

**The Economic Impact
of the Proposed Oklahoma SoonerCare Expansion,
CYs 2017-2026**

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The Economic Impact of the Proposed Oklahoma SoonerCare Expansion on the State of Oklahoma, CYs 2017-2026

This study is to illustrate the economic impacts of the proposed Oklahoma SoonerCare expansion on the state of Oklahoma for the years 2017-2026, with totals for the five-year period from 2017-2021 and totals for the ten-year period from 2017-2026. SoonerCare is the name of the Oklahoma Medicaid program. Impacts will be illustrated for total revenues, employment, labor income, state and local taxes, and federal taxes.

Data for the estimated federal and Oklahoma new Medicaid funds are from Manatt Health's report, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016," which was commissioned by the Oklahoma Hospital Association. The report projects the amount of federal and Oklahoma funds resulting from expansion of the Oklahoma SoonerCare program. The report provides data annually for the years 2017-2026. All estimates assume that such an expansion is being considered for implementation in 2017. **For more information on this report, the report is available ????**

The Oklahoma Hospital Association (OHA) is the voice of hospitals in Oklahoma. Established in 1919, the OHA represents more than 135 hospitals and health systems across the state. OHA's primary objective is to promote the health and welfare of all Oklahomans by leading and assisting its member organizations in providing high quality, safe and valued health care services to their communities. The OHA also believes hospitals play a vital role in helping to advance the overall state of health for their patients and the public at large. For more information, their website is www.okoha.com.

Dr. Gerald A. Doeksen, Extension Health Economist, and Cheryl F. St. Clair, Associate State Extension Specialist, Oklahoma State University, Department of Agricultural Economics, have been commissioned by the Oklahoma Hospital Association to prepare the economic impact

study. The study will be based on input-output analysis, utilizing IMPLAN data and software. The IMPLAN model will provide the revenue, employment, and labor income multipliers and the state and local and federal tax impacts. Additional information on IMPLAN and a state economic system are included in **Appendix A**.

Direct Revenue Impacts

The new federal funds for the proposed SoonerCare expansion are estimated for each year on the first line of **Table 1**. For 2017, the new federal funds are estimated to be \$1,037 million. The new Oklahoma funds for the proposed SoonerCare expansion are estimated on the second line; for 2017, the total for the state is a negative \$3 million, a cost savings for the first year. The Oklahoma SoonerCare funds are all the new costs to Oklahoma associated with the proposed Oklahoma SoonerCare expansion. The total federal and state SoonerCare funds are on line 3 (\$1,034 million for year 2017). These are estimates of the new funds, both federal and state, that will be spent on the proposed Oklahoma SoonerCare expansion each year over the next ten years.

Under the proposed Oklahoma SoonerCare expansion, the new federal funds for the first five years from 2017-2021 are estimated to be \$7,798 million. For the 2017-2021 totals, Oklahoma's new SoonerCare expansion spending will total \$195 million, for a combined state and federal total of new SoonerCare expansion funding of \$7,993 million.

Under the proposed SoonerCare expansion, the new federal funds for the ten years from 2017-2026 are estimated to be \$18,821 million. Oklahoma's new SoonerCare spending will total \$713 million, for a combined state and federal total new SoonerCare expansion funding of \$19,534 million over the ten years. The total new SoonerCare funds (new revenues) of **Table 1**

Table 1
Estimated New Revenues from the Proposed Oklahoma SoonerCare Expansion, CYs 2017-2026

	(dollars in millions)					
	2017	2018	2019	2020	2021	5-Year Totals 2017-2021
Total Federal New SoonerCare Funds	\$1,037	\$1,493	\$1,685	\$1,737	\$1,846	\$7,798
Total Oklahoma New SoonerCare Funds	<u>-\$3</u>	<u>\$13</u>	<u>\$29</u>	<u>\$77</u>	<u>\$79</u>	<u>\$195</u>
Total Combined New SoonerCare Funds (New Revenues)	<u>\$1,034</u>	<u>\$1,506</u>	<u>\$1,714</u>	<u>\$1,814</u>	<u>\$1,925</u>	<u>\$7,993</u>
	2022	2023	2024	2025	2026	10-Year Totals 2017-2026
Total Federal New SoonerCare Funds	\$1,956	\$2,073	\$2,197	\$2,329	\$2,468	\$18,821
Total Oklahoma New SoonerCare Funds	<u>\$87</u>	<u>\$94</u>	<u>\$103</u>	<u>\$113</u>	<u>\$121</u>	<u>\$713</u>
Total Combined New SoonerCare Funds (New Revenues)	<u>\$2,043</u>	<u>\$2,167</u>	<u>\$2,300</u>	<u>\$2,442</u>	<u>\$2,589</u>	<u>\$19,534</u>

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016."

will be the basis for the economic impacts of the proposed Oklahoma SoonerCare Expansion. These are the direct revenue impacts of the proposed Oklahoma SoonerCare Expansion.

All Direct Impacts

The direct revenue impacts are utilized to calculate the direct impact from employment and labor income. IMPLAN provides ratios to determine the direct employment impact resulting from the total direct revenues. IMPLAN also provides the average health sector wages, salaries, and benefits to apply to the employment to determine the labor income impact.

