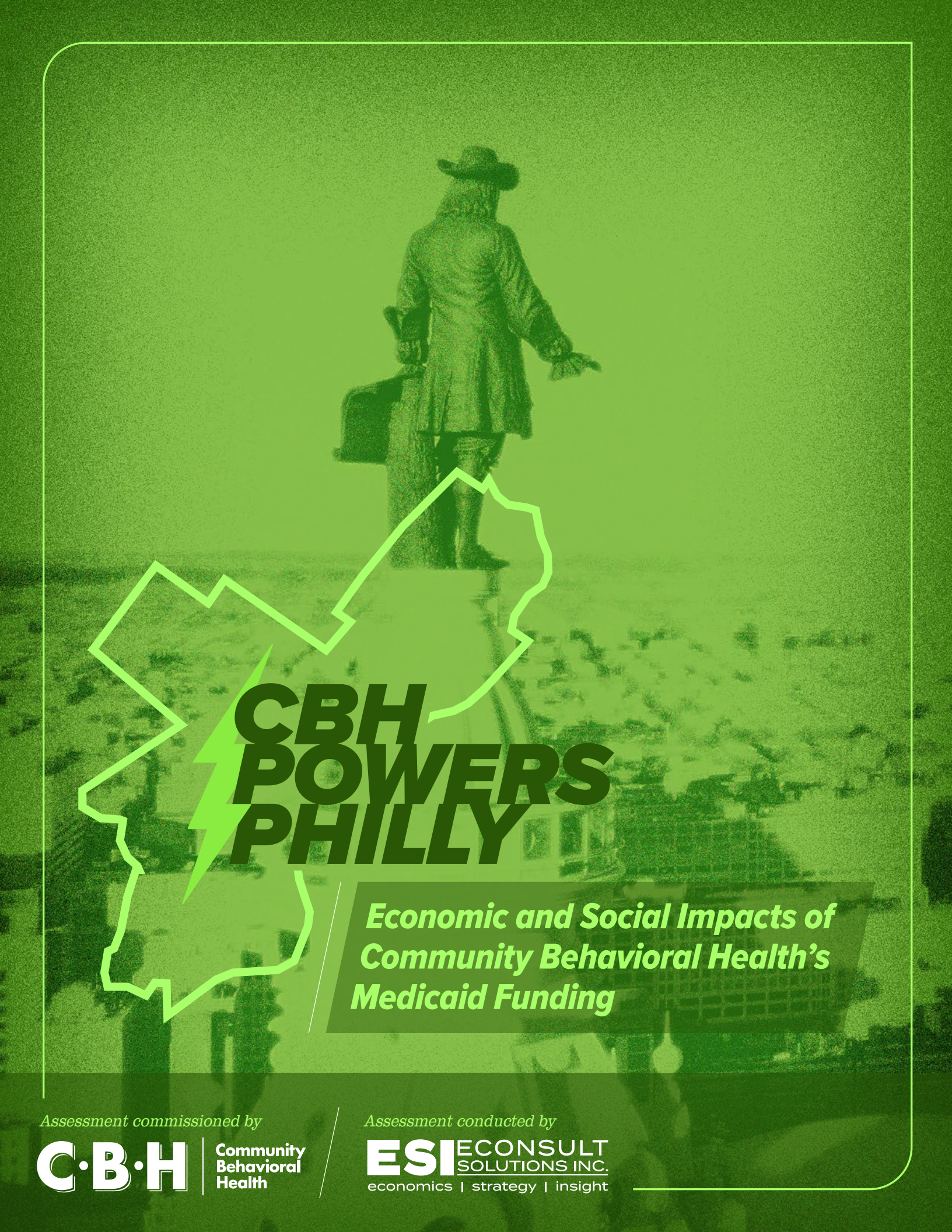

CBH POWERS PHILLY

Economic and Social Impacts of Community Behavioral Health's Medicaid Funding

Assessment commissioned by

C·B·H Community Behavioral Health

Assessment conducted by

ESI ECONSULT SOLUTIONS INC.
economics | strategy | insight

TABLE OF CONTENTS

ABOUT THIS REPORT

Community Behavioral Health, founded in 1997 by the City of Philadelphia, has been a cornerstone of Philadelphia's behavioral health delivery system for over 25 years. As a leading non-profit behavioral health managed care organization, CBH ensures access to health care for Philadelphia's Medicaid population and drives significant economic activity.

This report aims to underscore CBH's broader impact. By evaluating CBH's contributions to the Philadelphia and Commonwealth of Pennsylvania economies and assessing the impacts of sweeping federal Medicaid policy changes on CBH, this report illustrates the significant role CBH plays in fueling the health care ecosystem.

Through its network of behavioral health care providers, cross-systems collaboration, and targeted initiatives to meet its members' treatment needs, CBH advances health care through this innovative approach.

C·B·H
Community Behavioral Health
A DIVISION OF DBHIDS | CBHPHILLY.ORG

ABOUT ECONSULT SOLUTIONS, INC.

This report was produced by Econsult Solutions, Inc. (ESI), which provides businesses and public policy makers with consulting and thought leadership services in urban economics, real estate, transportation, public infrastructure, economic development, public policy and finance, strategic planning, as well as expert witness services for litigation support.

ESI combines robust quantitative analysis with trusted expert insights to create sustainable solutions. The firm works collaboratively with its clients, and draws in expertise, when necessary, from our network of experts and partners across industries, regions, and management practices. Based in Philadelphia, the firm supports clients nationwide.

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EXECUTIVE SUMMARY

Community Behavioral Health (CBH) is the Medicaid behavioral health managed care organization (BH-MCO) responsible for ensuring access to behavioral health services to thousands of Philadelphia residents through a network of culturally competent providers. CBH is a nonprofit organization established by the City of Philadelphia to manage behavioral health services for Medicaid recipients under Pennsylvania's HealthChoices program.

Population Served

As the city's designated BH-MCO, CBH oversees the delivery of mental health and substance use disorder (SUD) treatment to **more than 788,000** eligible individuals through a network of **more than 260** behavioral health treatment providers.

CBH serves a large and demographically diverse population of Medicaid-eligible individuals in Philadelphia. In 2024, **more than 99,000** individuals accessed services, of whom over 50 percent identified as Black and 17 percent as White, with the remaining population identifying as Hispanic, Asian, or other racial and ethnic backgrounds.

Behavioral Health Services

Behavioral health care includes a wide range of services aimed at preventing, diagnosing, and treating mental health and substance use conditions and the physical and emotional effects of life stressors. Medicaid is the largest payer for behavioral health services in the United States.[1]

CBH patients access a variety of behavioral health services including psychiatric care and substance use disorder treatment through CBH's network of providers and the organization's cross-systems collaborations with entities such as the Philadelphia School District, Court System, and the Child Welfare system. CBH's model emphasizes equitable access, community-based delivery, and coordination across levels of care tailored to meet the diverse and complex health needs of Philadelphia residents.

