



## MEDIA RELEASE

**For Immediate Release**  
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### **Failing to Expand Medicaid Hurts Kansas Economy**

#### ***Loss of Federal Funds Impacts Taxpayers, Jobs***

(March 4, 2014) Two independent reports released earlier this year highlight the negative financial impact of failing to expand Medicaid on states' economies. Comparing the costs of Medicaid expansion with the flow of federal highway subsidies and defense contracts, as well as the amount each state spends on attracting private businesses, [The Commonwealth Fund](#) concludes that Medicaid expansion benefits a state's economy, and its financial benefits far outweigh the state's cost of participating.

[Another study by Jackson Hewitt Tax Service](#) showed that states that fail to expand Medicaid leave their employers subject to higher "shared responsibility" tax penalties under the Patient Protection and Affordable Care Act. Although enforcement of the penalties will not begin until 2015, Kansas employers potentially would pay from \$17 million to \$26 million in federal penalties if their employees seek premium assistance tax credits through the federal health care marketplace.

"These independent studies confirm that expansion of the KanCare program makes good sense from an economic perspective," said Tom Bell, president and CEO of the Kansas Hospital Association. "Kansas hospitals want to work with Gov. Sam Brownback and the Legislature to design a unique Kansas plan to take advantage of federal funds and strengthen the state's economy, while improving the health of low-income Kansans."

"Kansas has several options on how new federal Medicaid funds could be used to cover our state's low-income uninsured population," Bell said. "[A new report by Leavitt Partners](#) has provided a menu of options that are generating interest and warrant further exploration," he added.

As part of the [Commonwealth Fund Study](#), Sherry Glied, Ph.D., dean of the Robert F. Wagner Graduate School of Public Service at New York University, examined the flow of federal funds to each state. Glied notes that federal funds that pay for state Medicaid programs are raised through taxes paid by residents in all the states, which also pay for defense procurement contracts and a substantial amount of highway projects. The study found that “the value of new federal funds flowing annually to states that choose to participate in the Medicaid expansion in 2022 will be, on average, about 2.35 times as great as expected federal highway funds going to state governments in that year, and more than one-quarter as large as expected defense procurement contracts to states.” She points out that taxpayers in non-participating states will “bear a significant share of the overall costs” of Medicaid expansion through their federal taxes and “not enjoy any of the benefits.”

In 2022, Kansas would receive approximately \$767 million in federal funds if KanCare were expanded, compared to \$486 million in federal highway transportation funds and \$2.48 billion in federal defense procurement contracts.

“Kansas, like other states, welcomes receiving federal highway transportation funds and defense contracts because they generate jobs and benefits for local residents and businesses,” Bell said. “Expanding the KanCare program and drawing down nearly \$800 million in federal dollars – taxes paid by Kansans – would reimburse hospitals and other Kansas health care providers for their services, generate jobs and provide health insurance to low-income citizens,” he added.

[The Commonwealth Fund study](#) also compared state Medicaid payments with states’ expenditures to attract private businesses, such as offering tax breaks to companies. The study found that “on average, the states’ costs in 2022 will be less than one-sixth the amount they pay out annually to attract private businesses. Should Kansas expand KanCare, the state’s cost in 2022 would be \$108 million annually, compared to some \$1.25 billion in annual incentive payments to attract new businesses.

“For a modest investment in our KanCare program, Kansas can improve the lives and productivity of 122,000 Kansans and strengthen the fourth largest aggregate employer in the state and the fifth largest sector of the state’s economy,” Bell said. “Even worse, failing to expand KanCare potentially will have a significant negative financial impact on local businesses whose low-income KanCare-eligible employees seek premium subsidies,” he added.

Links to Reports:

[How States Stand to Gain or Lose Federal Funds by Opting In or Out of the Medicaid Expansion](#) - The Commonwealth Fund

[State Medicaid Choices and the Hidden Tax Surprises for Employers](#) - Jackson Hewitt Tax Service Inc.

[Addressing the Uninsured In Kansas: Alternative Models and Policy Options](#) - Leavitt Partners

About the Kansas Hospital Association:

The Kansas Hospital Association is a not-for-profit association of health care provider organizations and individuals that are committed to the health improvement of their communities. KHA membership includes 218 member facilities, of which 128 are full-service community hospitals. Founded in 1910, KHA maintains its vision of “an organization of hospitals working together to improve access, quality and the affordability of health care for all Kansans.” Learn more about KHA at [www.kha-net.org](http://www.kha-net.org).

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