After applying the IMPLAN data, **Table 2** shows the results. For 2017, the annual employment resulting from the new SoonerCare revenues is estimated to be 8,711. This is the employment for the year 2017. The labor income total for 2017 is estimated at \$559 million. For 2017 and future years, the same methodology is used. Employment increases each year as the revenues increase. The annual increase in employment is illustrated as a separate line. The labor income is estimated for each year based on the total annual employment each year. Use caution when reporting employment since once a job is created, it stays in the model each year. The five-year totals for 2017- 2021 are \$7,993 million in direct revenue impact, 14,568 in direct employment impact, and the labor income direct impact is estimated to be \$4,244 million (**Table 2**). The ten-year totals for 2017-2026 are \$19,534 million in direct revenue impact, 19,073 in direct employment impact, and \$10,487 million in direct labor income impact.

Revenue Impacts

The state health sector revenue multiplier was derived from IMPLAN. The multiplier is multiplied times the direct revenue impacts to derive the total annual revenue impacts (**Table 3**). The state health sector revenue multiplier of 1.81 is applied to the direct revenue impact of

Table 2
Estimated Direct Impacts from the Proposed Oklahoma SoonerCare Expansion Revenues
for CYs 2017-2026

	2017	2018	2019	2020	2021	5-Year Totals 2017-2021
	(dollars in millions)					
New Revenues	<u>\$1,034</u>	<u>\$1,506</u>	<u>\$1,714</u>	<u>\$1,814</u>	<u>\$1,925</u>	<u>\$7,993</u>
Annual Employment	8,711	12,353	13,686	14,101	14,568	
Increased Employment	<u>8,711</u>	<u>3,642</u>	<u>1,333</u>	<u>415</u>	<u>467</u>	<u>14,568</u>
Annual Labor Income	<u>\$559</u>	<u>\$808</u>	<u>\$912</u>	<u>\$957</u>	<u>\$1,008</u>	<u>\$4,244</u>
	2022	2023	2024	2025	2026	10-Year Totals 2017-2026
New Revenues	<u>\$2,043</u>	<u>\$2,167</u>	<u>\$2,300</u>	<u>\$2,442</u>	<u>\$2,589</u>	<u>\$19,534</u>
Annual Employment	15,051	15,964	16,944	17,990	19,073	
Increased Employment	<u>483</u>	<u>913</u>	<u>980</u>	<u>1,046</u>	<u>1,083</u>	<u>19,073</u>
Annual Labor Income	<u>\$1,061</u>	<u>\$1,147</u>	<u>\$1,241</u>	<u>\$1,343</u>	<u>\$1,451</u>	<u>\$10,487</u>

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016;" Estimated employment and labor income, IMPLAN Group, LLC.

Table 3
Estimated Total Revenue Impacts from the Proposed Oklahoma SoonerCare Expansion
for CYs 2017-2026

	2017	2018	2019	2020	2021	5-Year Totals 2017-2021
Direct Revenue Impact	\$1,034	\$1,506	\$1,714	\$1,814	\$1,925	\$7,993
Revenue Multiplier	1.81	1.81	1.81	1.81	1.81	1.81
Secondary Revenue Impact	<u>\$838</u>	<u>\$1,220</u>	<u>\$1,388</u>	<u>\$1,469</u>	<u>\$1,559</u>	<u>\$6,474</u>
Total Revenue Impact	<u>\$1,872</u>	<u>\$2,726</u>	<u>\$3,102</u>	<u>\$3,283</u>	<u>\$3,484</u>	<u>\$14,467</u>
	2022	2023	2024	2025	2026	10-Year Totals 2017-2026
Direct Revenue Impact	\$2,043	\$2,167	\$2,300	\$2,442	\$2,589	\$19,534
Revenue Multiplier	1.81	1.81	1.81	1.81	1.81	1.81
Secondary Revenue Impact	<u>\$1,655</u>	<u>\$1,755</u>	<u>\$1,863</u>	<u>\$1,978</u>	<u>\$2,097</u>	<u>\$15,822</u>
Total Revenue Impact	<u>\$3,698</u>	<u>\$3,922</u>	<u>\$4,163</u>	<u>\$4,420</u>	<u>\$4,686</u>	<u>\$35,356</u>

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016;" Multipliers from IMPLAN Group, LLC.

\$1,034 million for 2017 to result in an estimated secondary revenue impact of \$838 million and total revenue impact of \$1,872 million. The secondary and total revenue impacts are illustrated for all ten years. The five-year totals for 2017-2021 are \$7,993 million direct revenue impact, \$6,474 million secondary revenue impact, and \$14,467 million in total revenue impact. The ten-year totals for 2017-2026 are \$19,534 million direct revenue impact, \$15,822 million secondary impact, and \$35,356 million in total revenue impact.

Employment Impacts

The state health sector employment multiplier was derived from IMPLAN. The multiplier is multiplied times the direct employment impacts to derive the secondary and total annual employment impacts (**Table 4**). The state health sector employment multiplier of 1.67 is applied to the direct employment impact for 2017 of 8,711 to result in an estimated secondary employment impact of 5,836 and total employment impact of 14,547. The secondary and total employment impacts are illustrated for all years. Use caution when reporting new employment impact. The totals for each year cannot be aggregated. Each year stands alone. Employment impact at the end of fifth year includes direct employment impact of 14,568, secondary employment impact of 9,761, and total employment impact of 24,329. This illustrates the employment impacts of all the new employees for the five years. At the end of the tenth year, 2026, direct employment impact is estimated at 19,073, secondary employment impact at 12,779, and total employment impact at 31,852. This illustrates the employment impacts of all the new employees for the ten years.