Annual Economic Impacts

In addition to the impact of its services on community health and well-being, CBH is a major driver of economic activity. Through its employment, procurement, and payments to its provider network, CBH supports direct, indirect, and induced economic impacts and employment in the city and state economies.

- Within Philadelphia, CBH generates an estimated **$1.43 billion in annual economic output, supporting 9,950 full-time equivalent (FTE) jobs** with **$763 million in employee compensation.**
- Within Pennsylvania, CBH generates an estimated **$2.01 billion in annual economic output, supporting 13,450 full-time equivalent (FTE) jobs** with **$986 million in employee compensation.**
- This economic activity generates **$27 million in annual tax revenue for the City of Philadelphia** and an additional **$274 million in tax revenue for the Commonwealth of Pennsylvania** (inclusive of $199 million paid in MCO assessment fees).

1. ***Behavioral Health Services***, *Medicaid.gov.*

Impact of Medicaid Policy Changes

Changes to Medicaid eligibility and funding levels under the One Big Beautiful Bill Act (OBBBA) of July 2025 will undermine CBH's ability to ensure access to behavioral health services to Philadelphia residents. Based on analysis by the Pennsylvania Department of Health Services (DHS) and Congressional Budget Office (CBO), **OBBBA policy changes will reduce Medicaid eligibility for an estimated 67,200 Philadelphia residents**. As a result, CBH's annual expenditure is expected to decrease by $111 million. The resulting loss in the use of behavioral health services through CBH will impact the city and state economies as well as individual and community wellbeing.

- Within Philadelphia, Medicaid coverage losses result in an estimated reduction of **$122 million in annual economic output** and a **reduction of 810 FTE jobs** associated with **$65 million in employee compensation.**
- Within Pennsylvania, Medicaid coverage losses result in an estimated reduction of **$171 million in annual economic output** and a **reduction of 1,110 FTE jobs** associated with **$84 million in employee compensation.**

Figure E.S.1: Potential Annual Economic Impact Losses from Medicaid Policy Changes in the OBBBA

Impact Category	*City of Philadelphia*	*Commonwealth of Pennsylvania*
Economic Impact ($M)	*($122)*	*($171)*
Employment (FTE)	*(810)*	*(1,110)*
Employee Compensation ($M)	*($65)*	*($84)*
Tax Revenue ($M)	*($2)*	*($23)*

Social Impacts

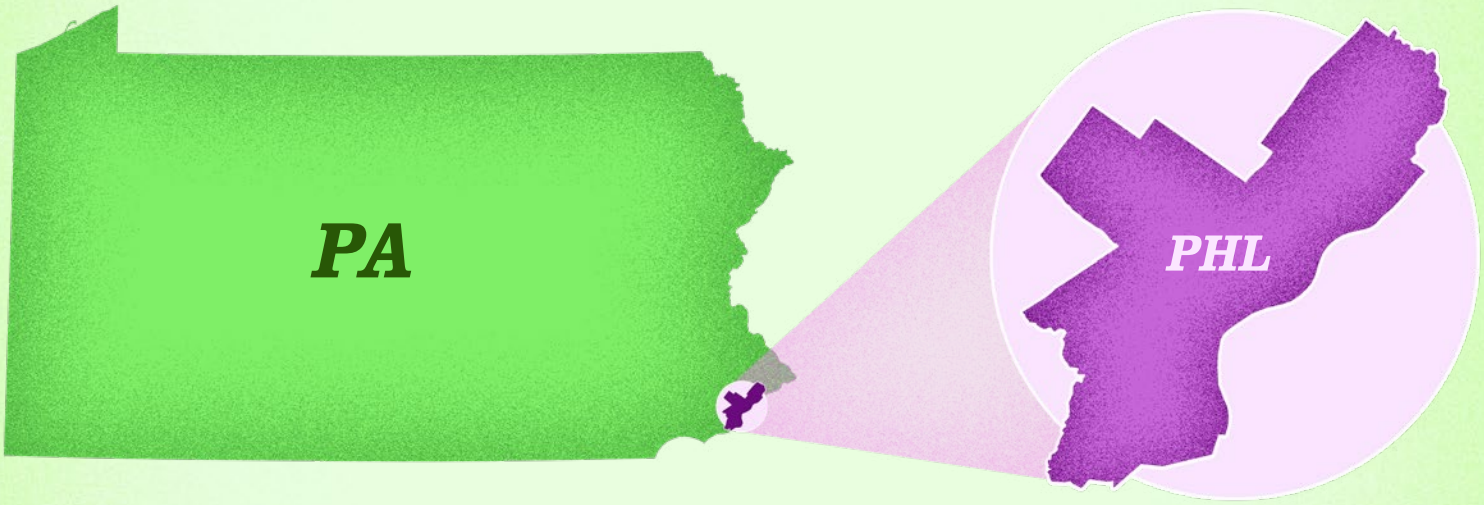
In addition to the economic losses from reduced CBH expenditure levels, reductions in payments to CBH providers may threaten the economic viability of these providers, resulting in further losses in expenditure and care beyond reductions in CBH payments. In addition, behavioral health services have important social and economic impacts beyond the initial budgetary effects through preventative care and improved health outcomes. Based on well-established literature on the impacts of behavioral health services in a variety of contexts, these reductions are likely to lead to degraded health outcomes, increased health care needs, and rising costs of care. Illustrative downstream implications include:

- Increased uncompensated care costs for providers
- Increased hospitalization
- Increased use of emergency departments
- Increased risk of recidivism for justice-impacted members
- Decreased supply of mental health services
- Decreased use of preventative health services
- Decreased housing stability
- Decreased workforce productivity

Estimated Annual Economic Impact

(See Assessment Figures 4.3, 4.4)

