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Pennsylvania Economy League Analysis Shows Economic and Fiscal Benefit to State with Medicaid Expansion

New report finds expanded Medicaid would support tens of thousands of new jobs, generate billions in economic activity and result in a net positive impact on the state budget between 2016 and 2022.

(Harrisburg – April 19, 2013) Today, the Pennsylvania Economy League, Inc. (PEL) and the PA Health Funders Collaborative (PHFC) released a new report that shows that expanding Medicaid to low-income Pennsylvanians as part of the Affordable Care Act would increase economic activity in the state and result in fiscal savings, despite state cost increases over time.

“It is important to separate the overall costs and impacts of the Affordable Care Act from the decision to expand Medicaid,” said Steve Wray, Managing Director of PEL and Executive Director of PEL’s Economy League of Greater Philadelphia affiliate. “This analysis is focused on the decision in front of the state government right now: whether to accept the Medicaid expansion and the substantial federal funding that comes with that decision, or not. Our analysis shows that the federal funding that accompanies expansion would support expanded employment, expanded economic activity, state program savings and expanded tax revenues for the Commonwealth – and expanded healthcare coverage for more than five hundred thousand Pennsylvanians.”

Over the next 10 years (2013–2022), the analysis (conducted in partnership with Econsult Solutions, Inc.) presented in the report shows that Medicaid expansion would produce:

\$4.4 billion in state government savings. The state will realize these savings for two main reasons: those currently receiving state-funded medical coverage (whether through General Assistance or more specialized programs that serve highly targeted populations) will move onto Medicaid and the state’s burden of uncompensated care will be reduced due to expanded coverage of the previously uninsured.

\$32 billion in new federal spending in the Pennsylvania economy. The new spending comprises: new healthcare spending as a result of insuring the previously uninsured; new household discretionary spending for those shifting from private or other government-funded insurance to Medicaid; and new state spending resulting from program savings for reduced or eliminated state-funded insurance programs and uncompensated care payments.

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New economic activity that supports between 35,000 and 40,000 jobs and \$3.6 billion in tax new revenues.

The expansion will support thousands of jobs: 35,000 in 2016 to more than 40,000 in 2022 (at an average wage of \$52,461 in 2016). These new tax revenues will be generated through expanded state income taxes, excise taxes, sales taxes, and taxes that increase because the overall level of economic activity in Pennsylvania will increase by \$3 billion in 2016 and will rise to \$4.4 billion in 2022. These figures were generated using a standard economic impact model, IMPLAN, which accounts for direct, indirect and induced economic activity in the Pennsylvania economy.

A positive fiscal impact of more than \$5 billion. While this overall impact is positive, it does decline over the next ten years, as the federal match diminishes: In 2016, the net positive state fiscal impact will be \$675 million, while in 2022, when the federal match is at its permanent share, the impact will be \$369 million.

“This is a big decision for the Commonwealth,” said Russell Johnson, President and CEO of the North Penn Health Foundation and Karen Wolk Feinstein, President and CEO of the Jewish Healthcare Foundation, who together co-chair the PA Health Funders Collaborative, “and we felt it crucial that state decision makers have the best information on the economic impact of the potential expansion as they consider their options. This is a much bigger issue than just extending insurance to the uninsured.”

Dr. Peter Angelides, Principal at Econsult Solutions, stated, “One of the biggest contributions this study makes is incorporating estimates of the savings the state could realize as a result of reductions in state healthcare costs. These funds, plus the new tax revenues generated as a result of expanded economic activity in the Commonwealth, will help to offset the cost of expansion as the federal subsidy declines to 90 percent.”

About the Report

This analysis relies on data from the Kaiser Family Foundation’s (Kaiser) *Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis* to identify the number of Pennsylvanians who will become Medicaid recipients under the expansion. Kaiser estimates that choosing to expand would provide Medicaid coverage for 313,000 currently uninsured Pennsylvanians and 229,000 insured Pennsylvanians. Kaiser also presents estimates for both the state and federal costs of expansion: Over the next ten years, the federal government would pay a total of \$38 billion and the state government would pay \$2.8 billion.

In addition to the ten-year time period presented here, the full report presents the results of each analysis in 2016 (the last year of 100% federal funding and the expected full enrollment date) and in 2022 (a date at which the federal funding match is expected to be at its final, and lowest, level of 90%).

The full report and an executive summary are available at www.economyleague.org/reports/medicaid2013.

About the Report Partners

The Economic and Fiscal Impact of Medicaid Expansion in Pennsylvania was commissioned by the PA Health Funders Collaborative (PHFC). PHFC is an association of health foundations that work with their communities to promote better health care outcomes and healthy lifestyles.

PHFC’s research partner, the Pennsylvania Economy League, Inc. (PEL), has been a force for positive change since 1936. It is the leading, regionally based, statewide public policy organization providing independent research and insight on emerging issues with the goal of stimulating public and private action to make Pennsylvania a better place to live, work, and do business. PEL engaged Econsult Solutions, Inc. (ESI), a private

economic consulting firm, as its economic research partner. ESI provides businesses and public policy makers with economic consulting services in urban economics, real estate economics, transportation, public infrastructure, development, public policy and finance, community and neighborhood development, planning, as well as expert witness services for litigation support. ESI's team was responsible for leading the economic impact and fiscal analysis research and calculations. The economic modeling and analysis was conducted by the Pennsylvania Economy League of Greater Pittsburgh, an affiliate of the Allegheny Conference on Community Development.

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