Labor Income Impacts

Labor income is a part of revenues and, therefore, labor income impact should never be added to revenue impact. The state health sector labor income multiplier was derived from

Table 4
Estimated Total Employment Impacts from the Proposed Oklahoma SoonerCare Expansion Revenues
for CYs 2017-2026

	2017	2018	2019	2020	2021
Previous Employees	0	8,711	12,353	13,686	14,101
New Employees	<u>8,711</u>	<u>3,642</u>	<u>1,333</u>	<u>415</u>	<u>467</u>
Increased Direct Employment Impact	8,711	12,353	13,686	14,101	14,568
Employment Multiplier	1.67	1.67	1.67	1.67	1.67
Secondary Employment Impact	<u>5,836</u>	<u>8,277</u>	<u>9,170</u>	<u>9,448</u>	<u>9,761</u>
Total Employment Impact	<u>14,547</u>	<u>20,630</u>	<u>22,856</u>	<u>23,549</u>	<u>24,329</u>
	2022	2023	2024	2025	2026
Previous Employees	14,568	15,051	15,964	16,944	17,990
New Employees	<u>483</u>	<u>913</u>	<u>980</u>	<u>1,046</u>	<u>1,083</u>
Increased Direct Employment Impact	15,051	15,964	16,944	17,990	19,073
Employment Multiplier	1.67	1.67	1.67	1.67	1.67
Secondary Employment Impact	<u>10,084</u>	<u>10,696</u>	<u>11,353</u>	<u>12,053</u>	<u>12,779</u>
Total Employment Impact	<u>25,135</u>	<u>26,660</u>	<u>28,297</u>	<u>30,043</u>	<u>31,852</u>

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016;" Multipliers from IMPLAN Group, LLC.

IMPLAN. The multiplier is multiplied times the direct labor income impacts to derive the total annual labor income impacts (**Table 5**). The state health sector labor income multiplier of 1.47 is applied to the direct labor income impact for 2017 of \$559 million to result in an estimated secondary labor income impact of \$263 million and total labor income impact of \$822 million. The secondary and total labor income impacts are illustrated for all years. The five-year totals for 2017-2021 are \$4,244 million direct labor income impact, \$1,996 million secondary labor income impact, and \$6,240 million in total labor income impact. The ten-year totals for 2017-2026 are \$10,478 million direct labor income impact, \$4,930 million secondary labor income impact, and \$15,417.0 million total labor income impact.

State and Local Tax Impacts

The state and local tax impacts were derived from IMPLAN. State and local tax impacts are divided into four major categories with select sub-categories and are provided for each year (**Table 6**). The state and local tax impact for 2017 from social insurance taxes (employee and employer contributions) total \$2 million. The production and import taxes include sales tax of \$24 million, property tax of \$9 million, and other production and imports taxes (motor vehicle licenses, severance tax, other taxes, and state and local nontaxes) of \$6 million, for a total for production and import taxes of \$38 million. Household taxes include income tax of \$13 million, property taxes of \$0.2 million, and other personal taxes (nontaxes for fines and fees, motor vehicle licenses, and other taxes) of \$5 million. The total of household taxes is \$18 million. Corporate taxes (dividends and corporate profits tax) total \$2 million. The total state and local tax impacts for 2017 are \$59 million.

Table 5
Estimated Total Labor Income Impacts from the Proposed Oklahoma SoonerCare Expansion Revenues
for CYs 2017-2026

	2017	2018	2019	2020	2021	5-Year Totals 2017-2021
Direct Labor Income Impact	\$559	\$808	\$912	\$957	\$1,008	\$4,244
Labor Income Multiplier	1.47	1.47	1.47	1.47	1.47	
Secondary Labor Income Impact	<u>\$263</u>	<u>\$380</u>	<u>\$429</u>	<u>\$450</u>	<u>\$474</u>	<u>\$1,996</u>
Total Labor Income Impact	<u>\$822</u>	<u>\$1,188</u>	<u>\$1,341</u>	<u>\$1,407</u>	<u>\$1,482</u>	<u>\$6,240</u>
	2022	2023	2024	2025	2026	10-Year Totals 2017-2026
Direct Labor Income Impact	\$1,061	\$1,147	\$1,241	\$1,343	\$1,451	\$10,487
Labor Income Multiplier	1.47	1.47	1.47	1.47	1.47	
Secondary Labor Income Impact	<u>\$499</u>	<u>\$539</u>	<u>\$583</u>	<u>\$631</u>	<u>\$682</u>	<u>\$4,930</u>
Total Labor Income Impact	<u>\$1,560</u>	<u>\$1,686</u>	<u>\$1,824</u>	<u>\$1,974</u>	<u>\$2,133</u>	<u>\$15,417</u>

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016;" Multipliers from IMPLAN Group, LLC.

