

# EXPANDING KANCARE WILL BOOST THE STATE ECONOMY AND THE STATE BUDGET

Kansas has an opportunity to expand eligibility for KanCare, the state's Medicaid program, to cover an additional 150,000 Kansans. Taking advantage of this opportunity will greatly increase the number of Kansans with health insurance coverage, spur economic development and new jobs, provide financial stability to low-income families, and enhance the viability of rural hospitals and other health care providers. Thirty-six states and the District of Columbia have chosen to expand their Medicaid programs. **It's time for Kansas to join them.**



## THE ECONOMIC IMPACT OF EXPANDING KANCARE

KanCare expansion will have a substantial positive impact on the Kansas economy. Each year, expansion will bring nearly \$700 million of new funding into the state, returning Kansans' federal tax dollars to be spent in Kansas. This money, larger than the gross domestic product of most counties in the state, will ripple through the economy and create economic growth and new jobs. By failing to expand KanCare, Kansas has so far foregone more than \$3 billion in federal funding, a total that grows by \$1.8 million every day, and the creation of more than 3,800 new jobs.

Federal funding for Medicaid expansion, which covers 90 percent of all costs, benefits state economies and budgets in three ways. First, current state spending on services covered by the expanded Medicaid program – such as coverage for pregnant women and services to those in the correctional system – would be lowered. In Michigan, for example, annual state spending for such programs has been reduced by \$235 million.

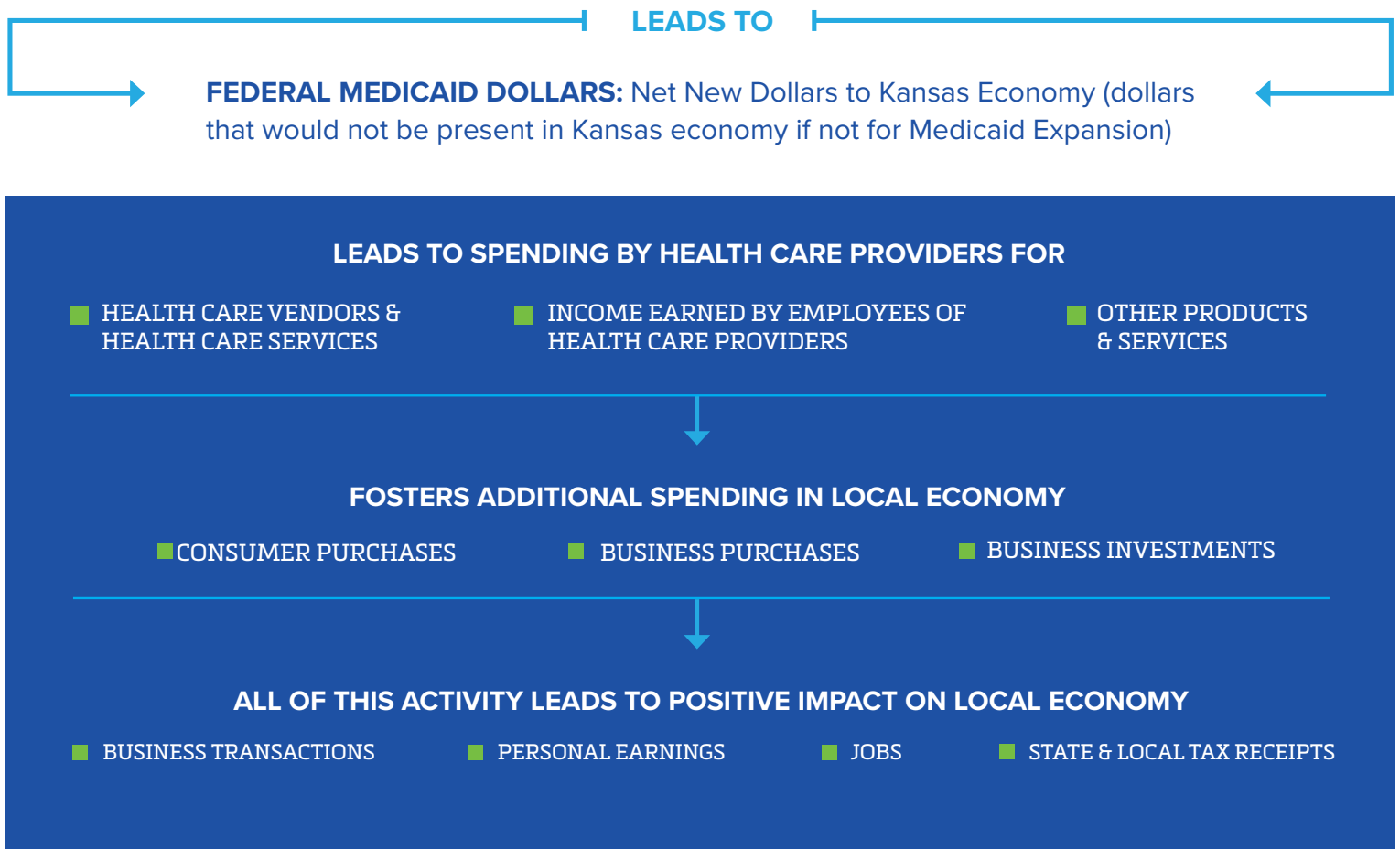
Second, economic activity across the state would increase as a result of the influx of new federal dollars. This increase creates employment in health care and related spending and employment in other sectors of the economy, such as construction and retail services. According to data from the U.S. Bureau of Labor Statistics, health care and social services jobs grew more than 30 percent faster in states that have expanded their Medicaid programs than in states that have not.

