



Report: Job and Economic Impacts of Medicaid Expansion in Utah

The passage of Proposition 3 will bring back more than \$800 million¹ in annual federal spending to Utah. In addition to providing needed healthcare to more than 150,000 Utahns, this annual infusion of federal dollars will ripple through the economy creating and sustaining thousands of jobs, and hundreds of millions in new economic activity.

We modeled the impact of this new annual spending using IMPLAN analytical software. When fully implemented in FY2021², we anticipate the following impacts:

- Workers and small business owners will see nearly **\$785 million in new income**;
- The Utah economy will grow by nearly **\$1.7 billion**; and
- The additional economic activity will improve the fiscal health of local, county, and state governments by generating more than **\$70 million** annually in new tax revenues.

Impact Summary

As you can see below, the initial flow of federal dollars will have a profound effect on Utah's economy. Over time, the economic impact will grow as the amount of federal dollars needed to provide Medicaid services rises.

Year	Total Economic Activity
FY2021	\$1,693,544,533
FY2022	\$1,803,843,401
FY2023	\$1,914,966,692
FY2024	\$2,031,600,204
FY2025	\$2,153,614,732

¹ Specifically, we used \$804.7 million. This was determined using the 2017 updated fiscal analysis for SB 46 from Russell Frandsen and subsequent email correspondence. For the projections, we used the National Health Expenditure Projections 2017-2026 from Office of the Actuary in the Centers for Medicare & Medicaid Services.

² We are beginning our analysis in FY2021, even though the economic benefits will begin to flow as soon as Utahns are enrolled in April 2019 and the federal government sends its matching funds. We chose to do it this way because the state fiscal year runs from July – June, so we would have only one quarter in FY2019. Based on other states' experiences, enrollment will be ramping up in FY2020. By FY2021, we anticipate that nearly all those expected to be enrolled, will be enrolled.

Tax Summary

The economic activity generated by the infusion of new federal dollars will also generate revenues for Utah's local, county, and state governments. These new revenues are separate from the sales tax increase earmarked for the expansion, and can be used to improve fiscal health of cities, counties and the states and/or to provide vital services for Utahns.

Year	New Local, County, and State Tax Revenue
FY2021	\$70,419,907
FY2022	\$75,166,621
FY2023	\$79,966,591
FY2024	\$85,016,936
FY2025	\$90,380,617

Assumptions/Caveats

This analysis was performed using IMPLAN Online. IMPLAN is an input-output model that is used to analyze the economic impact of changes that occur in an economy. We based our analysis on the *State of Utah Medicaid Expansion Assessment Impact Analysis: 2014-2023* conducted by The Public Consulting Group ("PCG") at the request of the Utah Department of Health in 2013. IMPLAN requires the "input," in this case the federal dollars, to be broken down by industry (or NAICS code). We used the same industry breakdown as PCG did; only we updated it using data from the *2017 Utah Medicaid and CHIP Annual Report*. PCG used the 2011 version of the same report.

It should be noted that we chose to measure only the impact of the new federal dollars flowing back into the state and did not include the impact of the sales tax increase on the economy. We did this for two reasons. First, because recent studies show that long-term consumer spending does not change much when sales taxes are increased³ and that the vast majority of sales taxes fall on consumers and not on businesses.⁴ Second, we analyzed the impact of the sales tax increase on household consumption and how it might affect the economic impacts of the expansion and found that the impact was far smaller than the impact of including the state spend in the model, which we also chose not to include. To sum it up, we chose to be conservative.

³ <https://insight.kellogg.northwestern.edu/article/effects-of-sales-tax-increase-on-consumers>

⁴ <https://itep.org/wp-content/uploads/pb49salesex.pdf>