



# Economic Impacts of Medicaid and the Proposed Medicaid Expansion in Idaho

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by

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## Overview

This is an economic impact assessment on the expansion of Medicaid coverage in Idaho under the Patient Protection and Affordable Care Act (ACA). It is an update of several previous studies 2011-2016 and is prompted by a November 2018 ballot initiative which proposes expanding Medicaid coverage for adults with income levels up to 138% of the Federal Poverty Level (FPL), commonly referred to as “the Gap Population”. These individuals make too much money to qualify for Medicaid under Idaho’s current model and too little to qualify for subsidies on the health insurance exchange.

The study is sponsored by the Idaho Hospital Association (IHA). The fiscal impacts of the expansion were estimated by the Milliman report: *Financial Impacts from Medicaid Expansion in Idaho*, prepared for the Idaho Department of Health and Welfare and released July 18, 2018.

## Methodology

The focus of this analysis is to estimate the economic impacts of current Medicaid expenditures and the proposed Medicaid expansion in Idaho supported by federal dollars. Total estimated Medicaid spending in Idaho in FY 2018 is estimated at \$2.3169 billion (not including the proposed expansion). Approximately \$1.464 billion is supported by federal dollars (63.2%), \$0.588 billion is paid by Idaho (23.7%) general fund, \$0.3038 billion dedicated funds (13.0%). This does not include indirect and implicit support of Medicaid from hospitals and other health care providers by their acceptance of reduced reimbursements associated with the Medicaid programs (Idaho Department of Health and Welfare).

The economic impacts were estimated using a 2016 IMPLAN economic input/output model of the State of Idaho customized for an analysis of Medicaid. The expenditures were adjusted to constant 2016 dollars (for the model inputs) but reported in current year’s dollars for the model outputs (to maintain consistency with the Milliman financial analysis).

Two analyses were conducted: 1) The economic impacts of the FY18 actual Federal Medicaid expenditures without the expansion, and 2) The net additional economic impacts from the proposed Medicaid expansion.

## Results

Total Economic Impacts of the FY18 Idaho Federal Medicaid Expenditures Without the Expansion: The direct appropriated federal expenditures were the inputs into the economic model to calculate the total economic impacts. These include the multiplier effects from the backward linkages of health care expenditures circulating throughout the economy.

Model Results: Idaho's total gross economic activity (i.e. sales) in FY 2018 created by Federal Medicaid spending was \$2.62 billion, which in turn supported \$1.15 billion in total compensation, and 22,342 jobs, including the multiplier effects

The economic model also provides estimates of the tax revenues generated from Federal Medicaid expenditures. They include approximately \$30.1 million in sales/excise taxes, \$19.3 million in property taxes, \$32.6 million in personal/corporate income taxes, for a grand total of \$81.9 million. These include the multiplier effects (direct, indirect, and induced effects).<sup>ii</sup>

Net Additional Economic Impacts from the Proposed Medicaid Expansion: Based on the Milliman financial forecast of the federal contributions to Medicaid expansion, the economic impacts generated by year from 2020 to 2030 are presented in Table 1 (11 years). 2021, the first full year of the expansion, depicts a good representation of the annual impacts. The net additional gross economic activity (i.e. sales) created by Federal Medicaid spending will be \$661.0 million, which in turn supports \$289.6 million in total compensation and 5,389 jobs, including the multiplier effects.

For 2021, the first full year of expansion, the tax revenues created from this increase in economic activity includes \$7.6 million in sales/excise taxes, \$4.9 million in property taxes, \$8.2 million in personal/corporate income taxes, for a total of \$20.7 million. These include the multiplier effects (direct, indirect, and induced effects).

Overall, the Federal money returning to Idaho supports more jobs and access to healthcare and will generate an additional \$8.4 billion in cumulative economic activity through 2030 (including the multiplier effects).

The annual impacts for 2019 (partial year) through 2030 are delineated on Table 1.

### Assumptions of the Analysis

Federal dollars supporting Medicaid expansion represent new monies coming into Idaho's economy which creates economic activity – supporting new jobs, new spending by individuals and organizations, and new tax revenue. Each dollar in Federal Medicaid expenditures results in a \$1.786 dollar increase in overall gross economic activity (i.e. sales transactions-output) in Idaho, including the multiplier effects.