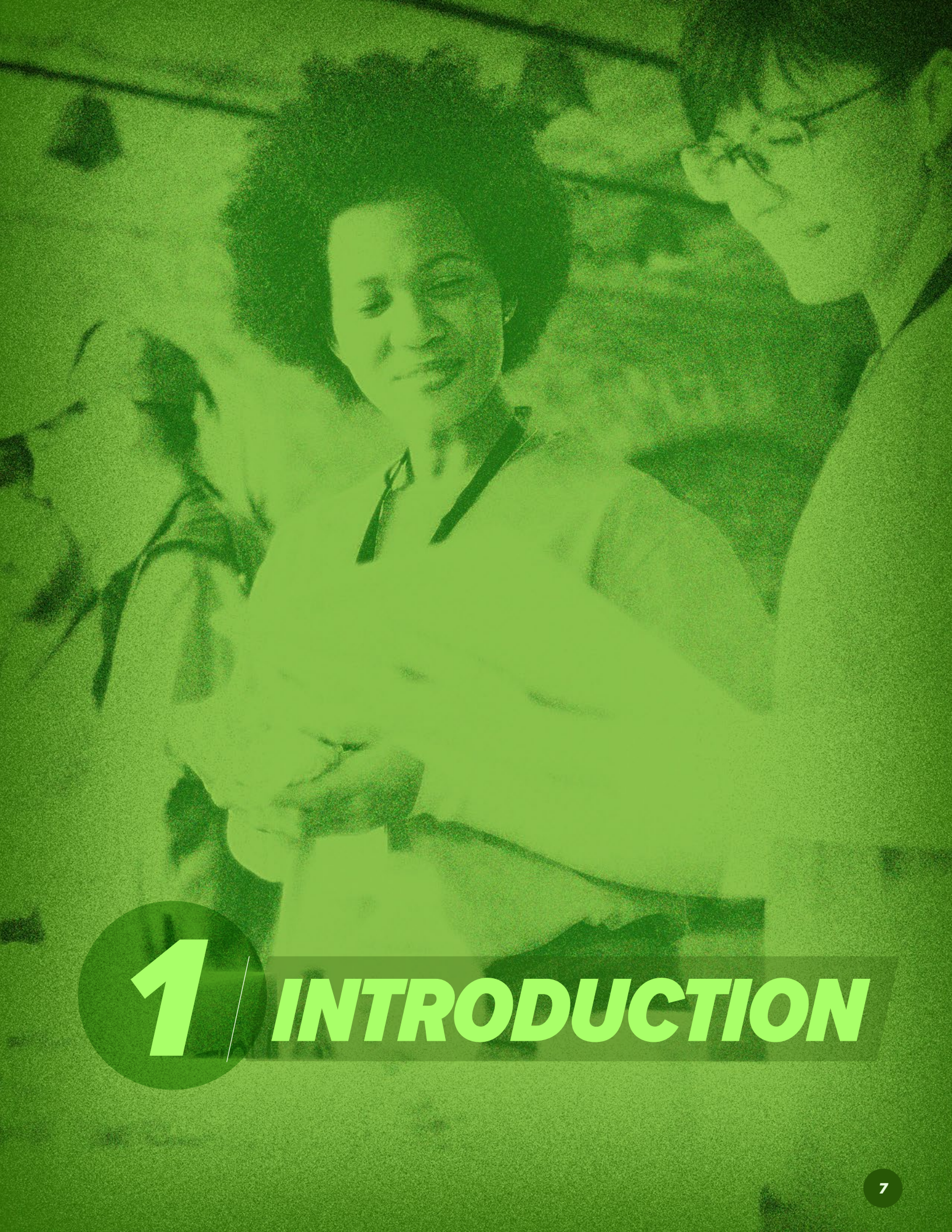
	All of PA	Philadelphia
Economic Impact	$2 BILLION	$1.43 BILLION
Jobs Supported	13,450	9,950
Employee Compensation	$986 MILLION	$763 MILLION
Total Tax Revenue	$274 MILLION	$27 MILLION



Estimated Economic Impact Losses

(See Assessment Figures 6.3, 6.4)

	All of PA	Philadelphia
Lost Economic Output	-$171 MILLION	-$122 MILLION
Lost Jobs	-1,110	-810
Lost Employee Compensation	-$84 MILLION	-$65 MILLION
Lost Tax Revenue	-$23 MILLION	-$2 MILLION



1 INTRODUCTION

1.1. Purpose of Study

Community Behavioral Health (CBH), contracted by the City of Philadelphia's Department of Behavioral Health and Intellectual disAbility Services (DBHIDS), is the Medicaid Managed Care Organization (MCO) responsible for ensuring access to behavioral health services for thousands of Philadelphia residents through a network of culturally competent providers. In response to the rising strain on the region's behavioral health system, which includes federal Medicaid policy changes, rising service costs, and increasing disenrollment, CBH commissioned Econsult Solutions, Inc. (ESI) to estimate the economic and social impacts of its work in Philadelphia and the Commonwealth of Pennsylvania.

This report estimates the economic and fiscal impacts of CBH's spending, provides a qualitative assessment of the social value of its services, and describes the organization's operational footprint, network of providers, and the communities it serves. In addition, the report estimates the potential economic losses and cascading social impacts from reductions in federal Medicaid funding to CBH.

1.2. About Community Behavioral Health

CBH is a nonprofit organization established by the City of Philadelphia to manage behavioral health services for Medicaid recipients under Pennsylvania's HealthChoices program. In 2019, CBH also began to cover behavioral health services for senior and permanently disabled individuals under Pennsylvania's Community HealthChoices program. As the city's designated behavioral health managed care organization (BH-MCO), CBH oversees the delivery of mental health and substance use treatment to over 788,000 eligible individuals through a network of more than 260 providers. Its centralized administrative operations manage utilization review, quality assurance, claims, member services, and provider engagement. CBH also generates reinvestment funds, which are unspent Medicaid dollars redirected into system enhancements by DBHIDS, to address care gaps.

CBH's structure as a locally governed, nonprofit BH-MCO enables it to operate with a degree of alignment between public oversight and community needs that is unusual among Medicaid managed care models. This model allows for greater transparency, local responsiveness, and sustained attention to equity in provider support and service design.

1.3. Modeling Approach

Within this report, ESI uses IMPLAN, an industry-standard input-output model, to estimate the direct, indirect, and induced economic activity supported by CBH and its provider network across the City of Philadelphia and the Commonwealth of Pennsylvania. IMPLAN is a widely used economic modeling tool that quantifies the ripple effects of spending through the local economy, capturing how initial expenditures generate broader economic activity through supply chain linkages and household spending. IMPLAN also estimates the number of jobs that are supported by the indirect and induced impacts. For ease of comprehension, ESI converts these jobs into Full-Time Equivalent (FTE) jobs – as such, all jobs expressed in this report are FTE jobs.

The model accounts for the geography-specific multipliers of Philadelphia and Pennsylvania, with statewide impacts encompassing city-level activity. Because CBH's spending originates locally but generates downstream effects throughout the Commonwealth, ESI quantifies total economic output at both the city and state levels. Inputs were informed by CBH's operating expenditure, provider reimbursements, and staffing data from calendar year 2024.