Table 6
Estimated Total State and Local Tax Impacts
from the Proposed Oklahoma SoonerCare Expansion for CYs 2017-2021

	2017	2018	2019	2020	2021	5-Year Totals '17-'21
Social Insurance Tax ¹	<u>\$1,506,294</u>	<u>\$2,135,789</u>	<u>\$2,366,393</u>	<u>\$2,438,118</u>	<u>\$2,518,768</u>	<u>\$10,965,362</u>
Tax on Production/Imports						
Sales Tax	\$23,888,352	\$33,871,539	\$37,528,706	\$38,666,198	\$39,945,223	\$173,900,018
Property Tax	\$8,756,754	\$12,416,291	\$13,756,899	\$14,173,869	\$14,642,722	\$63,746,535
Other ²	<u>\$5,623,191</u>	<u>\$7,973,180</u>	<u>\$8,834,058</u>	<u>\$9,101,818</u>	<u>\$9,402,893</u>	<u>\$40,935,140</u>
Subtotal	<u>\$38,268,297</u>	<u>\$54,261,010</u>	<u>\$60,119,663</u>	<u>\$61,941,885</u>	<u>\$63,990,838</u>	<u>\$278,581,693</u>
Households						
Income Tax	\$12,460,002	\$17,667,163	\$19,574,716	\$20,168,025	\$20,835,156	\$90,705,062
Property Taxes	\$161,075	\$228,390	\$253,050	\$260,720	\$269,344	\$1,172,579
Other ³	<u>\$4,925,862</u>	<u>\$6,984,429</u>	<u>\$7,738,549</u>	<u>\$7,973,105</u>	<u>\$8,236,843</u>	<u>\$35,858,788</u>
Subtotal	<u>\$17,546,939</u>	<u>\$24,879,982</u>	<u>\$27,566,315</u>	<u>\$28,401,850</u>	<u>\$29,341,343</u>	<u>\$127,736,429</u>
Tax on Corporations ⁴	<u>\$1,943,229</u>	<u>\$2,755,324</u>	<u>\$3,052,820</u>	<u>\$3,145,352</u>	<u>\$3,249,396</u>	<u>\$14,146,121</u>
ANNUAL TOTALS	<u>\$59,264,759</u>	<u>\$84,032,105</u>	<u>\$93,105,191</u>	<u>\$95,927,205</u>	<u>\$99,100,345</u>	<u>\$431,429,605</u>
	2022	2023	2024	2025	2026	10-Year Totals '22-'26
Social Insurance Tax ¹	<u>\$2,602,342</u>	<u>\$2,760,292</u>	<u>\$2,929,704</u>	<u>\$3,110,582</u>	<u>\$3,297,828</u>	<u>\$25,666,110</u>
Tax on Production/Imports						
Sales Tax	\$41,270,620	\$43,775,542	\$46,462,275	\$49,330,814	\$52,300,362	\$407,039,631
Property Tax	\$15,128,573	\$16,046,802	\$17,031,677	\$18,083,199	\$19,171,746	\$149,208,532
Other ²	<u>\$9,714,885</u>	<u>\$10,304,531</u>	<u>\$10,936,972</u>	<u>\$11,612,211</u>	<u>\$12,311,228</u>	<u>\$95,814,967</u>
Subtotal	<u>\$66,114,078</u>	<u>\$70,126,875</u>	<u>\$74,430,924</u>	<u>\$79,026,224</u>	<u>\$83,783,336</u>	<u>\$652,063,130</u>
Households						
Income Tax	\$21,526,474	\$22,833,024	\$24,234,405	\$25,730,616	\$27,279,510	\$212,309,091
Property Taxes	\$278,281	\$295,172	\$313,288	\$332,630	\$352,653	\$2,744,603
Other ³	<u>\$8,510,145</u>	<u>\$9,026,670</u>	<u>\$9,580,682</u>	<u>\$10,172,186</u>	<u>\$10,784,516</u>	<u>\$83,932,987</u>
Subtotal	<u>\$30,314,900</u>	<u>\$32,154,866</u>	<u>\$34,128,375</u>	<u>\$36,235,432</u>	<u>\$38,416,679</u>	<u>\$298,986,681</u>
Tax on Corporations ⁴	<u>\$3,357,211</u>	<u>\$3,560,977</u>	<u>\$3,779,533</u>	<u>\$4,012,879</u>	<u>\$4,254,440</u>	<u>\$33,111,161</u>
ANNUAL TOTALS	<u>\$102,388,531</u>	<u>\$108,603,010</u>	<u>\$115,268,536</u>	<u>\$122,385,117</u>	<u>\$129,752,283</u>	<u>\$1,009,827,082</u>

¹ Social insurance taxes include employee and employer contributions from employee compensation.

² Other tax on production and imports include motor vehicle licenses, severance tax, other, and state and local nontaxes.

³ Other tax on households include nontaxes (fines-fees), motor vehicle licenses, and other tax (fish/hunt).

⁴ Tax on corporations include dividends and corporate profits tax.

SOURCE: State and local tax impacts from IMPLAN Group, LLC.

The state and local tax impact for the five years, 2017-2021, from social insurance taxes (employee and employer contributions) total \$11 million. The production and import taxes include sales tax of \$174 million, property tax of \$64 million, and other production and imports taxes (motor vehicle licenses, severance tax, other taxes, and state and local nontaxes) of \$41 million, for a total for production and import taxes of \$279 million for the five year period. Household taxes include income tax of \$91 million, property taxes of \$1 million, and other personal taxes (nontaxes for fines and fees, motor vehicle licenses, and other taxes) of \$36 million. The total of household taxes is \$128 million. Corporate taxes (dividends and corporate profits tax) total \$14 million. The total state and local tax impacts for the five years are \$431 million.

