

# **EXPANDING HEALTH COVERAGE WITH FEDERAL FUNDS**

## **WILL CREATE ECONOMY-BOOSTING JOBS IN VIRGINIA**

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## INTRODUCTION

Under the provisions of the Affordable Care Act, states have the option to extend health coverage to more residents by expanding Medicaid eligibility to cover people with incomes up to 138 percent of the federal poverty level, with the costs of this expansion covered mostly by federal funding (100 percent covered by federal funding in 2014-2016, then phasing down gradually to 90 percent federal funding in 2020 and future years).<sup>1</sup> Whether to accept these federal funds to expand health coverage or not is one of the key decisions facing the Virginia Legislature in 2014.

If Virginia accepts the federal funds to expand coverage, an estimated 400,000 Virginia residents could gain access to health insurance.<sup>2</sup> In addition to expanding health coverage and reducing Virginia's uninsured rate, adoption of this coverage expansion will also create jobs and boost economic activity at the state level.

What kinds of jobs will be created in Virginia as a result of this health coverage expansion? Will the new jobs be good-paying jobs that can support families and a growing economy? This report investigates these questions.

### **COVERAGE EXPANSION WILL CREATE JOBS – ACROSS VIRGINIA'S ECONOMY BUT MOSTLY IN HEALTH CARE**

Adoption of the health coverage expansion will trigger an influx of federal dollars into Virginia, with a significant resulting impact

on job creation and economic activity. While the new jobs created as a result of Medicaid expansion will include jobs in industries all across the state's economy (because of indirect and induced economic impacts of new Medicaid spending), a majority of the new jobs will be concentrated in the health care industry.

According to a December 2012 report from Chmura Economics & Analytics, new spending on health care services in Virginia resulting from Medicaid expansion would create an annual average of 26,395 jobs over 2014-2019. Of these, an annual average of 15,762 would be jobs created directly in the health care industry. Factoring in the effects of business cost reductions and increases in household discretionary income, the total annual average job creation would reach 30,821 over the 2014-2019 period.<sup>3</sup>

### **POLICYMAKING SHOULD DISTINGUISH BETWEEN ECONOMY-BOOSTING JOBS AND ECONOMY-DRAINING JOBS**

While policymakers often rely on job creation forecasts to assess different policy options, these forecasts often fail to provide an analysis of the quality and pay levels of the forecasted new jobs. This analysis is important because the quality and pay levels of new jobs have widespread ramifications at both micro- and macro-economic levels.

For example, a policy that produces 100 new jobs with average wages of \$25 an hour and a policy that produces 100 new

jobs with average wages of \$10 an hour will have markedly different overall impacts, not only on households but also on local economies (through different consumer

spending impacts) and on the state budget (through different tax revenue and public assistance spending impacts). This is the distinction between high-wage economy-boosting jobs and low-wage economy-draining jobs.

Given these ramifications, as Virginia policymakers consider the decision to accept or reject the federal funding to expand health coverage, it is important to ask not only how many net new jobs will be created, but also whether those jobs will be good-paying jobs that can support families and strengthen the economy.

#### ECONOMY-BOOSTING JOBS VS ECONOMY-DRAINING JOBS

**Economy-boosting jobs** are jobs that allow workers to earn enough to cover the basics, putting money in people's pockets to spend in local businesses, expanding local purchasing power, and boosting the economy.

**Economy-draining jobs** are jobs that don't allow workers to earn enough to make ends meet, draining local purchasing power, increasing public assistance costs, and making the economy stall.

#### WHAT IS A LIVING WAGE IN VIRGINIA, AND HOW MANY JOB OPENINGS PAY LIVING WAGES?

A living wage is a wage that allows an individual or family to cover the basic costs of living, including food, housing, transportation, child care, and health care. The report *"America's Changing Economy: Searching for Work that Pays in the New Low-Wage Job Market,"* the December 2013 installment of the Alliance for a Just Society's annual Job Gap Study, calculated living wage levels for different household configurations in Virginia. The table below summarizes the 2013 Job Gap Study's findings for living wage levels in Virginia for three household types: a single adult, one adult with one child, and two adults (both working) with two children.

