

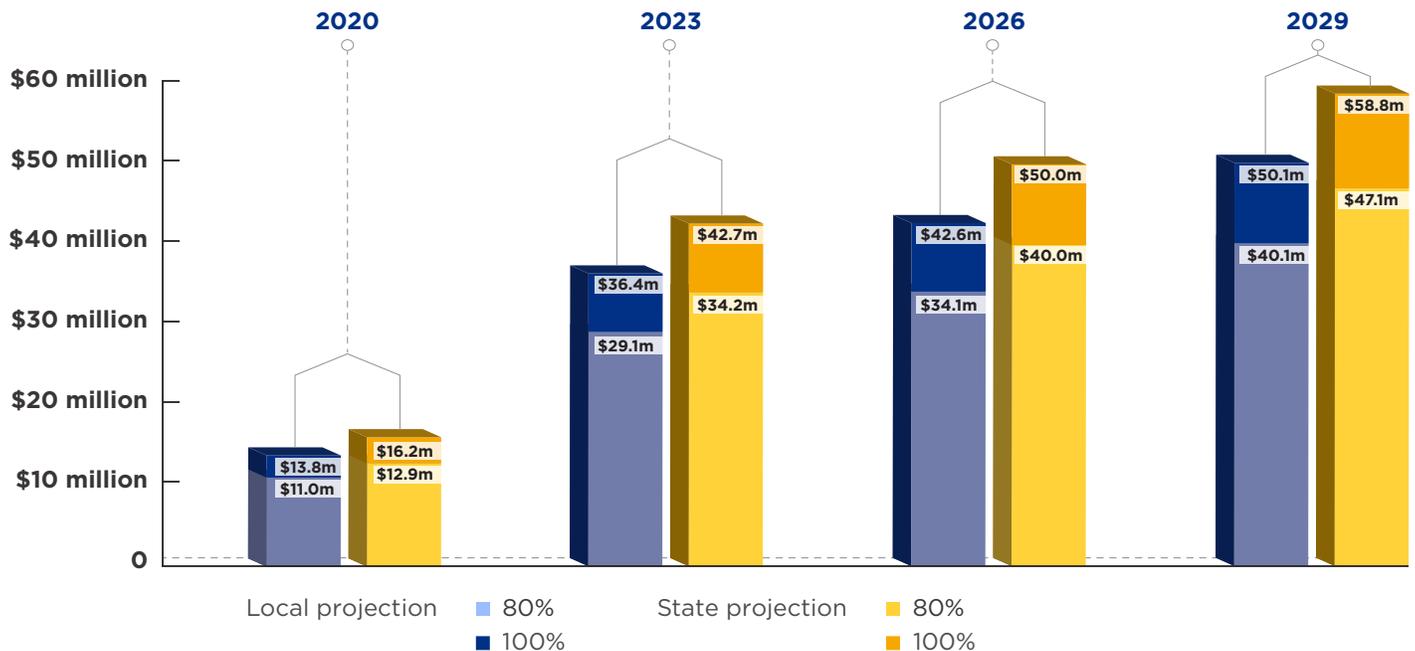
New study shows KanCare expansion will produce a net financial gain for Kansas.

KanCare Expansion Generates Economic Benefits

An independent study into the economic effects of KanCare expansion from 2020 through 2029 validates KanCare expansion for Kansas. According to the study, economic impact arises directly from the sales, wages, and employment generated by business activity. An economic impact also arises indirectly through the “ripple” effect of businesses purchasing goods and services from other local businesses, and through workers spending wages and other income for household goods and services. The study’s estimations of increased state and local government tax collections associated with expanded KanCare

spending are illustrated in the chart below. Total state and local tax values were distributed using the same proportions reported in the 2016 Census of Governments (state government collected 54 percent; local governments, 46 percent). Revenue estimates are presented as a range of 80 to 100 percent. The latter would be too high, even if the tax mix were perfectly accurate. Given the combined uncertainty of the tax mix and the over-estimate of property taxes, an 80 percent value also is presented to demonstrate the potential range of net financial gain for Kansas.

Positive Revenue Projections from Expansion of Medicaid in Kansas*



* This conservative estimate reflects tax revenues generated by the additional expansion expenditures of 5.0 percent of the total cost, based on the assumption that the dollars will initially be paid to the KanCare managed care organizations (MCOs) and be spent on taxable salary and infrastructure by the organization, with the pursuant economic ripple effect of those expenditures. This is a conservative estimate, given that states with a similar aggregate state tax rate generally see 13-18 percent in tax revenue from federal dollars.

About the study: The March 2019 study, called “Preliminary Estimates of the State and Local Tax Revenue Generated by the Expansion of Medicaid Expenditures,” was authored by Dr. John C. Leatherman. Dr. Leatherman is a professor in the Department of Agricultural Economics at Kansas State University and Director of the Office of Local Government at K-State Research and Extension. His research interests include economic and fiscal impact analysis, regional economic modeling, rural development and policy analysis, and local public finance.

Download the full study at kha-net.org.