The state and local tax impact for the ten years, 2017-2026, from social insurance taxes (employee and employer contributions) total \$26 million. The production and import taxes include sales tax of \$407 million, property tax of \$149 million, and other production and imports taxes (motor vehicle licenses, severance tax, other taxes, and state and local nontaxes) of \$96 million, for a total for production and import taxes of \$652 million for the ten year period. Household taxes include income tax of \$212 million, property taxes of \$3 million, and other personal taxes (nontaxes for fines and fees, motor vehicle licenses, and other taxes) of \$84 million. The total of household taxes is \$299 million. Corporate taxes (dividends and corporate profits tax) total \$33 million. The total state and local tax impacts for the ten years are \$1,010 million.

Federal Tax Impacts

The federal tax impacts were derived from IMPLAN. Federal tax impacts are divided into five major categories and are provided for each year (**Table 7**). The federal tax impact for 2017-

Table 7
Estimated Total Federal Tax Impacts from the Proposed Oklahoma SoonerCare Expansion Revenues
for CYs 2017-2021

	2017	2018	2019	2020	2021	5-Year Totals 2017-2021
Social Insurance Tax ¹	\$91,067,934	\$129,126,157	\$143,068,122	\$147,404,498	\$152,280,439	\$662,947,150
Tax on Production/Imports ²	\$5,304,102	\$7,520,741	\$8,332,768	\$8,585,334	\$8,869,325	\$38,612,270
Corporate Profits Tax	\$14,905,258	\$21,134,318	\$23,416,225	\$24,125,968	\$24,924,023	\$108,505,792
Household Income Tax ³	<u>\$52,153,948</u>	<u>\$73,949,612</u>	<u>\$81,934,079</u>	<u>\$84,417,491</u>	<u>\$87,209,908</u>	<u>\$379,665,038</u>
Annual Totals	<u>\$163,431,242</u>	<u>\$231,730,828</u>	<u>\$256,751,194</u>	<u>\$264,533,291</u>	<u>\$273,283,695</u>	<u>\$1,189,730,250</u>
	2022	2023	2024	2025	2026	10-Year Totals 2017-2026
Social Insurance Tax ¹	\$157,333,167	\$166,882,517	\$177,124,955	\$188,060,495	\$199,381,095	\$1,551,729,379
Tax on Production/Imports ²	\$9,163,613	\$9,719,798	\$10,316,352	\$10,953,276	\$11,612,625	\$90,377,934
Corporate Profits Tax	\$25,751,012	\$27,313,971	\$28,990,370	\$30,780,212	\$32,633,074	\$253,974,431
Household Income Tax ³	<u>\$90,103,568</u>	<u>\$95,572,410</u>	<u>\$101,438,183</u>	<u>\$107,700,885</u>	<u>\$114,184,111</u>	<u>\$888,664,195</u>
Annual Totals	<u>\$282,351,360</u>	<u>\$299,488,696</u>	<u>\$317,869,860</u>	<u>\$337,494,868</u>	<u>\$357,810,905</u>	<u>\$2,784,745,939</u>

¹ Social insurance taxes include employee and employer contributions from employee compensation and proprietor income contributions.

² Tax on production and imports include excise taxes, custom duty, and federal nontaxes.

³ Household income tax includes personal income taxes.

SOURCE: Federal tax impacts from IMPLAN Group, LLC.

2021 from social insurance taxes (employee, employer, and proprietor income contributions) totals \$663 million, from tax on production and imports (excise tax, custom duty, and federal nontaxes) totals \$39 million, from corporate profits tax totals \$109 million, and from households income tax (federal income tax paid by employees) totals \$380 million. The total federal tax impacts for 2017-2021 are \$1,189 million.

The federal tax impact for 2017-2026 from social insurance taxes (employee, employer, and proprietor income contributions) total \$1,552 million, from tax on production and imports (excise tax, custom duty, and federal nontaxes) total \$90 million, from corporate profits tax totals \$254 million, and from households income tax (federal income tax paid by employees) totals \$889 million. The total federal tax impacts for 2017-2026 are \$2,784 million.

Summary

The proposed Oklahoma SoonerCare Expansion has billions of dollars of impacts from revenue, employment, labor income, and federal and state and local taxes on the economy of the state of Oklahoma. The specific impacts are illustrated in **Table 8**, with additional summary comments on the five-year and ten-year periods given below the table.

The proposed Oklahoma SoonerCare expansion will improve the quality of health care of Oklahoma residents. The impacts are clearly demonstrated in **Table 8** and the detailed comments. There are other considerations beyond the jobs, labor income, and revenues generated from the expansion of Oklahoma SoonerCare.

Health care is a known requirement for economic development. For businesses and industries to consider locating or expanding in Oklahoma, quality health care must be available. As businesses expand or locate in Oklahoma, additional jobs, labor income, and revenues will be generated. These expanded or new businesses are not included in the

impacts shown in this study. These economic development opportunities are an important consideration to the economic future of Oklahoma.

Another important group to consider for economic development are retirees. Retirees consider safety and health care as requirements. For Oklahoma to retain retirees in the state or to attract retirees to re-locate to the state, quality health care must be available. With the baby boomers at retirement or approaching retirement, this group is fast becoming a large portion of the population and, therefore, must be given consideration.