The jobs created by Medicaid federal dollar expenditures have an average total compensation package of approximately \$51,286 including benefits. The proposed expansion will create jobs of a similar magnitude (Over \$50,000 in constant 2018 dollars). These jobs will be widespread and will occur in most sectors of the economy and in nearly all communities. The study anticipates year over year job growth from 2020 to 2030.

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<sup>i</sup> Steven Peterson is employed as a Clinical Associate Professor, Economics at the University of Idaho. This analysis was conducted on a private consulting platform and the results and conclusions are solely those of the author, and do not represent those of any other entity, organization, or the University of Idaho.

<sup>ii</sup> This analysis is not a formalized tax forecast model and thus should be interpreted carefully. The economic impacts of the taxes generated by Medicaid expenditures are proportional to the economic activity created by the federal Medicaid dollars coming into the state (in long-term equilibrium).

**Table 1 Net Additional Economic Impacts of Proposed Medicaid Expansion**

FY	Nominal	Sales	Total	Jobs	Idaho Taxes			
	Federal	Transactions	Compensation		Sales/Excise	Property	Income	Total
2020	\$ 179,000,000	\$ 319,646,556	\$ 140,074,358	2,659	\$ 3,673,721	\$ 2,353,296	\$ 3,985,594	\$ 10,012,611
2021	\$ 370,100,000	\$ 660,900,505	\$ 289,617,430	5,389	\$ 7,595,777	\$ 4,865,669	\$ 8,240,606	\$ 20,702,052
2022	\$ 394,900,000	\$ 705,186,732	\$ 309,024,380	5,626	\$ 8,104,762	\$ 5,191,712	\$ 8,792,800	\$ 22,089,274
2023	\$ 413,800,000	\$ 738,937,122	\$ 323,814,354	5,758	\$ 8,492,657	\$ 5,440,189	\$ 9,213,625	\$ 23,146,471
2024	\$ 428,300,000	\$ 764,830,279	\$ 335,161,159	5,823	\$ 8,790,249	\$ 5,630,819	\$ 9,536,480	\$ 23,957,548
2025	\$ 443,400,000	\$ 791,794,877	\$ 346,977,488	5,891	\$ 9,100,155	\$ 5,829,337	\$ 9,872,695	\$ 24,802,188
2026	\$ 459,000,000	\$ 819,652,342	\$ 359,185,086	5,961	\$ 9,420,323	\$ 6,034,429	\$ 10,220,043	\$ 25,674,795
2027	\$ 475,100,000	\$ 848,402,675	\$ 371,783,952	6,030	\$ 9,750,753	\$ 6,246,094	\$ 10,578,524	\$ 26,575,371
2028	\$ 491,800,000	\$ 878,224,448	\$ 384,852,342	6,120	\$ 10,093,497	\$ 6,465,647	\$ 10,950,364	\$ 27,509,508
2029	\$ 509,000,000	\$ 908,939,089	\$ 398,312,001	6,210	\$ 10,446,502	\$ 6,691,774	\$ 11,333,338	\$ 28,471,614
2030	\$ 526,900,000	\$ 940,903,745	\$ 412,319,437	6,304	\$ 10,813,874	\$ 6,927,103	\$ 11,731,897	\$ 29,472,875
<b>Total</b>	<b>\$ 4,691,300,000</b>	<b>\$ 8,377,418,370</b>	<b>\$ 3,671,121,987</b>	<b>*</b>	<b>\$ 96,282,270</b>	<b>\$ 61,676,068</b>	<b>\$104,455,967</b>	<b>\$262,414,305</b>

\* Jobs are reported on an annual basis.

**Terms: The following economic model outputs are reported:**

- 1) Gross economic activity (i.e. sales transactions): Reflects the total transactions from all sources in dollars by direct, indirect, and induced economic activity (i.e. including the multiplier effects). The technical term for gross economic activity is sales or output.
- 2) Total Compensation (payroll): A subset of gross domestic product and includes wage, salary, and other proprietors' income payments and includes fringe benefits to workers.
- 3) Employment: Represents the total employment resulting from economic activity.