



The Perryman Group  
**The Potential Economic Benefits of  
Mississippi Cares** June 2019

Access to adequate health care for all is an important societal goal on its own merits. Improving access by expanding health care insurance coverage such as Medicaid also involves notable economic benefits. Health insurance coverage can significantly enhance health and wellbeing, and states which have expanded health insurance coverage have seen improved health outcomes, enhanced employment and productivity, and other desirable developments such as fewer emergency room visits and lower costs of uncompensated care.

Mississippi Cares is a proposal by Mississippi hospitals to expand health insurance coverage to hundreds of thousands of adults in the state who do not have coverage and are not currently eligible for Medicaid. The proposed plan would be a public-private partnership between the State of Mississippi, Mississippi hospitals,

Mississippi True, and plan members. No state funds would be required.

Mississippi Cares would cover non-disabled adults age 19-64 who earn up to 138% of the federal poverty level. Hospitals would partially fund the program, with plan participants contributing small premium payments of \$20 per month. If not employed, participants would have to enroll in a job training, education, or volunteer program (with certain exceptions). Hospital investments and premiums from plan members would fund the needed 10% state share to match the 90% federal share.

The Perryman Group (TPG) recently examined economic implications of expanding coverage as proposed by Mississippi Cares. Economic benefits of the initiative would include leveraging federal resources as established under the Affordable Care Act, increasing health-

### Annual Economic Benefits of Mississippi Cares

#### Lower Costs

Reduced Uncompensated Care	-\$251.6 million per year
Reduced Private Insurance Premiums	-\$52.6 million per year

#### Higher State Revenue

Increased Dynamic State Revenue from Health Activity*	+\$105.0 million per year
Increased Dynamic State Revenue from Enhanced Productivity	+\$95.3 million per year
<b>Total Increased Dynamic State Revenue</b>	<b>+\$200.3 million per year</b>

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Health Activity includes proposed premium tax. See page 5 for additional detail on methods and assumptions used.

related spending, reducing uncompensated care, lowering private insurance costs, and enhancing productivity due to better health outcomes.

### ECONOMIC BENEFITS

An important source of economic benefits of Mississippi Cares is increased health care spending. The Perryman Group estimates that during the first 11 years after implementation (assumed to be 2020-2030), the increase in Mississippi business associated with higher health spending would include almost \$18.0

billion in gross product and 213,543 job-years. When measured on an average annual basis over the period, the Mississippi economy could be expected to see an increase of more than \$1.6 billion in gross product and 19,413 job-years. These estimates are in line with those previously reported by Mississippi Cares, although the analyses were conducted independently and used different methods.

In addition to these significant economic effects, improving access to care results in better health outcomes and, therefore,

higher productivity due to reduced morbidity and mortality. Higher productivity generates additional economic benefits which The Perryman Group estimates to be nearly \$18.4 billion in gross product and 185,241 job-years over the 2020-2030 period (including multiplier effects), which is almost \$1.7 billion in gross product and 16,840 job-years on an average annual basis.

Summing these results yields an estimate of the total net economic benefit of expanding coverage of almost \$36.4 billion in

### Total Economic Impact of Mississippi Cares on State Business Activity

Cumulative impact over 2020-2030 by economic indicator



**Note:** Values expressed in billions of 2019 dollars to remove the effects of medical inflation. A job-year is the equivalent of one person working for a year, though it could involve multiple individuals and partial jobs.

**Source:** US Multi-Regional Impact Assessment System, The Perryman Group

gross product and 398,785 job-years in Mississippi over the 2020-2030 period or \$3.3 billion in gross product and 36,253 job-years on an average annual basis (including multiplier effects). These gains could be further enhanced through the job training feature of the plan.

### **DYNAMIC STATE REVENUE AND OTHER BENEFITS**

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Increased economic activity leads to additional tax receipts through channels such as higher levels of retail sales and enhanced property values. The Perryman Group estimated the dynamic state revenue effects over the first 11 years and found that increasing health insurance coverage as proposed by Mississippi Cares would lead to likely gains in tax receipts of an estimated \$200.3 million to the State during the 2020-2030 period, with approximately \$105.0 million from increased health activity (including the proposed premium tax) and

another \$95.3 million from enhanced productivity.

The Mississippi Cares proposal can also be expected to lead to a notable reduction in uncompensated care, the cost of which is currently estimated to be about \$600 million per year. Over the 2020-2030 period, The Perryman Group estimates that uncompensated care costs could be expected to decrease by an average of \$251.6 million per year.

Private insurance premiums paid each year would also likely fall by some \$52.6 million over the time period.

### **CONCLUSION**

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Expanding health insurance coverage as proposed by Mississippi Cares not only has the potential to improve the quality of life of hundreds of thousands of people in Mississippi, but also leads to sizable economic benefits. The structure of the plan also encourages a variety of other desirable outcomes ranging from enhanced personal responsibility and community engagement

among members to improved wellness.