Table 8
Summary Impacts of Proposed Oklahoma SoonerCare Expansion,
for Five Years 2017-2021 and for Ten Years 2017-2026

Five-Year Totals, 2017-2021		
Direct Impacts	Secondary Impacts	Total Impact
State Direct Investment		
\$195 million		
\$7,793 million	REVENUES \$6,474 million	\$14,467 million
14,568 jobs	EMPLOYMENT 9,761 jobs	24,329 jobs
\$4,244 million	LABOR INCOME \$1,996 million	\$6,240 million
		STATE & LOCAL TAXES \$431 million
		FEDERAL TAXES \$1,189 million
TEN-YEAR TOTALS, 2017-2026		
Direct Impacts	Secondary Impacts	Total Impacts
State Direct Investment		
\$713 million		
\$19,534 million	REVENUES \$15,822 million	\$35,356 million
19,073 jobs	EMPLOYMENT 12,779 jobs	31,852 jobs
\$10,487 million	LABOR INCOME \$4,930 million	\$15,417 million
		STATE & LOCAL TAXES \$1,009 million
		FEDERAL TAXES \$2,785 million

SOURCE: Manatt Health, "Estimated State Budget Impact of an Oklahoma SoonerCare Expansion, April 2016;" IMPLAN Group, LLC.

Summary of Impacts of Proposed Oklahoma SoonerCare Expansion for the Five-Year Period, 2017-2021

The impacts for the five years, 2017-2021, are illustrated in the top half of **Table 8**. A

summary of the impacts include:

- \$195 million total new revenues directly invested by the State of Oklahoma
- \$14,467 million total revenue impact
 - This includes \$7,793 million total direct revenue impacts invested in the SoonerCare expansion program (from both the federal and the state investment) and \$6,474 million secondary revenue impact generated in other businesses and industries in the state as a result of the revenues spent on SoonerCare expansion.
- 24,329 total jobs (total employment impact) generated in the state
 - This includes 14,586 new jobs working directly in the expanded health care organizations and includes 9,761 secondary jobs generated in other businesses and industries in the state as a result of the spending from the expansion of health care organizations and from the spending the of the health care employees.
- \$6,240 million total labor income impact (wages, salaries, and benefits and proprietor income) generated in the state
 - This includes \$4,244 million direct labor income impact from the 14,586 new health care jobs and \$1,996 million secondary labor income impact generated from the 9,761 jobs in other businesses and industries in the state as a result of the spending of the expanded health care organizations and from the spending of the health care employees.
- \$431 million state and local tax impacts
 - These are state and local taxes resulting from the expanded health care organizations, the expanded health care employment and their labor income, the secondary businesses and industries and the secondary employment and their labor income.
- \$1,189 million federal tax impacts
 - These are federal taxes resulting from the expanded health care organizations, the expanded health care employment and their labor income, the secondary businesses and industries and the secondary employment and their labor income.
- State of Oklahoma has \$431 million in state and local tax impacts for their \$195 million total investment in the Oklahoma SoonerCare expansion.

Summary of Impacts of Proposed Oklahoma SoonerCare Expansion for the Ten-Year Period, 2017-2026

The impacts for the ten years, 2017-2026, are illustrated in the bottom half of **Table 8**. A

summary of the impacts include:

- \$713 million total new revenues directly invested by the State of Oklahoma
- \$35,356 million total revenue impact
 - This includes \$19,534 million total direct revenue impacts invested in the SoonerCare expansion program (from both the federal and the state investment) and \$15,822 million secondary revenue impact generated in other businesses and industries in the state as a result of the revenues spent on SoonerCare expansion.
- 31,852 total jobs (total employment impact) generated in the state
 - This includes 19,073 new jobs working directly in the expanded health care organizations and includes 12,779 secondary jobs generated in other businesses and industries in the state as a result of the spending from the expansion of health care organizations and from the spending the of the health care employees.
- \$15,417 million total labor income impact (wages, salaries, and benefits and proprietor income) generated in the state
 - This includes \$10,487 million direct labor income impact from the 19,073 new health care jobs and \$4,930 million secondary labor income impact generated from the 12,779 jobs in other businesses and industries in the state as a result of the spending of the expanded health care organizations and from the spending of the health care employees.
- \$1,009 million state and local tax impacts
 - These are state and local taxes resulting from the expanded health care organizations, the expanded health care employment and their labor income, the secondary businesses and industries and the secondary employment and their labor income.
- \$2,785 million federal tax impacts
 - These are federal taxes resulting from the expanded health care organizations, the expanded health care employment and their labor income, the secondary businesses and industries and the secondary employment and their labor income.
- State of Oklahoma has \$1,009 million in state and local tax impacts for their \$713 million total investment in the Oklahoma SoonerCare expansion.

Appendix A

**IMPLAN Software and Data
from IMPLAN Group, LLC:**

**Model and Data Used
to Derive Multipliers**

APPENDIX A
IMPLAN Software and Data from IMPLAN Group, LLC:
Model and Data Used to Derive Multipliers

A Review of Input-Output Analysis

Input-output (I/O) (Miernyk, 1965) was designed to analyze the transactions among the industries in an economy. These models are largely based on the work of Wassily Leontief (1936). Detailed I/O analysis captures the indirect and induced interrelated circular behavior of the economy. For example, an increase in the demand for health services requires more equipment, more labor, and more supplies, which, in turn, requires more labor to produce the supplies, etc. By simultaneously accounting for structural interaction between sectors and industries, I/O analysis gives expression to the general economic equilibrium system. The analysis utilizes assumptions based on linear and fixed coefficients and limited substitutions among inputs and outputs. The analysis also assumes that average and marginal I/O coefficients are equal.

