

**THE ECONOMIC IMPACT OF
ARIZONA'S MEDICAID EXPANSION
FY 2014 - FY 2016**

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On January 14, 2013, Arizona Governor Jan Brewer announced her intention to expand Medicaid in accordance with the Affordable Care Act. Parents and childless adults in Arizona are currently eligible for Medicaid if their income is below 100% of the federal poverty level. Governor Brewer’s expansion will expand Medicaid eligibility to adults with income between 100% and 133% of the federal poverty line, and leverage additional federal money to fund Medicaid for childless adults below the poverty line.

Table 1: Health Care Medicaid Expansion Plan

	FY 2014	FY 2015	FY 2016
State Match Increase	\$27 million	\$154 million	\$105 million
General Fund Savings per Provider Tax	(\$82 million)	(\$256 million)	(\$224 million)
Additional Insurance Premium Tax	(\$7 million)	(\$34 million)	(\$36 million)
Net Cost (Savings)	(\$62 million)	(\$136 million)	(\$155 million)
Federal Funds Received	\$337 million	\$1.556 billion	\$1.712 billion

Source: State of Arizona Executive Budget Summary – Fiscal Years 2014 and 2015, page 17

The purpose of this note is to assess the economic implications of the Medicaid expansion using the REMI economic impact model.^{1,2}

The data inputs used in this analysis are illustrated in Table 1. The annual economic impacts from a healthcare perspective are estimated in Table 2.

Table 2: Economic Impact Summary

	FY 2014	FY 2015	FY 2016
Total Employment ³ (Jobs)	2,717	13,821	15,419
Gross State Product ⁴ (Millions 2012\$)	234.5	1,206.8	1,365.8
Real Disposable Personal Income ⁵ (Millions 2012\$)	129.3	677.2	797.3

Source: Authors’ Calculations

Table 2 suggests that the Medicaid expansion could have total employment impacts of 2,717 full-time (or equivalent) jobs in FY 2014, 13,821 full-time (or equivalent) jobs in FY 2015 and 15,419 full-time (or equivalent) jobs in FY 2016.

¹ REMI is the current model favored by the State of Arizona for all economic impact analyses.

² The report does not make any assumptions about how the additional \$62 million, \$136 million and \$155 million available in the State of Arizona’s General Fund during the three years of study is subsequently spent or invested.

³ Total employment is an estimate of the total number of full-time (or equivalent) jobs in the State of Arizona for one year, encompassing every sector and industry, including government and farm workers.

⁴ Gross State Product is the market value of goods and services produced by labor and property in the State of Arizona. It can also be defined as the sum of employee compensation (wages, salaries and benefits, including employer contributions to health insurance and retirement pensions), proprietor income, property income, and indirect business taxes.

⁵ Real disposable personal income is an estimate of the total after-tax income received by any person residing in the State of Arizona, deflated by the Personal Consumption Expenditure-Price Index, but available for spending or saving.

Table 2 also suggests that the Medicaid expansion could have a cumulative Gross State Product impact of over \$2.8 billion (2012\$) for the 3 year period.

Finally, Table 2 suggests that the Medicaid expansion could have a cumulative real disposable personal income impact of over \$1.6 billion (2012\$), FY 2014 to FY 2016.

The income tax, corporate income tax, general sales tax and selective sales tax implications of the Medicaid expansion are estimated in Table 3.

Table 3: Adjusted State Tax Revenue Impacts (Millions 2012\$)

	FY 2014	FY 2015	FY 2016
Individual Income Tax	2.55	13.25	15.21
Corporate Income Tax	0.37	1.90	2.08
General Sales Tax	3.42	17.18	19.30
Selective Sales Tax	0.97	4.86	5.46

Source: Authors' Calculations

Table 3 suggests cumulative statewide gains of approximately \$40 million general sales tax and \$31 million individual income tax (both 2012\$), FY 2014 to FY 2016.



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