



The Perryman Group:

Economic Benefits of Expanding Health Insurance Coverage in Texas April 2019

Texas is one of only 14 states choosing not to expand health insurance coverage to low-income adults using the financially attractive mechanism created with passage of the Affordable Care Act (ACA) in 2010. Almost 1.5 million Texans would immediately become eligible for expanded coverage, according to analysis by the Kaiser Family Foundation.

Numerous studies have shown notable improvements in states which have expanded coverage. In addition to enhancing health and wellbeing of individuals directly affected by receiving coverage, these states have seen reductions in the numbers of uninsured, fewer emergency room visits, improved

health outcomes, enhanced employment and productivity, and other desirable developments.

"Health care needs do not simply go away because individuals do not have insurance coverage. Instead, medical issues tend to escalate and lead to higher costs and worse outcomes. Texas would gain over \$110 billion in new Federal health spending during the first 10 years."

M. Ray Perryman

The Perryman Group (TPG) recently examined economic implications of expanded coverage in Texas. Economic benefits of leveraging \$9.00 in Federal resources for every \$1.00 in State funding as established under the ACA include increased health-related spending, additional private outlays for productive purposes as resources are freed up through the reductions in uncompensated care, and higher productivity stemming from better health outcomes.

Benefits per \$1 of State Spending to Expand Medicaid Coverage*

Expenditures	\$69.11
Gross Product	\$34.49
Personal Income	\$22.69
Retail Sales	\$7.73
Dynamic State Revenue	\$1.78
Dynamic Local Revenue	\$1.53
Reduction in Taxes Required to Pay for Uncompensated Care	(\$2.15)
Reduction in Private Insurance Premiums	(\$0.53)
Income for Uninsured Persons	\$2.46

Source: The Perryman Group

*Benefits over first 10 years of implementation. See page 3 for definitions of terms and additional information.

ECONOMIC BENEFITS

The Perryman Group estimates that during the first 10 years after implementation, the net economic benefits (fully adjusted for the alternative uses of the State contribution) of expanding coverage would include **\$319.2 billion** (in 2019 dollars) in real gross product and almost **3.3 million job-years** in Texas when multiplier effects are considered.

For every dollar spent by the State for expanded insurance coverage, total net spending in the economy would go up by **\$69.11** and real gross product would rise by **\$34.49** over the first 10 years after implementation (including multiplier effects).

DYNAMIC FISCAL EFFECTS

Though expanding coverage would increase Texas' direct spending, economic benefits would generate cost savings and estimated incremental tax receipts including over **\$19.5 billion** to the State and more than **\$16.8 billion** to local governments during the first 10 years after implementation. The Perryman Group found that **for every dollar the State spends to expand health insurance coverage, \$1.78 is returned in dynamic**

State government revenue, with \$1.53 to local governments.

"Expanded coverage in other states has yielded many benefits, including better performance and sustainability for rural hospitals and expanded resources to address the opioid crisis."

M. Ray Perryman

Cumulative Net Benefits to Texas of Expanding Health Insurance Coverage: First Ten Years



Note: Values expressed in billions of 2019 dollars to remove the effects of inflation. A job-year is the equivalent of one person working for one year.

Source: US Multi-Regional Impact Assessment System, The Perryman Group

The Perryman Group identified three major sources of economic gains from expanding insurance coverage as allowed under the ACA. First, health spending expands, generating gains in business activity. The Perryman Group quantified these likely increases by evaluating the total direct and spinoff activity resulting from the increases discussed above. This segment of the analysis is considered on a “gross” and “net” basis, with the latter reflecting the fact that the State portion of the funding will displace other public or private spending and associated multiplier effects. Second, uncompensated care is reduced, freeing up public and private funds to be used for other purposes. The cost of uncompensated care which is not reimbursed by the Federal government is currently borne by local governments (and, thus, local taxpayers) and privately insured persons (through higher premiums). Reducing uncompensated care would thus leave more resources in the hands of the private sector (both individuals and companies) to be used in other ways. The Perryman Group estimated the magnitude of these effects based on major studies by the National Institutes of Health and the Kaiser Family Foundation, with all estimates fully adjusted to reflect current costs and the specific characteristics of the Texas uninsured population. Third, having health insurance reduces morbidity and mortality, thus increasing productivity. When individuals lack health insurance and their access to care is constrained, empirical

evidence indicates they have worse health care outcomes and, hence, lower productivity. The Perryman Group utilized a major study of these effects by the National Institutes of Health as a basis for determining the effects of these losses, fully adjusting the findings to the characteristics of the Texas population, the typical income patterns of the uninsured population, and the non-pecuniary benefits of insurance. The resulting estimates reflect a lower bound of the adverse economic consequences and, hence, a conservative assessment of the gains from providing coverage. Sources of underlying data include the Kaiser Family Foundation, US Department of Health and Human Services, US Census Bureau, the Texas Department of Health and Human Services, and other public and private entities.

The Perryman Group’s input-output assessment system (the US Multi-Regional Impact Assessment System) was then used to estimate the total economic impact (including multiplier effects) of expanding Medicaid coverage. The model was developed by the firm more than 35 years ago and has been consistently maintained and updated since that time. It has been used in hundreds of analyses for clients ranging from major corporations to government agencies and has been peer reviewed on multiple occasions. The impact system uses a variety of data (from surveys, industry information, and other sources) to describe the various goods and services (known as

resources or inputs) required to produce another good/service. The analysis is derived assuming that the program is implemented in 2021 (i.e., the 2021-2030 period with a three-year ramp up), with relevant projections being determined using data from the US Department of Health and Human Services and the Texas Econometric Model.

Total economic effects are quantified for key measures of business activity:

Total expenditures (or total spending) measure the dollars changing hands as a result of the economic stimulus.

Gross product (or output) is production of goods and services that will come about in each area as a result of the activity. This measure is parallel to the gross domestic product numbers commonly reported by various media outlets and is a subset of total expenditures.

Personal income is dollars that end up in the hands of people in Texas; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included.

Job gains are expressed as job-years for the multi-year, cumulative effects.

Monetary values were quantified on a constant (2019) basis to eliminate the effects of inflation.

THE PERRYMAN GROUP



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

Our in-house professionals bring expertise in **economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing.** Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. We have considerable pride in what we do. Our enthusiasm is both unbridled and contagious; every day brings a new opportunity for us to tackle a different problem or create a product or service specifically tailored to our clients.

OUR SERVICES

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Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.



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