The cost of uncompensated care could be expected to fall substantially, improving the stability of the state's system of health care provision. In particular, hospitals in rural areas tend to fare better in states which have expanded Medicaid coverage, and studies of the issue have found that rural hospitals had a greater chance of being profitable with expanded health insurance coverage. Rural hospitals not only provide much needed care, but are also among the largest employers for many areas.

Mississippi Cares requires no investment of State resources. At the same time, it has the potential to enhance quality of life for the people of Mississippi, generate substantial economic benefits, reduce costs and insurance premiums, and improve the financial stability of the state's hospitals.

## Economic Impact of Mississippi Cares due to Increased Health-Related Spending

Cumulative impact over 2020-2030 by industry

Industry	Total Expenditures	Gross Product	Personal Income	Job-Years
Agriculture	\$570.7 m	\$157.7 m	\$104.4 m	1,540
Mining	\$380.5 m	\$87.0 m	\$41.1 m	224
Construction	\$621.2 m	\$328.9 m	\$271.0 m	3,555
Manufacturing	\$4,690.6 m	\$1,469.7 m	\$807.3 m	11,808
Transportation & Utilities	\$2,396.0 m	\$996.9 m	\$587.9 m	6,283
Information	\$674.7 m	\$416.7 m	\$177.9 m	1,489
Wholesale Trade	\$1,077.6 m	\$728.7 m	\$420.1 m	4,457
Retail Trade*	\$4,346.9 m	\$3,269.0 m	\$1,901.8 m	54,212
Financial Activities*	\$3,765.0 m	\$1,051.1 m	\$417.9 m	4,126
Business Services	\$1,289.4 m	\$772.2 m	\$629.9 m	7,159
Health Services	\$11,472.4 m	\$7,754.2 m	\$6,556.3 m	101,224
Other Services	\$1,869.8 m	\$958.6 m	\$773.1 m	17,467
<b>Total, All Industries</b>	<b>\$33,154.8 m</b>	<b>\$17,990.7 m</b>	<b>\$12,688.8 m</b>	<b>213,543</b>

## Economic Impact of Mississippi Cares due to Reduced Morbidity & Mortality and Resulting Increase in Productivity

Cumulative impact over 2020-2030 by industry

Industry	Total Expenditures	Gross Product	Personal Income	Job-Years
Agriculture	\$1,376.9 m	\$382.7 m	\$250.4 m	3,680
Mining	\$888.0 m	\$210.7 m	\$103.1 m	585
Construction	\$1,429.3 m	\$717.5 m	\$591.3 m	7,760
Manufacturing	\$9,766.8 m	\$3,072.7 m	\$1,791.9 m	25,087
Transportation & Utilities	\$4,458.9 m	\$1,751.1 m	\$1,019.9 m	10,660
Information	\$960.2 m	\$591.9 m	\$252.7 m	2,112
Wholesale Trade	\$1,859.2 m	\$1,257.9 m	\$725.3 m	7,700
Retail Trade*	\$5,298.3 m	\$3,979.6 m	\$2,314.5 m	66,197
Financial Activities*	\$7,268.8 m	\$2,336.9 m	\$807.1 m	7,678
Business Services	\$2,312.6 m	\$1,460.4 m	\$1,191.3 m	13,546
Health Services	\$1,796.8 m	\$1,235.0 m	\$1,044.2 m	16,122
Other Services	\$2,640.6 m	\$1,366.2 m	\$1,088.7 m	24,114
<b>Total, All Industries</b>	<b>\$40,056.4 m</b>	<b>\$18,362.6 m</b>	<b>\$11,180.6 m</b>	<b>185,241</b>

## Total Economic Impact of Mississippi Cares

Cumulative impact over 2020-2030 by industry

Industry	Total Expenditures	Gross Product	Personal Income	Job-Years
Agriculture	\$1,947.7 m	\$540.4 m	\$354.8 m	5,220
Mining	\$1,268.5 m	\$297.7 m	\$144.3 m	809
Construction	\$2,050.5 m	\$1,046.4 m	\$862.3 m	11,315
Manufacturing	\$14,457.4 m	\$4,542.4 m	\$2,599.2 m	36,895
Transportation & Utilities	\$6,855.0 m	\$2,748.0 m	\$1,607.8 m	16,944
Information	\$1,634.8 m	\$1,008.6 m	\$430.6 m	3,602
Wholesale Trade	\$2,936.8 m	\$1,986.6 m	\$1,145.5 m	12,157
Retail Trade*	\$9,645.2 m	\$7,248.5 m	\$4,216.3 m	120,409
Financial Activities*	\$11,033.8 m	\$3,388.0 m	\$1,225.0 m	11,804
Business Services	\$3,602.0 m	\$2,232.6 m	\$1,821.3 m	20,704
Health Services	\$13,269.2 m	\$8,989.2 m	\$7,600.5 m	117,345
Other Services	\$4,510.3 m	\$2,324.8 m	\$1,861.8 m	41,581
<b>Total, All Industries</b>	<b>\$73,211.2 m</b>	<b>\$36,353.3 m</b>	<b>\$23,869.4 m</b>	<b>398,785</b>

**Source:** US Multi-Regional Impact Assessment System, The Perryman Group

**Notes:** Monetary values given in millions of 2019 US dollars. Assumes implementation in 2020 with a three-year ramp up period. See page 5 for additional detail on the methods and assumptions used. A job year is the equivalent of one person working for a year, though it could involve multiple individuals and partial jobs. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate.