1.4. Report Organization

The report is organized as follows:

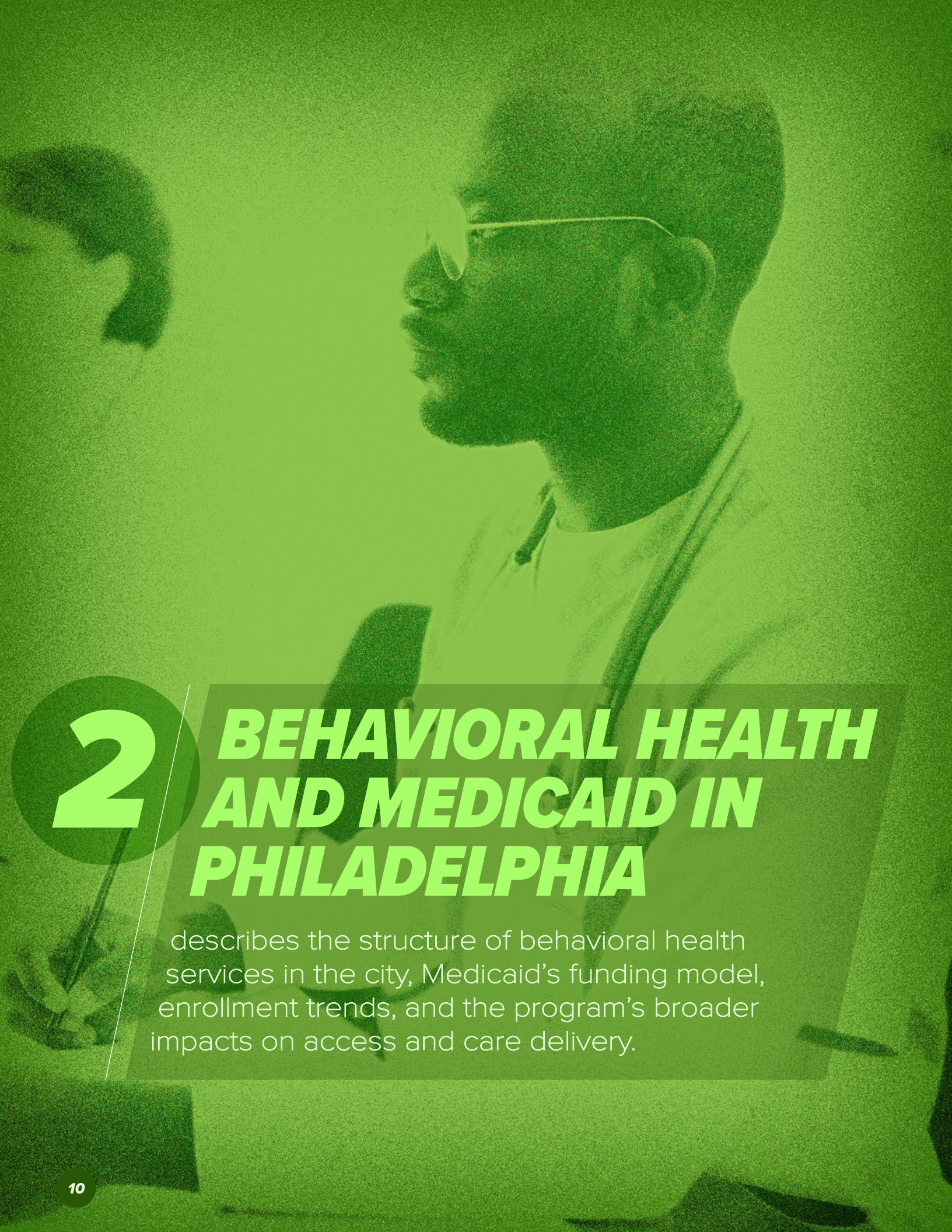
Section 2: Behavioral Health and Medicaid in Philadelphia describes the structure of behavioral health services in the city, Medicaid's funding model, enrollment trends, and the program's broader impacts on access and care delivery.

Section 3: CBH's Work in Philadelphia details CBH's history, client base, provider network, and core programs, highlighting its integrated and community-embedded approach to service delivery.

Section 4: Economic Impact from Operating Expenditures quantifies the direct, indirect, and induced economic activity supported by CBH and its provider network in Philadelphia and the Commonwealth of Pennsylvania.

Section 5: Economic and Social Impacts from Behavioral Health Services assesses downstream benefits of behavioral health care, including avoided costs, workforce productivity, and implications for public systems such as emergency departments, the criminal justice system, homelessness services, and child welfare.

Section 6: Potential Impact of Medicaid Policy Changes analyzes the potential economic and fiscal consequences of federal Medicaid policy changes, including reduced eligibility, lost revenues, and diminished service delivery.



2 BEHAVIORAL HEALTH AND MEDICAID IN PHILADELPHIA

describes the structure of behavioral health services in the city, Medicaid's funding model, enrollment trends, and the program's broader impacts on access and care delivery.

2.1. National Role of Medicaid in Behavioral Health Services

Behavioral health broadly encompasses mental health and substance use conditions, life stressors and crises, and physical symptoms induced by stress. Behavioral health care includes a wide range of services aimed at preventing, diagnosing, and treating mental health and substance use conditions and the physical and emotional effects of life stressors.[2]

Medicaid covers more than 70 million individuals nationally and is the largest payer for behavioral health services in the United States.[3] Administered by the Centers for Medicare & Medicaid Services (CMS) at the federal level, it supports states and counties to deliver prevention, treatment, and recovery services at scale and ensures health care is accessible to those who meet Medicaid-eligibility requirements. In 2019, Medicaid covered $58 billion in mental health services and $17 billion in substance use disorder (SUD) care spending nationally, accounting for half of all inpatient treatment costs for these conditions.[4]

Medicaid is a critical source of funding for both children and adults with behavioral health needs. In 2023, it covered 2.41 million adolescents aged 12-17 facing depression or substance use issues and 22 million adults facing depression or substance use problems, representing 26 percent of all adults in the United States living with mental illness or SUD.[5]

In addition, Medicaid plays a central role in providing coverage to individuals with behavioral health conditions who meet eligibility requirements. Among adults with behavioral health conditions enrolled in Medicaid, over 11 million are either employed or retired. Among those not part of the labor force, about 20 percent cite disability as the reason, reflecting health-related barriers rather than disengagement by choice.[6]

2.2. Medicaid Funding Structure and Philadelphia Enrollment Trends

Medicaid is jointly financed by federal and state governments, with funding levels determined by the Federal Medical Assistance Percentage (FMAP). Under this, the federal government matches a portion of each state's Medicaid spending and provides an enhanced match for states covering eligible low-income individuals under the Affordable Care Act (ACA).

