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**TEXAS HAS ONLY ONE RATIONAL CHOICE:  
EXPANDING MEDICAID UNDER THE AFFORDABLE CARE ACT**

*Study by The Perryman Group Finds that Expanding Medicaid More than Pays for Itself*

According to an analysis by The Perryman Group, every \$1 spent by the State of Texas to expand Medicaid coverage under the Affordable Care Act (ACA) returns \$1.29 in dynamic State government revenue over the first 10 years of the expansion. Medicaid expenditures lead to substantial economic activity, federal funds inflow, reduction in costs for uncompensated care and insurance, and enhanced productivity from a healthier population. When these outcomes and the related multiplier effects are considered, the program actually far more than pays for itself and provides a notable economic stimulus.

“Neither the Affordable Care Act nor the Medicaid program is perfect, and there are many opportunities to provide needed health services in a more efficient and cost effective manner,” said Dr. Ray Perryman, “but if we don’t expand Medicaid coverage as envisioned under the Affordable Care Act, Texas loses an opportunity to enhance access to health care for about 1.5 million Texans and foregoes almost \$90 billion in federal health care funds over the first 10 years.”

Texas is currently plagued by the highest rate of uninsurance and underinsurance in the nation, leading to lower than optimal health care spending, excessive uncompensated care, excessive morbidity and mortality, and lost productivity. If Texas doesn’t expand Medicaid under the ACA, there is a significant economic downside which must be weighed against potential savings in direct State outlays. The Perryman Group found that the economic benefits of improving access to care far more than outweigh the costs.

During the first 10 years after implementation, The Perryman Group estimates that the total cumulative gross benefits to the state economy include \$270.0 billion (in 2012 dollars) in output (real gross product) and 3,174,640 person-years of employment. These overall gains stem from spending for health care which would be provided through the expansion, reducing uncompensated care (and, thus, the local government and private funds needed to pay for it), and improving outcomes through better care (reducing morbidity and mortality and thus increasing productivity).

State revenues required to implement the Medicaid expansion will of necessity be diverted from other potential uses, either in terms of the fiscal resources funding other public goods and services, lower taxes allowing for greater private sector activity, or some combination of spending increases and tax reductions. When this diversion is accounted for, the outcomes from expanding Medicaid are still \$255.8 billion (in 2012 dollars) in output (real gross product) and 3,031,400 person-years of employment (about 300,000 per annum over the first 10 years of implementation).

Federal Medicaid funding returned to the State would total \$6.78 for every dollar of State funds spent. The federal tax burden of Texas citizens and firms will remain the same irrespective of whether the State chooses to receive these benefits. The burden on local government entities is reduced (by \$1.21 for every dollar of State funds for Medicaid expansion), while dynamic local government revenue rises by \$0.51 per dollar of State money expended. Insurance premiums would be less due to a reduction in uncompensated care, and overall quality of life and productivity would be enhanced. For every dollar spent by the State for additional Medicaid coverage, total spending in the economy would go up by \$43.50, output (real gross product) would rise by \$21.72, personal income would grow by \$14.34, and retail sales would expand by \$6.13. In addition, the gains rise over time with population growth and aging and the resulting increase in the need for health care.

“The relevant question at present is not philosophical, but practical,” said Dr. Perryman. “It is not an issue of whether Medicaid and the ACA are perfect – they are not! Even so, given the current framework, the best choice for Texas from an economic perspective is participating in the Medicaid expansion under the Affordable Care Act. It represents one of those rare occasions where Texas can both provide significant services for many of its least advantaged citizens while simultaneously stimulating the economy and taking the most fiscally responsible course. Whether Texas opts in to this program or not, our citizens and businesses will pay the federal taxes that support it.”

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*The Perryman Group (TPG) is an economic research and analysis firm based in Texas. The firm has more than 30 years of experience in assessing the economic impact of corporate expansions, regulatory changes, real estate developments, public policy initiatives, and myriad other factors affecting business activity. TPG has conducted hundreds of impact analyses for local areas, regions, and states throughout the U.S. Impact studies have been performed for hundreds of clients including many of the largest corporations in the world, governmental entities at all levels, educational institutions, major health care systems, utilities, and economic development organizations.*

**NOTE:**

The Perryman Group’s report “Only One Rational Choice: Texas Should Participate in Medicaid Expansion Under the Affordable Care Act” is available to download at [www.perrymangroup.com](http://www.perrymangroup.com). A summary table of key study findings is attached.

**SUMMARY OF FINDINGS FROM THE PERRYMAN GROUP'S ANALYSIS:**

**State Spending on Medicaid More than Pays for Itself**

*Medicaid expenditures lead to substantial economic activity, federal funds inflow, reduction in costs for uncompensated care and insurance, and enhanced productivity from a healthier population. When these outcomes and the related multiplier effects are considered, every \$1 spent by the State returns \$1.29 in dynamic State government revenue over the first 10 years of the expansion. In other words, the State actually makes money by participating in the Medicaid expansion.*

NET ECONOMIC IMPACT OF EACH ADDITIONAL DOLLAR OF DIRECT STATE GOVERNMENT EXPENDITURES USED TO PARTICIPATE IN THE MEDICAID EXPANSION WITHIN THE AFFORDABLE CARE ACT: 2014-2023	
Total Expenditures* in Texas	\$43.50
Gross State Product*	\$21.72
Personal Income* in Texas	\$14.34
Retail Sales in Texas	\$6.13
Federal Medicaid Funding in Texas	\$6.78
Reduced Local Taxes for Uncompensated Care	(\$1.21)
Reduced Insurance Premiums for Uncompensated Care	(\$0.30)
Increased Dynamic* State Government Revenue	\$1.29
Increased Dynamic* Local Government Revenue	\$0.51
Income for Previously Uninsured Population	\$1.54

Source: The Perryman Group