

# The Economic and Fiscal Impact of Medicaid Expansion in Pennsylvania

Pennsylvania Economy League, Inc.

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# Project Overview

- Sponsors: PA Health Funders Collaborative
- Research Team: PA Economy League, Inc. (PEL); Econsult Solutions, Inc. (ESI)
- Project Goals
  - Understand Economic and Fiscal Impacts of Medicaid Expansion in PA
    - Not analysis of cost of ACA
    - Only focused on incremental impact of Medicaid Expansion
  - Provide Nonpartisan Information to Lawmakers for their use in decision

# What's at stake

- PA facing decision to expand Medicaid to individuals making less than 138% of federal poverty level
- Kaiser Family Foundation (KFF): coverage increases by 542,000 by 2016, with 313,000 currently uninsured
- Feds fund 100% of newly eligible in 2014-2016; declines to 90% by 2020
- Federal share of cost: \$3.8B in 2016; \$5.5B in 2022
- State share of cost: \$29M in 2016; \$645M in 2022

# Overview of analysis

- Calculate 3 key pieces prior to impact modeling
  - **Reductions in state spending**
  - **Increases in household discretionary income**
  - **Increases in spending on healthcare**
- **Economic and revenue impact** – Use IMPLAN economic model to calculate increase in jobs, output, wages and resulting state taxes due to new spending
- **Fiscal Impact – State budget impact** due to program savings, program costs and new tax revenues

# Summary of Key Findings: PA Budget Savings

- Expansion lowers state-funded healthcare costs

Savings Category	2016	2022	2013-2022
General Assistance (eligible for expansion)	\$277.5M	\$401.8M	\$2,973M
State Uncompensated Care Payments (DSH) (reduced uncompensated care burden in state)	\$48.6M	\$70.3M	\$520.4M
Medically Needy (some eligible due to income)	\$36.2M	\$52.4M	\$387.8M
Select Plan for Women (some eligible due to income)	\$0.3M	\$0.3M	\$2.6M
Mental/Behavioral Health (some eligible due to income)	\$42.5M	\$61.5M	\$454.8M
Drug/Alcohol Abuse (some eligible due to income)	\$2.2M	\$2.7M	\$22.4M
Prison/Incarcerated (in patient hospital care)	\$5.2M	\$6.2M	\$52.5M
<b>Total State Healthcare Savings</b>	<b>\$412.5M</b>	<b>\$595.2M</b>	<b>\$4,414M</b>

# Summary of Key Findings: New Spending in PA

- Federal funds generate new spending in PA

## Total New Spending Due to Expansion

Spending Category	2016	2022	2013-2022
State Fiscal Savings (costs)	\$384M	(\$50)M	\$1,572M
New Household Spending	\$1,139M	\$1,884M	\$12,357M
New Healthcare Spending	\$1,773M	\$2,885M	\$18,507M
<b>Total New Spending</b>	<b>\$3,296M</b>	<b>\$4,719M</b>	<b>\$32,436M</b>

# Summary of Key Findings: Economic Impact

- Expansion leads to new jobs, economic activity, GDP, wages and earnings

Category	2016	2022
Jobs	34,727	42,780
Economic Activity	\$5.3B	\$7.3B
GDP	\$3.0B	\$4.4B
Employee Wages	\$1.8B	\$2.6B
Earnings	\$2.1B	\$2.9B

# Summary of Findings: Revenue Impact

- Expansion results in increased state tax revenue totaling \$3.6 billion from 2013-2022

Category	2016	2022
New Income Tax Revenues	\$62.8M	\$89.2M
New Insurance Gross Receipts Tax Revenues	\$131.0M	\$187.6M
New Corporate Income Tax Revenue	\$10.3M	\$14.9M
New Sales Tax Revenue	\$87.7M	\$126.6M
<b>Total Tax Revenue Impact</b>	<b>\$291.8M</b>	<b>\$418.3M</b>



# Summary of Findings: Fiscal Impact

- Combination of State budget savings and new revenues leads to net positive fiscal impact

	2016	2022	2013-2022
Total State Healthcare Savings	\$412.5M	\$595.2M	\$4,414.0M
Total Tax Revenue Impact	\$291.8M	\$418.3M	\$3,550.4M
Less Total State Spending	(\$29.0)M	(\$645.0)M	(\$2,842.0)M
<b>Net Fiscal Impact</b>	<b>\$675.3M</b>	<b>\$368.5M</b>	<b>\$5,122.4M</b>

# Concluding Thoughts: Big Picture

- This is a big decision – hundreds of thousands getting coverage, billions of dollars being spent by Federal and State governments
- Must remember that this is about the incremental economic and fiscal impact of expanding Medicaid, not total cost of ACA; also not about other benefits of expanded coverage
- New coverage will replace some current state funded health care for low and moderate income residents, resulting in savings
- As match declines to 90%, those savings are exceeded by costs, but new revenues from projected increases in economic activity make up difference, for positive net fiscal impact
- 3 studies show similar economic and fiscal results from different models and approaches – PEL, RAND, and PA Independent Fiscal Office