<b>VIRGINIA LIVING WAGE LEVELS (2013 JOB GAP STUDY)</b>	<b>Single adult</b>	<b>Single adult with one child</b>	<b>Two adults (both working) with two children</b>
Gross monthly income needed	\$3,222	\$4,489	\$7,622 (combined)
Gross annual income needed	\$38,665	\$53,874	\$91,470 (combined)
<b>LIVING WAGE (HOURLY)</b>	<b>\$18.59</b>	<b>\$25.90</b>	<b>\$21.99 (for each worker)</b>

Source: 2013 Job Gap Study,  
[http://jobgap2013.files.wordpress.com/2013/12/va\\_2013-job-gap\\_final.pdf](http://jobgap2013.files.wordpress.com/2013/12/va_2013-job-gap_final.pdf)

In addition to calculating living wage levels, the Job Gap Study examined projections for job openings by occupational category and median wage level to determine what share of projected job openings in Virginia pay a living wage for each household structure, and how many job seekers there are for each job opening that pays a living wage – the “job gap.”<sup>4</sup> Some of the key findings were:

- For a single adult, with a living wage level of \$18.59 an hour, 46 percent of job openings in Virginia had median wages at or above the living wage level. There were seven job seekers for each job opening at or above this living wage level.
- For a single adult with one child, with a living wage level of \$25.90 an hour, 33 percent of job openings in Virginia had median wages at or above the living wage level. There were nine job seekers for each job opening at or above this living wage level.
- For a household with two working adults and two children, with a living wage level of \$21.99 an hour per adult, 39 percent of job openings in Virginia had median wages at or above the living wage level. There were eight job seekers for each job opening at or above this living wage level.

## **HEALTH CARE JOBS ARE GOOD-PAYING JOBS IN VIRGINIA**

How will the jobs created by Medicaid expansion, focused predominantly in the health care field, compare to Virginia’s living wage thresholds, and to the economy-wide projections of job openings and wage levels in Virginia?

A review of Occupational Employment Statistics (OES) data from the Virginia Labor Market Information website shows that jobs in Virginia’s health care industry tend to be good-paying jobs – both in relation to the living wage levels and in relation to median wage levels across Virginia’s economy.

Health care jobs are grouped into two sets of codes in the Occupational Employment Statistics data sets: one set of occupational codes for “Healthcare Practitioners and Technical Occupations,” and another set of occupational codes for “Healthcare Support Occupations.” The first set includes occupations such as physicians, dentists, optometrists, nurses, physical therapists, pharmacy technicians, dental hygienists, paramedics, and diagnostic medical sonographers. The second set includes occupations such as home health aides, medical assistants, dental assistants, psychiatric aides, and medical transcriptionists.

Looking at job openings forecast for the Healthcare Practitioners and Technical Occupations group, where two-thirds of total projected openings for Virginia’s health care industry are found, 86 percent

pay median wages above a living wage for a single individual. Seventy percent pay above a living wage for a household with one adult and one child. And 72 percent pay above a living wage for a household with two working adults and two children.

Combining the data for Healthcare Practitioners and Technical Occupations with the data for Healthcare Support Occupations to produce an overall picture of the state's health care industry, 59 percent of projected job openings pay median wages above a living wage for a single individual. Forty-seven percent pay above a living wage for a household with one adult and one child. And 50 percent pay above a living wage for a household with two working adults and two children.

Comparing the health industry numbers to the figures for the state economy overall underscores that health care jobs are comparatively better-paying jobs in Virginia. For example:

- For a single adult household, while less than half of all projected job openings pay median wages above a living wage, three out of five health care job openings and close to nine out of ten health practitioner and technical job openings do.
- For a household with two working adults and two children, while less than two out of five projected job openings economy-wide pay median wages above a living wage, half of health care job openings and more than seven out of ten health practitioner and technical job openings do.

HOUSEHOLD STRUCTURE	LIVING WAGE (HOURLY)	SHARE OF PROJECTED JOB OPENINGS IN VIRGINIA WITH MEDIAN WAGES ABOVE LIVING WAGE LEVELS		
		Healthcare Practitioners & Technical Jobs	All Health Care Jobs	Economy-Wide in Virginia
Single adult	\$18.59	86%	59%	46%
Single adult with one child	\$25.90	70%	47%	33%
Two adults (both working) with two children	\$21.99 (per worker)	72%	50%	39%

*Sources: 2013 Job Gap Study, analysis of Occupational Employment Statistics (OES) data from Virginia Labor Market Information website*

## **CONCLUSION: HEALTH COVERAGE EXPANSION WILL CREATE ECONOMY-BOOSTING JOBS IN VIRGINIA**

While much of the debate over Medicaid expansion in Virginia has focused on the health insurance coverage implications and direct budgetary impacts for the state, it is also important to consider the job creation and broader economic impact ramifications of the expansion decision. Informed policymaking should include consideration of the quality and pay levels of the jobs that would be created through this coverage expansion, and whether these jobs will be economy-boosting jobs or economy-draining jobs.