In FY2025, Pennsylvania contributed $14 billion in provider assessments and state general funds, matched by over $30 billion in federal Medicaid dollars, including enhanced federal support for the ACA expansion population.[7] Pennsylvania Medicaid enrollment peaked in May of 2023 at over 3.7 million, largely due to the COVID-era continuous coverage requirement. This policy, established under the Families First Coronavirus Response Act (FFCRA) in March 2020, prohibited states from terminating most Medicaid enrollees' coverage during the public health emergency (PHE) in exchange for enhanced federal Medicaid funding. As a result, millions remained enrolled without annual redetermination, avoiding gaps in coverage throughout the pandemic. [8]

However, Congress delinked the continuous coverage requirement from the PHE in December

2. ***"What Is Behavioral Health?"*** *American Medical Association.*
3. ***"Behavioral Health Services."*** *Medicaid.gov, Centers for Medicare & Medicaid Services.*
4. *Nathaniel Counts,* ***"Medicaid's Role in Mental Health and Substance Use Care."*** *Commonwealth Fund, May 2025.*
5. *Ibid.*
6. *Ibid.*
7. *Pennsylvania Providers,* ***Shapiro Administration Responds to Potential Medicaid Cuts*** *(Pennsylvania Providers, June 2025).*
8. *Pennsylvania Department of Human Services,* ***PHE Unwinding Progress Tracker****.*

2022, officially ending the requirement on March 31, 2023. States, including Pennsylvania, were then permitted to resume eligibility redeterminations starting April 1, 2023. Since that transition, Philadelphia has experienced a 16 percent drop in enrollment, with over 100,000 individuals losing coverage between July 1, 2023, and March 31, 2025. Disenrollment has occurred due to procedural terminations—when individuals do not complete required paperwork, as well as eligibility changes, such as increases in income or loss of dependent status. An additional 25,000 Philadelphians remain at risk of losing coverage if enrollment returns to pre-pandemic levels. [9,10]

The end of continuous coverage, combined with rising behavioral health needs, creates substantial pressure on Philadelphia's behavioral health system. Disenrolled individuals often delay outpatient care, resulting in increased use of emergency departments and inpatient psychiatric services. Without reliable insurance coverage, health care systems will face higher uncompensated care burdens and elevated long-term social costs. To protect community health, policymakers and providers must prioritize Medicaid enrollment retention and coverage support.[11]

In Philadelphia, eligibility for behavioral health services steadily increased over the last decade from 649,134 individuals in 2015 to over 788,800 in 2024. However, service utilization, which is the percent of eligible members that receive services, declined during this period.[12] Only 13 percent of eligible members, or 99,800 individuals, accessed services in 2024, down from 18 percent in 2015.[13] The passage of the One Big Beautiful Bill Act (OBBBA) in July 2025 is expected to impact Medicaid eligibility and funding further, as discussed in Section 6.

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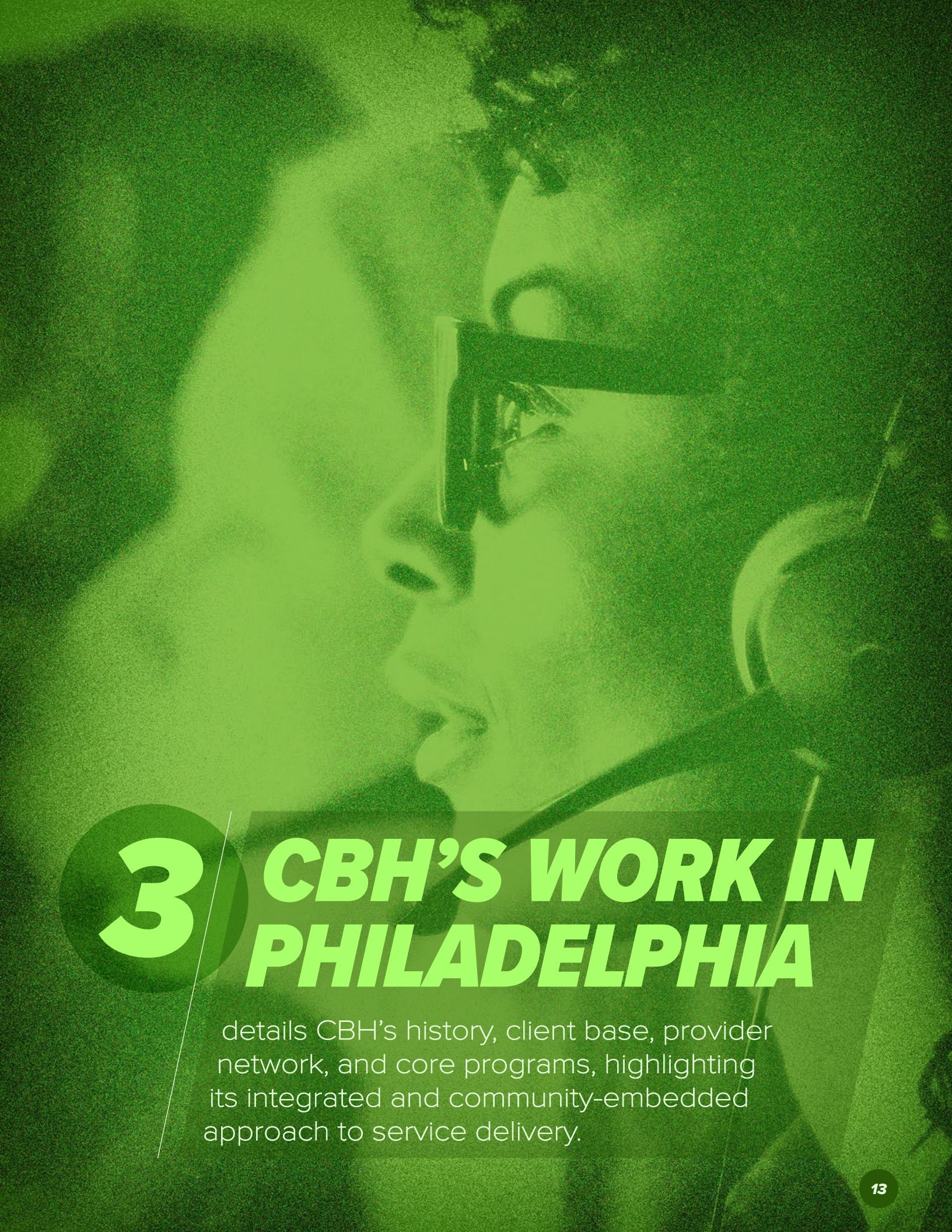
9. Ibid.

10. "Unwinding the Medicaid Continuous Coverage Requirement", Center on Budget and Policy Priorities, April 28, 2023.

11. Ibid.

*12. Community Behavioral Health, **2016 Annual Report** (Philadelphia: City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services, 2016).*

13. Community Behavioral Health.



3 CBH'S WORK IN PHILADELPHIA

details CBH's history, client base, provider network, and core programs, highlighting its integrated and community-embedded approach to service delivery.

3.1. History, Structure and Funding

County-Based Carve-Out Model

Pennsylvania's Behavioral HealthChoices Program is a Medicaid behavioral health carve-out model operated under a CMS Section 1915(b) waiver, which authorizes counties to manage behavioral health services separately from physical health care.[14] This structure allows each county to oversee Medicaid-funded mental health and substance use disorder services by either contracting with a private Behavioral Health Managed Care Organization (BH-MCO) or creating its own.