Third, low-income adults who previously paid for health care services out-of-pocket can redirect this spending to other household needs – such as housing, transportation, and food – after they gain Medicaid coverage. This redirected spending can also increase state income and sales tax revenues. Medicaid expansion has been shown to reduce household debt, improve family financial stability, and provide a path out of poverty.

Analysis of the impact of Medicaid expansion in Kansas shows that over the five-year period from 2016 to 2020, the potential gross state product is more than \$1.2 billion less and total business activity about \$2.2 billion less than if KanCare had been expanded. More than \$69 million in potentially generated state revenue has been lost over the same period.

In addition to these economic gains, there are broader gains from Kansans having access to health care services. Improved access can have a positive effect on health and labor force participation, which will fuel employment and economic growth.

# KANCARE EXPANSION



## EXPERIENCE OF EXPANSION STATES

A number of states that have expanded their Medicaid programs have evaluated the economic effects. For all, the results are the same – Medicaid expansion creates economic growth, new jobs, and gains in household income.

- Louisiana** – Medicaid expansion injected \$1.85 billion into the economy, creating and supporting more than 19,000 jobs, increasing state tax receipts by more than \$103 million, and increasing local tax receipts by nearly \$75 million.
- Montana** – Expansion brings about \$600 million into Montana each year, creating more than 5,900 jobs, \$2.1 billion in additional gross domestic product, and \$350 million in increased personal income.
- Michigan** – Expansion injects more than \$3.3 billion into the Michigan economy annually, creating more than 30,000 new jobs, \$150 million in state tax revenue, and an increase in personal income of more than \$2.3 billion.
- Arkansas** – Medicaid expansion created a 0.41 percent increase in gross domestic product totaling more than \$500 million.

- **Colorado** – Expansion has resulted in growth in gross domestic product of 1.14 percent, or \$3.8 billion, and 31,000 additional jobs. In addition average annual household earnings are \$643 higher due to the stimulative effect of the Medicaid expansion.
- **Pennsylvania**—Medicaid expansion brought new federal funds totaling over \$1.8 billion into the Pennsylvania economy, creating more than 15,000 new jobs, increasing economic output by \$2.2 billion, and adding more than \$53 million in state tax revenue.
- **Maine** – Medicaid expansion in Maine, which is being implemented in 2019, will inject nearly \$500 million into the state economy, generating \$740 million in annual economic activity, and 6,000 new jobs, including 4,000 in the health care sector and 2,000 in other sectors of the economy.

