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## New MIRC Comment

1 message

Thu, Sep 19, 2013 at 1:18 PM

Reply-To: [REDACTED]

To: vamirc@mirc.virginia.gov

**First Name** - Alan

**Last Name** - Corbett

**Organization Name** - AARP

**Comment** - I am very concerned over the delay in accepting fully the Medicaid expansion under the guise of making sure that fraud and waste are considered and taken care of. Earlier this year the Legislature passed an identity requirement for voting under the guise of voter fraud. But the facts reveal that for figures available from the previous Presidential election, there were only 32 convictions for voter fraud in Virginia out of millions of votes. No rational person can say that this level of fraud rises to any type of real threat. Analysis of the real reason for voter ID change reveals a political motive, with many people without voter ID favoring Democrats instead of Republicans. The voter ID law is nothing more than an updated version of the illegal pole tax of yesterday year. The same reasoning applies to the expansion of Medicaid. A nuanced, non-polical study by the non-partisan CHMURA Economics and Analysis study of Medicaid expansion in Virginia concluded, after its exhaustive study, academically accurately research, that because of the economic benefits accruing from expansion and the Federal contributions to Medicaid, that for at least the first 5 years of expansion, the State of Virginia will actually spend about \$117 million dollars LESS than if it does not expand Medicaid. With the addition of over 30,000 new jobs for our citizens and the betterment of health care and life for 400,000 of our citizens, facts cry out for acceptance of Medicaid, unless, of course, politics and ideology are more important than taking care of our citizens. This is a test of what is important - the morality of helping our people, or ideology. Fraud and waste will always be present in any human endeavor, and perfection can never be had in any organized activity, even in the Republican party, but good people, coming together for common cause, can only try to do their best.



Chmrura Medicaid Study for VA.doc

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### 5.1.2. Ripple Economic Impact

The total annual statewide economic impact (direct and ripple) of increased healthcare revenue from the Medicaid expansion is estimated to average \$3.5 billion from 2014 to 2019, which can support 26,395 Virginia jobs (Table 5.1). Direct revenue from the Medicaid expansion flowing into Virginia's healthcare industry is estimated to average \$1.9 billion per year, which can support 15,762 annual healthcare jobs. The indirect impact is estimated to be \$588.8 million and 3,709 jobs, benefiting other businesses in Virginia that support the state's healthcare industry. The induced impact is estimated to be \$1.0 billion and 6,923 jobs in the state, mostly benefiting consumer-related businesses such as retail shops, restaurants, and other services.

From 2014 to 2019, the statewide economic impact from additional healthcare revenue will steadily increase from \$1.5 billion in 2014 to \$4.8 billion in 2019 (measured in nominal dollars). This increase reflects both the growth of the state population (thus more Medicaid enrollees), as well as escalating costs of healthcare services for Medicaid enrollees.

Compared with the impact on other stakeholders in Virginia's economy, such as the amount of money flowing into Virginia's healthcare industry, the effect of the Medicaid expansion on business cost savings is modest, averaging only \$20.2 million per year from 2014 to 2019. Even when more aggressive cost savings assumptions are used, such as a premium reduction of 1.1% per year,<sup>47</sup> the average cost savings for Virginia businesses is estimated to average \$31.1 million from 2014 to 2019, only about 1.6% of the direct effect of the Medicaid expansion on Virginia's healthcare industry.

Combining economic impacts of the Medicaid expansion on the healthcare industry, businesses, and residents, the overall impact is illustrated in Figure 5.12. The economic impact (direct, indirect, and induced) in Virginia will increase from an estimated \$1.7 billion and 15,057 jobs in 2014 to \$5.9 billion and 43,015 jobs in 2019. The dominant share of the economic impact comes from the new revenue flowing into Virginia's healthcare industry as a result of the Medicaid expansion.

Research published in the *New England Journal of Medicine*<sup>54</sup> demonstrates that expanded Medicaid coverage for low-income adults translates into a 6.1 percent reduction in mortality.