Philadelphia is the only county in Pennsylvania to establish its own BH-MCO: Community Behavioral Health (CBH). The carve-out model ensures that behavioral health funding is protected and aligned with local public health strategies. According to the Center for Health Care Strategies, this model promotes whole-person care, strengthens county-level accountability, and allows for more direct integration with other public systems like housing, criminal justice, and child welfare.

Community Behavioral Health (CBH)

CBH is a nonprofit behavioral health managed care organization (BH-MCO) established by the City of Philadelphia in 1997 to ensure access to Medicaid-funded behavioral health services under Pennsylvania's HealthChoices program. Philadelphia is the only county in the state to create its own BH-MCO, operating under a 1915(b) Medicaid waiver that allows for locally tailored care models. CBH functions under contract with the City's Department of Behavioral Health and Intellectual disAbility Services (DBHIDS), serving Medicaid-enrolled residents through a county-based managed care model that integrates treatment, prevention, and social supports.

CBH is funded through capitated payments, calculated on a per-member-per-month basis and determined by the number of Medicaid-enrolled individuals in Philadelphia. Medicaid eligibility is determined by the Pennsylvania Department of Human Services (DHS) and verified through the state's Eligibility Verification System (EVS) maintained by the PA DHS.[15] CBH pays for and coordinates care for Medicaid-eligible individuals across a broad continuum of behavioral health services including outpatient therapy, residential treatment, medication management, and substance use disorder treatment and also helps connect its members to housing, nutrition, and with other resources to meet basic needs.

As a nonprofit MCO, CBH does not retain unspent Medicaid funds. Excess funds, up to three percent of total capitation revenue, may be reinvested in community programs at the discretion of DBHIDS and the state. Additionally, the organization operates under the 1915(b) waiver standards including maintaining 24-hour support lines, grievance procedures, quality management programs, and consumer satisfaction.[16]

3.2. Clients

CBH serves a large and demographically diverse population of Medicaid-eligible individuals in Philadelphia. In 2024, 788,852 individuals were eligible to receive behavioral health services through CBH, of whom 99,752 individuals (13 percent) accessed services. Among those who utilized services:

- 72 percent were aged 18 or older; and

14. *For more information on **Pennsylvania's Behavioral HealthChoices Program**, please see their website.*
15. ***"Checking Eligibility and Participant Identification Cards."** Community HealthChoices.*
16. *Further information is available on **cbhphilly.org**.*

- 53 percent identified as Black, 17 percent as White, 23 percent as Hispanic, and the remaining 7 percent as either Asian, Pacific Islander or Native Hawaiian, Native American or Alaska Native, or another race or ethnicity.

CBH clients present a wide range of behavioral health needs, from outpatient counseling to intensive residential treatment (see Figure 3.1 below).

Figure 3.1: CBH Covered Medical Services, CY2024

Medical Services	Members Served
Outpatient Psychiatric	**73,297**
Outpatient SUD	**13,721**
Community Support	**12,455**
Other	**12,311**
Ancillary Support	**12,167**
Intensive Behavioral Health Services (IBHS)	**10,257**
Inpatient Psychiatric	**9,477**
Non-Hospital SUD	**8,320**
Inpatient SUD	**1,049**
RTF, Accredited	**104**
RTF, Non-Accredited	**11**

Source: Community Behavioral Health (2025)

CBH's model emphasizes equitable access, community-based delivery, and coordination across levels of care tailored to meet the diverse and complex health needs of Philadelphia residents, many of whom face intersecting behavioral health, medical, and social challenges.[17]

3.3. Provider Network

CBH oversees an expansive network of behavioral health care providers designed to ensure accessible, high-quality treatment for Philadelphia's Medicaid population. In 2024, CBH contracted with more than 260 providers across more than 870 care sites, several with telehealth options. Of those, 182 providers and 581 care sites were in Philadelphia. This network spans the full continuum of behavioral health care services, including outpatient mental health care, SUD treatment, inpatient psychiatric hospitalization and residential treatment services.

CBH's provider network is deliberately structured to meet the diverse needs of both adults and children. In 2024, 241 providers delivered mental health services, 51 providers specialized in substance use disorder treatments, 187 providers served adult populations, and 137 providers served children and youth.

Services are offered in a range of settings, including homes, schools, community-based facilities,

17. Community Behavioral Health, ***2024 Annual Report*** (Philadelphia: CBH, January 15, 2025).

and traditional clinical environments, ensuring accessibility for individuals across the city. Many providers are embedded in non-clinical settings, such as schools and shelters, to reduce barriers to care and support early intervention.[18]

During the COVID-19 pandemic, CBH established a provider's sustainability payment system to help ensure that its network of behavioral health providers could continue operating during widespread disruptions. This financial support allowed providers to maintain payroll, deliver services safely, avoid closures, and help preserve care for Medicaid recipients during an uncertain time.

3.4. Programs

CBH implements a wide range of programs that reflects its mission to ensure access to whole-person, equitable behavioral health care to Philadelphia's Medicaid population. These initiatives emphasize integration across public systems, targeted support for high-need populations, and innovative approaches to improving health outcomes.

Cross-Systems Collaboration

CBH embeds behavioral health professionals directly within the education, court, and child welfare systems. CBH currently operates four dedicated cross-system teams that work alongside system partners to ensure members receive coordinated, timely care:

- The **School-Based Team,** located at the Philadelphia School District Administrative Office, supports students receiving Intensive Behavioral Health Services (IBHS). This team serves as a liaison between schools and the network of 22 IBHS providers.
- The **Court-Based Team**, embedded in both Family and Juvenile Delinquency Courts in Philadelphia, provides judges with relevant treatment histories and background, and offers recommendations during legal proceedings, improving access to care for youth and families within the court system.
- The **Community Umbrella Agencies (CUAs) Team** collaborates with child welfare caseworkers at Philadelphia's 10 CUAs, on active cases involving CBH members by reviewing treatment histories and advising appropriate care pathways. This helps strengthen coordination between behavioral health and child welfare systems.
- The **Department of Human Services (DHS) Team** works with the Philadelphia Department of Human Services' Central Referral Unit (CRU) to review referrals related to suspected child abuse or neglect, integrating behavioral health insights into case planning.[19]

Targeted Initiatives

CBH also leads specialized initiatives such as:

- **Mommy's Helping Hands (MHH)**, launched in 2018, supports pregnant and postpartum Medicaid members with a history of substance use disorder through care planning, clinical support, and perinatal education.
- **School-Based Behavioral Health Services,** established in partnership with the School District of Philadelphia and the City's Managing Director's Office, supports behavioral health for students deploying a network of 22 Intensive Behavioral Health Services providers that support 506 total schools that include 242 School District of Philadelphia

18. *Ibid.*
19. ***Community Behavioral Health**. City of Philadelphia.*

public schools, 100 School District of Philadelphia public charter schools, and 164 private or alternative schools. Service offerings include individual and group therapy, family support, in-class behavioral coaching, and consultation with teachers.

