

The Economic Impact of Medicaid Expansion in Cascade County

Research Summary

Submitted by:

Bureau of Business and Economic Research (BBER)
The University of Montana

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About the BBER

The Bureau of Business and Economic Research (BBER) has been providing information about Montana's state and local economies for more than 50 years. Housed on the campus of the University of Montana-Missoula, the Bureau is the research and public service branch of the School of Business Administration. On an ongoing basis, the Bureau analyzes local, state, and national economies; provides annual income, employment and population forecasts; conducts extensive research on forest products, manufacturing, health care; designs and conducts comprehensive survey research at its on-site call center; presents annual economic outlook seminars in cities throughout Montana; and publishes the award-winning Montana Business Quarterly. To learn more about the Bureau, connect with us at our web site: www.bber.umt.edu.

Introduction

The expansion of Medicaid to cover adults with incomes up to 138% of the poverty line took effect in Montana in the beginning of 2016. The impacts of the program have been profound. The number of Montanans covered by either Medicaid (traditional and expanded) or the Children's Health Insurance Program (CHIP) statewide in February of 2023 was 179,591 higher than a decade earlier, with the percentage of the population not covered by health insurance cut in half as well. Health care spending by previously uninsured Montanans has increased, both from increased consumption of health care and from shifts from previously uncompensated care (whose costs were borne by providers and other paying consumers) to care paid for by the program. Based on national studies, there is solid evidence that better health care outcomes, less financial stress, and better labor market participation have occurred for low-income Montana households as well.

Two previous BBER studies have examined the economic impacts of Medicaid expansion at a state level. These studies recognized that with over 90 percent of the costs for the program financed by the federal government, the adoption of Medicaid expansion in Montana in 2016 brought significant new spending flows into the state economy. An analysis of how the new spending propagated through the economy to ultimately support jobs, income, sales and tax revenue across the full spectrum of the economy was carried out in each of those studies using the BBER policy analysis model (REMI). Each study was careful to take into account all of the spending flows that adoption of expanded Medicaid brought about, including those that impacted state spending and the spending of individual households.

This report summarizes the results of an analysis that applies the same methods used in the BBER’s statewide studies on the economic impacts of Medicaid expansion in Montana to develop estimates of impacts for Cascade County, the third largest health care cluster in the state. This analysis recognizes that the specialized health care resources available in Cascade County attract patients from outside the County itself. The results are conservative in that they only address income flow changes brought about by the new funds flowing into the regional economy from the Federal government as part of the Medicaid expansion embodied in the Affordable Care Act. The implications for improved health care outcomes, reduced financial stress, and other aspects of the post-expansion economy are not considered.

This research summary will highlight the findings of the research. A full report that describes and documents the methods and assumptions used to produce these results is forthcoming.

Summary of Results

Our basic finding is that the decision of the Legislature to expand the Medicaid program to include households with incomes up to 138 percent of the Federal Poverty Line (FPL) has had measurable, significant impacts on Great Falls and Cascade County as a whole.

The Economic Impact of Medicaid Expansion in Cascade County

Category	Units	Impact
Total Employment.....	Jobs	293
Personal Income.....	\$ Millions	21.1
Disposable Personal Income.....	\$ Millions	18.1
Selected State Revenues.....	\$ Millions	6.1
Output.....	\$ Millions	49.9
Population	People	414

Specifically, we find that in comparison to an economy where Medicaid expansion did not take place, the Cascade economy today has

- an additional 293 year-round, permanent jobs, including not only health care jobs but also jobs in a wide spectrum of industries;
- a gain of \$21.1 million in annual income received by households each year, of which \$18.1 million is after-tax income available for spending in the local

economy;

- increased annual gross receipts (economic output) of Cascade County business and non-business organizations of \$49.9 million, and
- a population that is higher by 414 people, a total that is dominated by working age people and their children.

The increase in economic activity that occurs in Cascade County alone because of Medicaid expansion is responsible for an increase in state government's tax and non-tax revenues of \$6.1 million.

How These Results Were Produced

The results presented here represent the difference between two states of the Cascade County economy: the economy as it actually exists (which includes Medicaid expansion), and a hypothetical, no-expansion economy that removes the new income flows that occurred when the program was adopted in 2015. Key differences between the two scenarios include:

- (i) the increase in health care demand that occurs as a larger number of households and individuals with insurance coverage increase their utilization of services;
- (ii) the significant fraction of existing health care services that shifts from uncompensated care, paid for by providers and other payers, to care compensated by an expanded Medicaid program, and
- (iii) the additional spending capacity of households as Medicaid displaces the health care spending made in the no-expansion scenario.

As will be detailed more completely in the forthcoming report, the size of these new flows, which are largely financed with Federal revenues, ultimately increases spending throughout the economy as spending received as revenues is re-spent. The detailed impacts give more insight into how these interactions combine to produce a larger economy.

Detailed Impacts

The interactions within the local economy that occur due to the adoption of expanded Medicaid can be assessed using an economic model. The BBER’s policy model, designed and calibrated for this purpose, produces estimates of the increased economic activity that occurs in an economy that includes Medicaid expansion.