## KANCARE EXPANSION AND THE STATE BUDGET

States that expand Medicaid generate savings and revenue that can be used to offset the state costs of expansion. To date, it is clear that Medicaid expansion has had a positive impact on state budgets.

- In Michigan, Medicaid expansion has had a net positive budget impact ranging from \$150 million to \$554 million each year. The net effect of expansion on the state budget is estimated to be positive through at least 2021.
- Expansion in Colorado has generated more than \$100 million in new state

# IMPACT OF EXPANSION ON STATE ECONOMIES

## LOUISIANA

- 19,000 NEW JOBS
- \$1.85 BILLION NEW DOLLARS IN THE ECONOMY
- \$103 MILLION IN NEW STATE TAX REVENUE EACH YEAR
- \$75 MILLION IN NEW LOCAL TAX REVENUE EACH YEAR

## MONTANA

- 5,000 NEW JOBS
- \$600 MILLION NEW DOLLARS IN THE ECONOMY
- \$2.1 BILLION ANNUAL INCREASE IN GROSS STATE PRODUCT
- \$350 MILLION ANNUAL INCREASE IN PERSONAL INCOME

## MICHIGAN

- 30,000 NEW JOBS
- \$3.3 BILLION NEW DOLLARS IN THE ECONOMY
- \$150 MILLION IN NEW STATE TAX REVENUE EACH YEAR
- \$2 BILLION ANNUAL INCREASE IN PERSONAL INCOME

## COLORADO

- 31,000 NEW JOBS
- \$3.8 BILLION ANNUAL INCREASE IN GROSS STATE PRODUCT
- \$643 INCREASE IN ANNUAL HOUSEHOLD EARNINGS

## PENNSYLVANIA

- 15,000 NEW JOBS
- \$1.8 BILLION NEW DOLLARS IN THE ECONOMY
- \$2.2 BILLION IN INCREASED ECONOMIC OUTPUT
- \$53 MILLION IN NEW STATE TAX REVENUE EACH YEAR

revenue each year. When included with budget savings and economic growth, the Colorado expansion has been achieved at no net cost to the state budget.

- In Montana, Medicaid expansion has a net positive impact on the state budget ranging from \$6.5 million to \$33.3 million each year.

Moving forward, expansion will continue to have a positive or negligible impact on state budgets. Favorable financing, in which the federal government pays 90 percent of the direct costs of expansion, means that after factoring in savings and revenue, the cost of expansion would represent, at most, a fraction of one percent of the state budget. Analysis of the Kansas budget shows that KanCare expansion will be budget neutral and may generate savings and new revenue in excess of costs for the foreseeable future.

THERE ARE NOW FIVE FULL YEARS OF EXPERIENCE IN MOST STATES THAT HAVE ADOPTED MEDICAID EXPANSION AND AN ESTABLISHED TRACK RECORD THAT CLEARLY DEMONSTRATES ITS ECONOMIC BENEFITS. **EXPANSION CREATES ECONOMIC GROWTH, NEW JOBS, INCREASES IN HOUSEHOLD INCOME, AND OTHER BENEFITS IN THE STATES IN WHICH IT IS IMPLEMENTED.**

**THE SAME CAN BE EXPECTED IN KANSAS.**

## CONCLUSION

There are now five full years of experience in most states that have adopted Medicaid expansion and an established track record that clearly demonstrates its economic benefits. Expansion creates economic growth, new jobs, increases in household income, and other benefits in the states in which it is implemented. The same can be expected in Kansas.

Expansion of KanCare will bring hundreds of millions of Kansans' federal tax dollars back home each year, generating economic growth, new jobs, and new state and local revenue. This growth will flow to the state budget, ensuring that the costs of expansion are low.



ALLIANCE FOR A  
HEALTHY KANSAS