With a high proportion of new jobs created through the expansion in the health care sector and wage and job projection data showing that jobs in Virginia's health care industry tend to be higher-paying, living wage jobs, this analysis finds that Medicaid expansion will support economy-boosting jobs in Virginia.

Virginia faces both a gap in affordable health coverage and a gap in living wage jobs. Accepting the federal funds to expand health coverage is a policy prescription that has the potential to help address both of these challenges. The recommendations below are designed to help maximize the potential benefits of expanding health coverage in Virginia.

## **RECOMMENDATIONS**

- **Adopt a Medicaid expansion plan in 2014, with target implementation date as soon as possible.** Delaying the decision to accept the federal funds for coverage expansion not only leaves hundreds of thousands of uninsured Virginia residents who could receive health coverage through the expansion in limbo; it also puts on hold the living wage job creation and economy-boosting potential of Medicaid expansion at a time when more living wage jobs are sorely needed.
- **Avoid conditions that would require approval of a federal waiver prior to implementation of the expansion.** Going through the federal waiver process to seek approval for experimental program redesign provisions could significantly slow down the timeline for implementing Medicaid expansion. Virginia has already fallen behind other states that implemented the expansion on January 1, 2014. The most efficient way to catch up will be to adopt a clean expansion plan that does not require a federal waiver.
- **Invest in health workforce development strategies that expand opportunities for people of color and low-income communities.** The new job creation resulting from Medicaid expansion is an opportunity to strengthen racial and

ethnic diversity in the state's health workforce and expand opportunities for people of color. A recent report from the Joint Center for Political and Economic Studies recommends strategies that include: establish "health care career academies" at high schools that serve students of color and lower-income students, strengthen funding for community colleges' health care occupation programs, and support on-the-job training initiatives and "career ladder" strategies that help people of color advance in the health fields.<sup>5</sup>

- **Strengthen cultural competency in the state's health workforce.** As

new populations gain health coverage through the expansion, the state's success in translating expanded coverage into better health outcomes (and lower future costs) will depend in part on the health workforce's ability to meet the needs of patients with different racial, ethnic, and cultural backgrounds. Expanding diversity of the health workforce will help in this endeavor. In addition, strategies should be pursued to ensure access to interpretation and translation services for non-English speakers, and health care providers should be encouraged to sponsor or participate in cultural competency training programs.

## ENDNOTES

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<sup>1</sup> January Angeles, “How Health Reform’s Medicaid Expansion will Impact State Budgets,” Center on Budget and Policy Priorities, July 2012, accessed at: <http://www.cbpp.org/cms/?fa=view&id=3801>

<sup>2</sup> Chmura Economics & Analytics, “The Economic Impact of the Medicaid Expansion on Virginia’s Economy,” December 2012, accessed at: <http://www.vrha.org/weekly/articles/1-21-13medicaid.pdf>

<sup>3</sup> *Ibid*, “The Economic Impact of the Medicaid Expansion on Virginia’s Economy.”

<sup>4</sup> Ben Henry and Allyson Fredericksen, “America’s Changing Economy: Searching for Work that Pays in the New Low-Wage Job Market,” Alliance for a Just Society 2013 Job Gap Study, December 2013, accessed at: [http://jobgap2013.files.wordpress.com/2013/12/va\\_2013-job-gap\\_final.pdf](http://jobgap2013.files.wordpress.com/2013/12/va_2013-job-gap_final.pdf)

<sup>5</sup> Bianca Frogner and Joanne Spetz, “AFFORDABLE CARE ACT OF 2010: Creating Job Opportunities for Racially and Ethnically Diverse Populations,” Joint Center for Political and Economic Studies, October 2013, accessed at: <http://www.jointcenter.org/sites/default/files/upload/research/files/Affordable%20Care%20Act%20of%202010.pdf>