Nonetheless, the framework has been widely accepted and used. I/O analysis is useful when carefully executed and interpreted in defining the structure of an area, the interdependencies among industries, and forecasting economic outcomes.

The I/O model coefficients describe the structural interdependence of an economy. From the coefficients, various predictive devices can be computed, which can be useful in analyzing economic changes in a state, an area or a county. Multipliers indicate the relationship between some observed change in the economy and the total change in economic activity created throughout the economy.

The basis of IMPLAN was developed by the U. S. Forest Service to construct input/output accounts and models. The complexity of this type of modeling had hindered practitioners from constructing models specific to a community requesting an analysis. The University of Minnesota utilized the U.S. Forest Service model to further develop the methodology and expand the data sources to form the model known as IMPLAN. The founders of IMPLAN, Scott Lindall and Doug Olson, joined the University of Minnesota in 1984 and, as an outgrowth of their work with the University of Minnesota, entered into a technology transfer agreement with the University of Minnesota that allowed them to form Minnesota IMPLAN Group, Inc. (MIG).

In 2013 Minnesota IMPLAN Group, Inc. was purchased by IMPLAN Group, LLC and relocated to:

IMPLAN Group, LLC
16740 Birkdale Commons Parkway Suite 206
Huntersville, NC 28078

Support hours are 8 am – 7 pm Eastern time and can be reached by email at info@implan.com or by phone at 651-439-4421 or 704-727-4141

IMPLAN Software and Data

At first, IMPLAN focused on database development and provided data that could be used in the Forest Service version of the software. In 1995, IMPLAN took on the task of writing a new version of the IMPLAN software from scratch that extended the previous Forest Service version by creating an entirely new modeling system – an extension of input-output accounts and resulting Social Accounting Matrices (SAM) multipliers. Version 2 of the new IMPLAN software became available in May of 1999. The latest development of the software is now available, IMPLAN Version 3 Software System, the new economic impact assessment software system.

With IMPLAN Version 3 software, the packaging of products has changed. Version 3 utilizes 2007 or later data. When data are ordered, the data cost plus shipping are the only costs. Version 3.0 software and the new IMPLAN appliance are included in the cost of the data. There are no additional fees to upgrade to IMPLAN Version 3.0. Data files are licensed to an individual user. Version 2 is no longer compatible with 2008 and later data sets.

Version 3 allows the user to do much more detailed analyses. Users can continue to create detailed economic impact estimates. Version 3.0 takes the analysis further, providing a new method for estimating regional imports and exports is being implemented - a trade model. IMPLAN can construct a model for any state, region, area, county, or zip code area in the United States by using available national, state, county, and zip code level data. Impact analysis can be performed once a regional input/output model is constructed.

IMPLAN Multipliers

Five different sets of multipliers are estimated by IMPLAN, corresponding to five measures of regional economic activity. These are: total industry output, personal income, total income, value added, and employment. Two types of multipliers are generated. Type I multipliers measure the impact in terms of direct and indirect effects. Direct impacts are the changes in the activities of the focus industry or firm, such as the closing of a hospital. The focus business changes its purchases of inputs as a result of the direct impacts. This produces indirect impacts in other business sectors. However, the total impact of a change in the economy consists of direct, indirect, and induced changes. Both the direct and indirect impacts change the flow of dollars to the households. Subsequently, the households alter their consumption accordingly. The effect of the changes in household consumption on businesses in a community is referred to as an induced effect. To measure the total impact, a Type II (or Type SAM) multiplier is used. The Type II multiplier compares direct, indirect, and induced effects with the direct effects generated by a change in final demand (the sum of direct, indirect, and induced divided by direct).

IMPLAN References

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The Model for Measuring Economic Impact

The direct impacts of the proposed Medicaid Expansion Project, measured by revenue (output), employment, and labor income, are only a portion of the total impact.

There are additional economic impacts created as the proposed Medicaid project and its employees spend money. These are known as secondary impacts and are measured by multipliers using an input-output model and data from IMPLAN (the model and data are further discussed in **Appendix A**). This model is widely used by economists and other academics across the U.S.

A brief description of the input-output model and the multiplier effect is included and illustrated in **Figure 2**. **Figure 2** illustrates the major flows of goods, services, and dollars of any economy. The businesses which sell some or all of their goods and services to buyers outside of the state are the foundation of a state's economy. Such a business is a basic industry. The flow of products out of, and dollars into, a state are represented by the two arrows in the upper right portion of **Figure 2**. To produce these goods and services for "export" outside of the state, the basic industry purchases inputs from outside of the state (upper left portion of **Figure 2**), labor from the residents or "households" of the state (left side of **Figure 2**), and inputs from service industries located within the state (right side of **Figure 2**). The flow of labor, goods, and services in the state is completed by households using their earnings to purchase goods and services from the state's service industries (bottom of **Figure 2**). It is evident from the interrelationships shown in **Figure 2** that a change in any one segment of a state's economy will have reverberations throughout the entire economic system of the state.

