
Estimated Direct and Indirect Employment Impacts of the Affordable Care Act Medicaid Expansion for FY2014 and FY2015

Background

This analysis estimated job impacts of increased economic activity caused by the Medicaid expansion component of the Affordable Care Act (ACA), which expanded Medicaid eligibility to individuals with annual incomes below 138 percent of the federal poverty level. The Medicaid expansion became effective in Washington state January 1, 2014. The impacts in this analysis also include the increases in Medicaid enrollment due to the welcome mat effect – the enrollment of individuals who had been previously eligible for Medicaid but not enrolled. The welcome mat effect started in late calendar year 2013 during the first ACA open enrollment period, because these individuals were already eligible for Medicaid under the existing rules and could receive benefits immediately upon enrolling for the program. The Medicaid expenditure data used to estimate the total employment impacts came from the actual Medicaid expenditures for Fiscal Years 2014 and 2015. Employment impacts were generated using the Washington Input-Output (I-O) model described below and are reported in Table 1.

Description of Impacts

Table 1: Estimated Employment Impacts of Medicaid Expansion Due to the Affordable Care Act (ACA)		
Number of Direct and Indirect Job Years Created or Saved		
	2014	2015
Expenditures for Expansion and Welcome Mat	\$752,627,000	\$2,771,910,000
Employment Impact: Number of direct and indirect job years	13,993	51,196

The 2015 impacts are significantly larger than 2014 because the level of expenditures in 2015 are more than three times those in 2014. Note that each job counted in the above tables represents one job year, the Fiscal Year 14 and Fiscal Year 15 job estimates are not cumulative. However, since the ACA will continue beyond Fiscal Year 15, similar job retention or creation will also continue if the existing economic structure persists.

Methodology

The direct impacts in the table above are estimated in terms of their change in output by industry. The I-O model is used to calculate the indirect impacts from the multiplier effects of the direct impacts working through the economy. Calculations in this analysis were done by increasing the output in the medical sectors of the I-O model; this increased output reflects increased demand for health care services generated by expansion of the

Medicaid component of the ACA. The resulting numbers from the I-O model provide the total direct and indirect job impacts reported in Table 1.

Using the Washington Input-Output Model to Estimate the Indirect Impacts

The Washington Input-Output model is a mathematical description of the Washington economy. It contains equations regarding sales to one Washington industry to other Washington industries and purchases from one Washington industry to other Washington industries. The model also describes imports and exports, purchases by government, purchases by households and labor provided by households to industry.

Indirect impacts, also known as multiplier effects, are estimated by changing the output of the directly impacted Washington industries and/or households. The model then calculates the change to the suppliers of the directly impacted industries, then to the suppliers of the supply industries, and then further impacts to industries down the chain as iterative waves of impacts moving through the economy. The result is the sum of the so-called “trickle-down” effect.