## METHODS AND ASSUMPTIONS

The Perryman Group identified two major sources of economic gains from expanding health insurance coverage through the Mississippi Cares proposal, increased health spending and improved productivity. This analysis assumes implementation in 2020, with a three-year ramp up period. Results are quantified for the 11-year 2020-2030 period as well as on an average annual basis. Values are expressed in constant (2019) dollars to adjust for the effects of inflation. The firm's proprietary impact assessment and econometric models, the US Multi-Regional Econometric Model and US Multi-Regional Impact Assessment System (described below) were used in this assessment.

Expanding health insurance coverage leads to an **increase in health spending**, generating gains in business activity. The latest data on expansion potential is determined from data provided by the Kaiser Family Foundation and the US Census Bureau, with projections derived from the Mississippi sub-model of the US Multi-Regional Econometric Model. These estimates account for non-participation based on the patterns observed in areas with Medicaid expansion. Incremental health expenditures were provided by the Mississippi Hospital Association and verified for reasonableness using information provided by the Centers for Medicare and Medicaid Services with full adjustment to relevant patterns in the Mississippi economy. Cost projections and associated inflation adjustments for the later years are derived from the econometric model noted above. Overall effects were then estimated using the Mississippi sub-model of the US Multi-Regional Impact Assessment System, with full adjustment for projected changes in productivity over time.

Having health insurance **increases productivity** by improving health outcomes and reducing morbidity and mortality. When individuals lack health insurance and their access to care is constrained, empirical

evidence indicates they have worse health care outcomes and, hence, lower productivity. The increases in productivity from reduced morbidity and mortality are based on a comprehensive study conducted by the Institute of Medicine (now the Health and Medicine Division) of the National Institutes of Health, with all results fully updated to reflect current and projected pricing patterns and the specific characteristics and composition of the Mississippi economy. The benefits examined in the study were fully adjusted to reflect the earnings and employment patterns of the uninsured and to eliminate non-pecuniary benefits which do not translate into measurable economic activity. The benefits per incremental insured individual were combined with the projected increases in coverage to determine total benefits. These amounts were then allocated across the spectrum of sectors (more than 500) within the Mississippi economy in terms of income based on patterns forecasted within the econometric model noted above. Overall effects were then estimated using the Mississippi sub-model of the US Multi-Regional Impact Assessment System, with full adjustment for projected changes in productivity over time and accounting for the full effects on spending and production associated with direct gains in income.

The Perryman Group's input-output assessment system (the US Multi-Regional Impact Assessment System) was used to estimate the total economic impact (including multiplier effects) of expanding Medicaid coverage. The model was developed by the firm about 40 years ago and has been consistently maintained and updated since that time. It has been used in hundreds of analyses for clients ranging from major corporations to government agencies and has been peer reviewed on multiple occasions. The impact system uses a variety of data (from surveys, industry information, and other sources) to describe the various goods and services (known

as resources or inputs) required to produce another good/service.

Total economic effects are quantified for key measures of business activity:

**Total expenditures** (or total spending) measure the dollars changing hands as a result of the economic stimulus.

**Gross product** (or output) is production of goods and services that will come about in each area as a result of the activity. This measure is parallel to the gross domestic product numbers commonly reported by various media outlets and is a subset of total expenditures.

**Personal income** is dollars that end up in the hands of people in Mississippi; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included.

**Job gains** are expressed as job-years which is the equivalent of one person working for a year, though it could involve multiple individuals and partial jobs.

Relevant projections were determined using data from the US Department of Health and Human Services and The Perryman Group's **US Multi-Regional Econometric Model**. The Model provides detailed industry-level forecasts for the US economy and is used to provide ongoing projections for various regions and metropolitan areas within the United States. It is formulated in an internally consistent manner and is designed to permit the integration of relevant global, national, state, and local factors into the projection process.

The model is the result of four decades of continuing research in econometrics, economic theory, statistical methods, and key policy issues and behavioral patterns, as well as intensive, ongoing study of factors affecting the economy. It is extensively used by scores of federal and State governmental entities on an ongoing basis, as well as hundreds of major corporations.

## THE PERRYMAN GROUP



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### M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.



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