What Did This Project Do?

Using the multiplier effect and IMPLAN economic modeling, the study quantified how CHFS investments lead to job creation, increased income, and overall economic growth. The analysis revealed that these programs significantly benefit local economies and enhance community well-being. The findings emphasize the importance of continued investment in CHFS programs to support both health improvements and economic stability.

What could Medicaid do with these findings?

Medicaid can use these findings to inform and enhance its strategies for improving both healthcare delivery and economic impact. The insights highlight the importance of Medicaid in driving economic growth through job creation and income generation, which can support advocacy for sustained or increased funding. The results can also guide Medicaid in refining its policies to maximize benefits for both individuals and the broader community, by exploring policy tools like the Medicaid 1115 waiver for innovative care models.

Continued on back page →

positive impact on local economies. This spending helps create jobs, boosts people's incomes, and promotes overall economic growth. The analysis focused on two major programs—Medicaid and SNAP -- and federal funding for FRYSCs, and found that each of these programs plays a crucial role in supporting the economy. Table 1 below highlights the key findings of the study. As the results illustrate, every \$1 directly spent or invested in these programs leads to nearly double the total economic impact.

Table 1. Economic Impact of Selected CHFS Programs

Program	Type of Impact	Output Effect
SNAP	Direct Effect	\$506,497,019
	Total Impact	\$947,687,053
Medicaid	Direct Effect	\$10,516,440,116
	Total Impact	\$19,578,562,027
FRYSC (Federal Funding Only)	Direct Effect	\$300,000
	Total Impact	\$558,513

It is important to note that this study provides a baseline estimate and focuses only on these programs, so the overall impact of CHFS spending is far greater. Also, the analysis is based on data from 2019, and it doesn't include the effects of COVID-19 or the additional federal support that came during the pandemic. Lastly, while the economic impacts are significant, it's essential to remember that these programs also provide important health and educational benefits that contribute to long-term well-being, which weren't captured in this economic analysis.

Policy Implications

This study highlights key policy implications for the Kentucky Cabinet for Health and Family Services (CHFS) and the populations it serves. While the primary goal of CHFS programs like Medicaid and SNAP is to improve the health and well-being of individuals in lower-resourced communities, this research also underscores their significant economic impact. Two main policy concerns have emerged from this analysis.

First, there is a growing concern among healthcare providers in Eastern Kentucky about the sustainability of their services due to the declining population of Medicaid patients. Medicaid populations, often with poorer health and lower life expectancies, form a crucial patient base for these providers. However, as these populations decline due to outmigration, smaller family sizes, and shorter life spans, hospitals risk losing patients and, consequently, the reimbursements needed to stay operational. This raises an important question: How reliant is the healthcare system on Medicaid patients, and what is the optimal balance between public and private insurance to ensure financial stability for healthcare providers?

One potential policy response could involve exploring the Medicaid 1115 waiver, as authorized under Section 1115 of the Social Security Act. This waiver allows states to test innovative approaches to Medicaid, such as integrated care

systems or managed care models, which could help address the unique challenges faced by Kentucky's healthcare system. By leveraging this waiver, Kentucky could experiment with new care delivery and financing models that might better balance the public and private insurance mix and improve healthcare sustainability in rural areas.

Secondly, the research highlights the economic benefits of the Supplemental Nutrition Assistance Program (SNAP), particularly when linked with incentive programs like Kentucky Double Dollars. This program doubles SNAP benefits at farmers' markets, increasing access to fresh, healthy foods for low-income families while simultaneously boosting sales for local farmers. Such initiatives not only enhance food security but also stimulate local economies by directing more federal dollars into communities.

Conclusion

In summary, the analysis demonstrates that the Kentucky Cabinet for Health and Family Services (CHFS) plays a crucial role in both improving the well-being of vulnerable populations and stimulating local economies through its programs, including Medicaid and SNAP. The study reveals that CHFS spending generates significant economic benefits by creating jobs, increasing income, and driving overall economic growth, particularly in lower-resourced communities. However, concerns have emerged about the sustainability of healthcare providers in rural areas, given the declining Medicaid population and its potential impact on hospital operations. To address these challenges, exploring the Medicaid 1115 waiver could offer innovative solutions that balance public and private insurance to ensure financial stability. Additionally, programs like Kentucky Double Dollars, which enhance the impact of SNAP, not only improve food security but also support local economies, highlighting the importance of continued investment in CHFS programs for both health and economic outcomes.