Employment Impacts

Of the 293 additional jobs that exist in the Cascade County economy today because of Medicaid expansion, 134 are health care jobs. This is to be expected – Medicaid pays for health care services. Perhaps less expected is the fact that these health care jobs account for less than half of the total number of jobs that exist because of Medicaid expansion. Jobs in other industries shown in the table below are supported by the purchases of good and services by health care providers, their employees, as well as new spending of those with higher spendable incomes when expanded Medicaid displaces health spending now covered by the program.

<i>The Economic Impact of Medicaid Expansion in Cascade County</i>	
Employment Impacts	
Industry	Impact
Construction.....	18
Manufacturing.....	2
Banking.....	0
Retail Trade.....	27
Transportation and Warehousing.....	2
Professional and Technical Services.....	6
Administrative and Waste Services.....	7
Health Care and Social Assistance.....	134
Arts, Entertainment, and Recreation.....	3
Accommodation and Food Services.....	25
Other Services, except Public Administration.....	11
Other.....	59
TOTAL.....	293

Income and Compensation Impacts

Another dimension of the Medicaid expansion's impact on the Cascade County economy is the income received by local households, or personal income. A standard accounting of these impacts presented in the table below reflects the larger number of jobs – wages, benefits, and proprietor income connected with employment make up the largest portion of the total impacts shown.

<i>The Economic Impact of Medicaid Expansion in Cascade County</i>	
Personal Income Impacts (millions of dollars)	
Category	Impact
Total Earnings by Place of Work	19.5
Total Wage and Salary Disbursements	14.5
Supplements to Wages and Salaries	4.0
Employer contributions for employee pension and	2.7
Employer contributions for government social insurance	1.3
Proprietors' income with inventory valuation and capital	1.0
Less:	
Contributions for government social insurance	2.6
Employee and self-employed contributions for	1.3
Employer contributions for government social insurance	1.3
Plus:	
Adjustment for residence	(1.1)
Gross In	0.1
Gross Out	1.2
Equals:	
Net earnings by place of residence	15.9
Plus:	
Property Income	2.6
Dividends	1.0
Interest	1.1
Rent	0.5
Plus:	
Personal Current Transfer Receipts	2.7
Equals:	
Personal Income	21.1
Less:	
Personal Current Taxes	3.1
Equals:	
Disposable Personal Income	18.1

The table also reports on other portions of income that are ultimately impacted by Medicaid expansion as well. A larger economic that expansion creates also has more

capital and property, and the \$2.6 million in additional annual property income reported in the table reflects that fact.

Output Impacts

Another perspective on the economic impact of Medicaid expansion in Cascade County comes from examining how business revenues, defined as economic output, are affected.

<i>The Economic Impact of Medicaid Expansion in Cascade County</i>	
Output Impacts (millions of dollars)	
Industry	Impact
Construction.....	2.7
Manufacturing.....	0.4
Motion picture and sound recording industries.....	0.0
Retail Trade.....	3.7
Transportation and Warehousing.....	0.1
Professional and Technical Services.....	1.1
Administrative and Waste Services.....	0.8
Health Care and Social Assistance.....	26.4
Arts, Entertainment, and Recreation.....	0.3
Accommodation and Food Services.....	1.7
Other Services, except Public Administration.....	1.0
Other Private.....	5.7
Government.....	6.1
TOTAL	49.9

The detail on these output impacts shown above clearly shows the dominance of the output of the health care industry in producing the \$49.9 million increase for the economy as a whole. The output impacts for industries with no direct connection to health care add up to account for nearly half of the overall output effect, however.

Population Impacts

The larger economy that results in a county population that is larger by 417 people, compared to the population that would have existed in the absence of Medicaid expansion. The increase reflects the increased economic opportunity in a local

economy with expansion, attracting workers from other regions as well as helping to retain those who might otherwise have moved elsewhere. As shown in the table below, increases in those of working age and their children account for most of the overall increase.

<i>The Economic Impact of Medicaid Expansion in Cascade County</i>	
Population Impacts	
Age Cohort	Impact
Ages 0-14.....	110
Ages 15-24.....	49
Ages 25-64.....	244
Ages 65+.....	11
Total.....	414

Conclusion

The basic conclusion of this research is that the decision of the Montana legislature to participate in the expansion of Medicaid to cover households earning up to 138 percent of the Federal Poverty Line has had a sizable impact on the economy of Great Falls and Cascade County. In comparison to how the economy would have performed without this expansion, the County economy is larger today by 293 jobs, \$21.1 million in annual personal income, \$49.9 million in annual economic output, and a population that is higher by 491 people. Additionally, the increased economic activity in Cascade County because of Medicaid expansion results in higher state government revenues as well.

This research summary has focused on the outcomes for the broader economy. The aim of the program, of course, is to improve economic security and health outcomes for low income households who would otherwise lack health insurance. Accomplishing those objectives has implications for the economy as well, potentially affecting labor force participation, economic productivity, and spending on other social welfare programs. Those impacts are not considered in this study, which arguably makes the economic impacts presented here smaller than what has actually occurred.

References

Ward, Bryce and Brandon Bridge, "[The Economic Impact of Medicaid Expansion in Montana](#)," Montana Healthcare Foundation and Headwaters Foundation, April 2018.