- **Evidence-Based Practice and Innovation Center (EPIC)**, founded in 2013, promotes the adoption, implementation, and sustainability of behavioral health evidence-based practices (EBPs) across Philadelphia through free training, technical assistance, and certification.

These programs exemplify CBH's leadership in embedding behavioral health within broader systems of care, responding to social determinants of health, and advancing equity through tailored interventions.[20]

20. *Community Behavioral Health,* ***2024 Annual Report*** *(Philadelphia: CBH, January 15, 2025).*

4 ECONOMIC IMPACT FROM OPERATING EXPENDITURES

quantifies the direct, indirect, and induced economic activity supported by CBH and its provider network in Philadelphia and the Commonwealth of Pennsylvania.

4.1. Annual Operating Footprint of CBH and Provider Network

CBH maintains a substantial operating footprint in Philadelphia. In calendar year (CY) 2024, **CBH's operating expenditure totaled $1.3 billion**, which represents an increase of approximately 30 percent since 2019. CBH's spending spans two primary components:

- Medical expenditures paid to providers in the CBH network
- Administrative expenditures to support internal operations and system coordination

CBH's internal administrative expenses were approximately $117 million in CY2024, covering staff compensation, benefits, and operational costs associated with care management, claims processing, provider relations, and system oversight. CBH's administrative expenses rise to $317 million with the addition of the MCO Assessment which is a direct payment MCO's make to the state. In CY 2024, CBH's MCO Assessment was $199 million. CBH directly employs 600 people (as of December 2024) whose compensation contributes to the local economy through spending on housing, goods, and services. Beyond compensation and benefits for its employees, CBH's administrative expenditure includes its cross-systems collaboration work detailed in Section 3 of this report.

Reinvestment Expenditure

In addition to its direct operating footprint in the city, CBH generates reinvestment funds, up to three percent of unspent Medicaid dollars under the Behavioral HealthChoices program, which are subject to approval and oversight from the Commonwealth. The reinvestment funds are used to address service gaps and to pilot innovative service approaches and program initiatives.[21] These funds are largely directed towards non-medical support and community-based services that address broader needs of the Medicaid population. While CBH generates these funds, their allocation is directed by the DBHIDS, in coordination with the state. **Since CBH's inception, over $350 million in reinvestment funding has been directed to Philadelphia's communities by DBHIDS.**

Annual Spending to Providers

CBH's core function is to manage and allocate Medicaid funding to a broad network of behavioral health providers. CBH partners with over 360 Medicaid-enrolled in and out of network providers in Philadelphia, across Pennsylvania and the U.S. In CY2024, CBH disbursed nearly $1.0 billion to behavioral health providers. Payments to providers span 11 service categories including outpatient mental health and substance use disorder (SUD) treatment, inpatient psychiatric care, and residential treatment programs, across accessible locations such as homes, schools, and community-based settings and through telehealth.[22] In 2024, the three service categories that received the highest levels of CBH provider payments included Inpatient Psychiatric Care ($201.8 million), Non-Hospital Drug and Alcohol (Treatment) ($158.6 million), and Applied Behavioral Analysis (ABA) Services (Form of Intensive Behavioral Health Services) ($134.6 million).

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21. "The Model of Successful Behavioral Healthcare in Pennsylvania", COMCARE, County Commissioner's Association of Pennsylvania (CCAP), April 2018.

22. CBH-funded residential treatment programs deliver behavioral health services in a residential setting. CBH does not pay for housing.

Total Operating Footprint

The combined operations of CBH and its provider network was $1.3 billion in CY2024. This total includes both CBH's internal administrative operation (including CBH's MCO assessment[23]) and the medical expenses paid to its providers (see Figure 4.1).

Figure 4.1: Community Behavioral Health Annual Operating Expenditure, CY2024

Expenses	CY24 ($M)
Inpatient Psychiatric	**$196**
Inpatient SUD	**$13**
Non-Hospital SUD	**$154**
Outpatient Psychiatric	**$122**
Outpatient SUD	**$52**
Intensive Behavioral Health Services (IBHS)	**$237**
RTF, Accredited	**$16**
RTF, Non-Accredited	**$2**
Ancillary Support	**$2**
Community Support	**$61**
*Other**	**$123**
Provider Pay for Performance	**$8**
Total Medical Expenses	**$985**
Employee Compensation	**$69**
MCO Assessment	**$199**
Other Administrative Expenses	**$48**
Total Administrative Expenses	**$317**
Total Operating Expenditure	**$1,302**

Source: Community Behavioral Health (2025)

**"Other" includes the modellable expenses detailed in CBH's Annual Report: Assertive Community Treatment (ACT), Certified Community Behavioral Health Clinics (CCBHCs), Community Integrated Recovery Centers (CIRCs), SUD Intensive Case Management (ICM), Long-Term Structured Residence (LTSR)/Adult Outpatient Programs, mental health services not otherwise specified, Mobile Psychiatric Rehabilitation, Other, Peer Support, and Adult Residential Treatment Facility (RTF-A).*

23. MCO Assessment is a state-level financial assessment levied on MCOs, calculated as a percentage of revenue or per-member amount. The purpose is to generate additional non-federal Medicaid funds that can be used to draw down matching federal dollars, thereby increasing total available Medicaid funding. These assessments are authorized under federal law as long as they meet certain requirements and are applied uniformly. The resulting revenue is reinvested into the Medicaid program to stabilize rates, expand coverage, or support provider payments.

4.2. Economic Impact of CBH and Provider Operations

Modellable Operating Expenditure

To accurately model the economic impact of these expenditures within the Philadelphia and Pennsylvania economies, non-circulating expenditures such as depreciation and interest totaling $9.8 million are excluded.[24]

Further, we exclude medical expenses that were spent outside the state, as expenditures occurring beyond the Commonwealth do not generate economic impacts within the state. To quantify this exclusion, we relied on data provided by CBH detailing the geographic distribution of its expenditures, specifically, the proportion of total spending that occurred in Philadelphia, the broader Pennsylvania region, and the rest of the United States. Based on this breakdown, approximately one percent of CBH's medical expenditure was identified as being spent outside of Pennsylvania. This one percent adjustment was applied uniformly across all service categories, resulting in the exclusion from the total economic impact analysis of $6.9 million that CBH paid to providers in out-of-state spending.

We also exclude CBH's MCO assessment, which is considered separately in Section 4.3. The resulting $1.09 billion in modellable spending reflects the portion of the budget that flows into the local and regional economy, supporting direct, indirect, and induced effects (see Figure 4.2).