Consider, for instance, the closing of a hospital. The services sector will no longer pay employees and the dollars going to households will stop. Likewise, the hospital will not purchase goods from other businesses, and the dollar flow to other businesses will stop. This decreases income in the "households" segment of the economy. Since earnings would decrease, households decrease their purchases of goods and services from businesses within the "services" segment of the economy. This, in turn, decreases these businesses' purchases of labor and inputs. Thus, the change in the economic base works its way throughout the entire economy.

The total impact of a change in the economy consists of direct, indirect, and induced impacts. Direct impacts are the changes in the activities of the impacting industry, such as the closing of a hospital. The impacting business, such as the hospital, changes its purchases of inputs as a result of the direct impact. This also produces an indirect impact in the business sectors. Both the direct and indirect impacts change the flow of dollars to the state's households. The households alter their consumption accordingly. The effect of this change in household consumption upon businesses in a state is referred to as an induced impact. The indirect and induced impacts will be combined and referred to as secondary impacts.

A measure is needed that yields the effects created by an increase or decrease in economic activity. In economics, this measure is called the multiplier effect. Multipliers are used in this report. An employment multiplier is defined as:

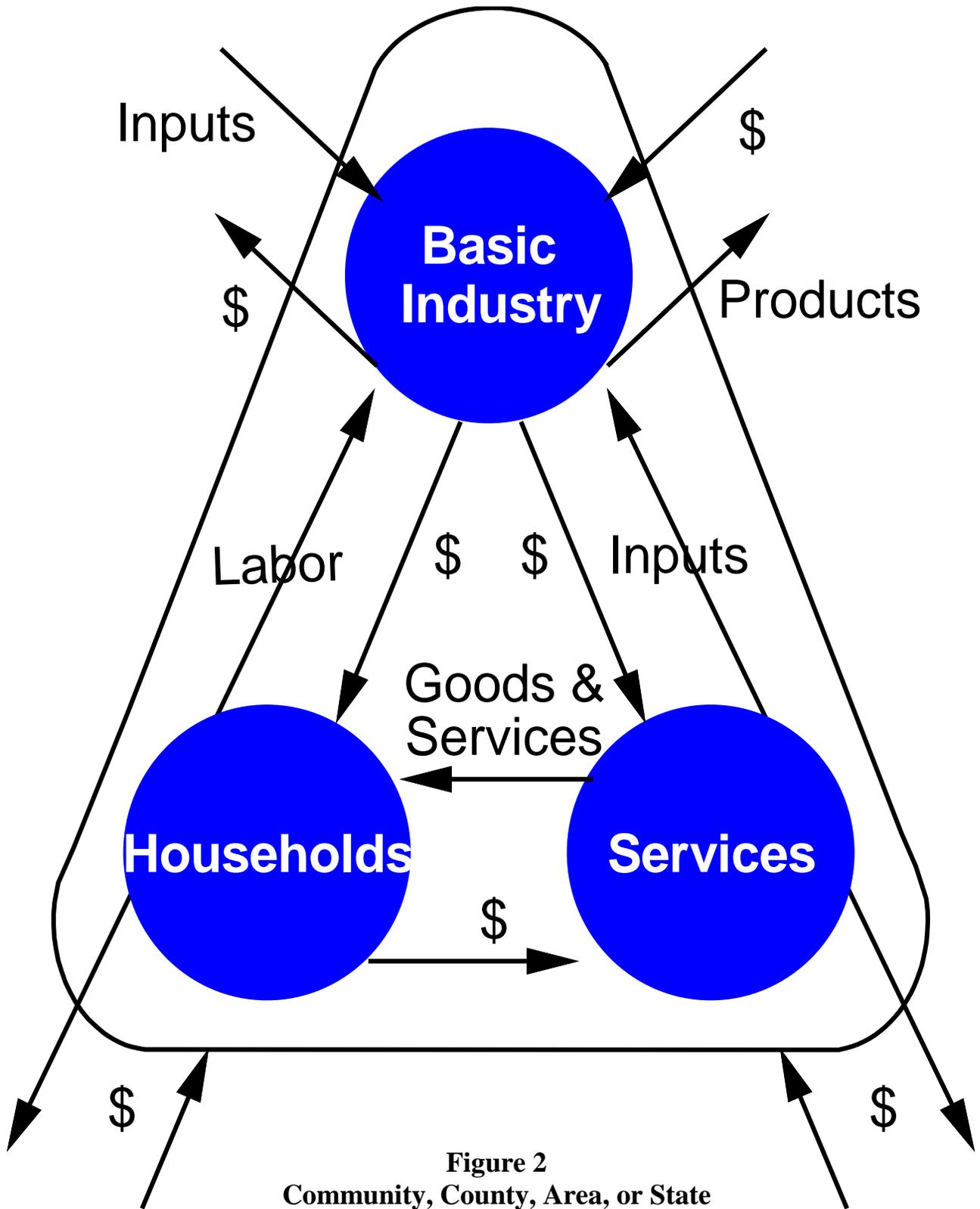


Figure 2
Community, County, Area, or State
Economic System

“...the ratio between direct employment, or that employment used by the industry initially experiencing a change in final demand and the direct, indirect, and induced employment.”

An employment multiplier of 3.0 indicates that if one job is created by a new industry, 2.0 jobs are created in other sectors due to business (indirect) and household (induced) spending. The same concept applies to total revenue, employment, and labor income (wages, salaries, and benefits and/or proprietor income).