For the newly eligible Medicaid enrollees, the federal government pays 100% of the cost of new Medicaid participants from 2014 to 2016. The federal government will pay 95% of the total cost in 2017, 94% in 2018, and 93% in 2019. For those new enrollees under the existing criteria ("woodwork" effect), the existing funding formula applies and the federal government pays around 50% of total costs.<sup>56</sup> As a result, the state portion of the Medicaid expansion payment is estimated to be \$138.9 million in 2014, increasing to \$584.4 million in 2019, for an average of \$364.5 million per year. However, the state can also reduce uncompensated care payment because those individuals will become insured. Assuming the state is responsible for 9.3% of the total uncompensated care cost, including DSH payment,<sup>57</sup> with about 400,000 new Medicaid participants, Virginia is expected to save an average of \$69.2 million per year in its payment of uncompensated care from 2014 to 2019.

The state of Virginia can also collect individual and corporate income taxes from the expanded healthcare industry and associated economic activities, averaging \$34.3 million and \$6.0 million per year, respectively (Table 5.4).

**37 Table 5.4: Estimated State Budgetary Impact  
(Average 2014-2019, \$ Million)**

Health Sector Impact	
Spending on Medicaid Expansion	-\$364.5
Reduction in Uncompensated Care	\$69.2
Payment (including state match of DSH)	
Individual Income Tax	\$34.3
Corporate Income Tax	\$6.0
Business Impact	
Sales Tax	\$0 .1
Individual Income Tax	\$0.3
Corporate Income Tax	\$0.2
Household Impact	
Sales Tax	\$4 .0
Individual Income Tax	\$3.3
Corporate Income Tax	\$2.4
<b>Total</b>	<b>-\$244.7</b>

In summary, if Virginia chooses to expand Medicaid, state government expenditures are expected to increase by an average of \$244.7 million per year from 2014 to 2019.

How the state will pay for the Medicaid expansion will be an issue confronting state leaders if Virginia chooses to adopt the Medicaid expansion under PPACA. The state could reduce spending in other areas, such as education, social service, or transportation. The state can also find ways to increase revenue by undertaking tax reforms. The impact on the broader economy will differ depending on the path Virginia chooses.

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**6.1.2. Ripple Economic Impact**

If Virginia opts out of the Medicaid expansion, the total annual economic impact (direct and ripple) of additional healthcare revenue is estimated to average \$776.6 million per year from 2014 to 2019, which can support 5,929 Virginia jobs. Among those, direct new revenue to Virginia’s healthcare industry is estimated to average \$417.7 million per year, which can support 3,540 healthcare jobs. The indirect impact is estimated to be \$132.3 million and 833 jobs per year, benefiting other businesses in Virginia that support Virginia’s healthcare industry. The induced impact is estimated to be \$226.6 million and 1,555 jobs per year in the state, mostly benefiting consumer-related businesses such retail shops, healthcare facilities, and restaurants.

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**6.5. State of Virginia Budgetary Impact**

Using the same methodology as in Section 5.5, Table 6.4 lists the estimated budgetary impact for the state government if it chooses to opt out of the Medicaid expansion. Due to the “woodwork” effect, the state will still see a significant increase in its spending on Medicaid under the existing eligibility criteria. But the state can also reduce its spending on uncompensated care, and receive

tax revenues from the expanded healthcare sector. **Table 6.4: Estimated State Budgetary Impact (Average 2014-2019, \$ Million)**

Health Sector Impact	
Spending on Medicaid Expansion	-\$288.8
Reduction in Uncompensated Care	\$15.5
Individual Income Tax	\$7.7
Corporate Income Tax	\$1.4
Business Impact	
Sales Tax	\$0.0
Individual Income Tax	\$0.1
Corporate Income Tax	\$0.0
Household Impact	
Sales Tax	\$0.9
Individual Income Tax	\$0.7
Corporate Income Tax	\$0.5
<b>Total</b>	<b>-\$261.9</b>

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If Virginia chooses to opt out of the Medicaid expansion, the state government expenditure is expected to increase by an average of \$261.9 million per year from 2014 to 2019. The annual budgetary impact for the state of Virginia is summarized in Figure 6.8. The added state expenditure will increase from \$123.8 million in 2014 to \$358.6 million in 2019.