Figure 4.2: CBH and Provider Network Modellable Operating Expenditure ($M)

Total Operating Expenditure	***$1,302***
Non-Modeled Amounts	
Medical expenditure outside PA	***($7)***
MCO Assessment	***($199)***
Non-Modellable Administrative Expenditure	***($10)***
Total Modeled Operating Expenditure	***$1,087***

Source: Community Behavioral Health (2025), Econsult Solutions (2025)

Annual Economic Impact from CBH and Provider Network Operations

Community Behavioral Health (CBH) and its provider network generate an estimated **$1.4 billion in total economic output annually within Philadelphia, supporting 9,950 full-time equivalent (FTE) jobs and $763 million in annual employee compensation. At the state level, the total impact rises to $2.0 billion in output, supporting 13,450 FTE jobs and $986 million in employee compensation** (see Figure 4.3 below).

These figures reflect the combined effects of direct, indirect, and induced economic activity.

- Direct effects include CBH's operating expenditure from both their administrative spending and provider-related spending.

24. *Depreciation does not involve actual expenditures, and financing costs do not benefit the local or state economies.*

- Indirect effects represent the economic activity generated through CBH's supply chain, specifically the business-to-business purchases made by CBH and its provider network from outside vendors. This includes expenditure on contractor services, equipment, and similar suppliers. As these initial purchases trigger further spending within supplier industries, they create a ripple effect, also known as the multiplier effect, throughout the broader state economy.
- Induced effects represent the additional economic activity generated when employees—of CBH, its provider network, and its suppliers—spend their take-home labor income (after taxes, savings, and commuter adjustments) locally within the broader economy.

These indirect and induced effects expand as the geographic scope widens, driven by increased purchasing and recirculation within larger areas, which also amplifies the multiplier effect.

Figure 4.3: Estimated Annual Economic Impact to Philadelphia and Pennsylvania

Impact	City of Philadelphia	The Rest of Pennsylvania	All of Pennsylvania
Direct ($M)	**$914**	**$172**	**$1,086**
Indirect and Induced ($M)	**$515**	**$408**	**$923**
Total Economic Impact ($M)	**$1,429**	**$580**	**$2,009**
Employment (FTE)	**9,950**	**3,500**	**13,450**
Employee Compensation ($M)	**$763**	**$224**	**$986**

Source: IMPLAN (2023), Econsult Solutions (2025)

Broader Impacts of CBH Operations

CBH and its provider network's operations support various industries through the purchase of goods and services and the circulation of salaries paid to its employees. The direct impact of CBH's operations is concentrated in the health care sector (69 percent) and associated support industries. The indirect and induced impacts of CBH's operations are distributed across sectors, including professional, scientific, and technical services, health care, accommodation, financial services, administrative, and support services.

4.3 State and Local Tax Revenue Impact from CBH and Provider Network Operations

CBH and its provider network contribute significantly to state and local tax bases. The $2.0 billion in economic activity generated through CBH's annual operating expenditure in CY2024 results in increased household income, business revenues, and consumption, all of which generate tax revenues for the City of Philadelphia and the Commonwealth of Pennsylvania.

In addition to the wage, sales, and business tax revenues, CBH also contributes to the Commonwealth through the Managed Care Organization (MCO) Assessment, a state-imposed fee on Medicaid MCOs. This assessment is levied as a percentage of revenue and functions as a mechanism to draw down additional federal Medicaid matching funds. CBH's participation in this program enhances the

state's ability to finance Medicaid services while indirectly supporting Pennsylvania's health care infrastructure.

In aggregate, CBH's operations are estimated to generate $27 million in tax revenues for the City of Philadelphia and $274 million for the Commonwealth of Pennsylvania (see Figure 4.4 below).

Figure 4.4: Estimated Annual Tax Revenue Impacts from CBH and Provider Network Operations ($M)

Impact	City of Philadelphia	Commonwealth of Pennsylvania
MCO Assessment	-	**$199**
Income/Wage Tax	**$18**	**$24**
Sales Tax	**$4**	**$35**
Business Tax	**$5**	**$16**
Total Tax Revenue Impact	**$27**	**$274**

Note: The Philadelphia economy is wholly contained within the Pennsylvania economy, and economic impact numbers within the city are a subset of the state impact. However, the city and state are distinct political jurisdictions with distinct tax bases. Therefore, city and state tax revenues generated by this activity are additive.

Source: IMPLAN (2023), Community Behavioral Health (2025), Econsult Solutions (2025)

5 ECONOMIC AND SOCIAL IMPACTS FROM BEHAVIORAL HEALTH SERVICES

assesses downstream benefits of behavioral health care, including avoided costs, workforce productivity, and implications for public systems such as emergency departments, the criminal justice system, homelessness services, and child welfare.

5.1 Demand for Behavioral Health Services

Behavioral health services are an important component of social infrastructure, supporting individual stability and generating public benefits across systems including health care, education, housing, criminal justice, and workforce development.

In Pennsylvania, the importance of behavioral health services is heightened by both the need among Pennsylvania residents, but also the strain on the behavioral health system. A 2024 report from Mental Health America ranked the Commonwealth 7th in access to mental health care, while ranking 14th in prevalence of mental illness,[25] highlighting both the strong access and the continued strain on the state's health care systems. This demand is intensified by the ongoing opioid epidemic in the state. In 2021, Pennsylvania's overdose death rate reached 43 per 100,000, well above the national average and a sharp increase from ten years prior.[26] In Philadelphia, the number was closer to 80 per 100,000, nearly double the statewide rate. These rates not only reflect the severity of substance use disorder in the region, but also the urgency of accessible and coordinated behavioral health services.[27]

Despite growing demand, Pennsylvania has fewer mental health providers per capita than the national average, intensifying pressure on hospitals, emergency rooms, correctional systems, and public services.[28] Medicaid plays a central role in meeting these needs, particularly through the HealthChoices program, which administers behavioral health services via county-based MCOs.[29] Disruptions to this system, particularly through reductions in Medicaid funding, can create ripple effects across sectors while incurring downstream costs and inefficiencies.

This section examines the economic and social benefits of behavioral health services in Pennsylvania, focusing on cost avoidance, system efficiency, and the broader impacts of Medicaid-supported care.

5.2 Cost Avoidance and Economic Benefits of Behavioral Health Services

Investments in behavioral health services help individuals avoid crises and reduce cost burdens on emergency services, hospitals, detention facilities, and other high-cost services. Behavioral health services also support workforce participation, particularly in cities like Philadelphia where behavioral health needs are high, with over 32 percent of adults in the city reporting mental health problems.[30] By shifting care upstream, Medicaid funded programs improve individual and social outcomes while containing other public costs.

Savings From Preventative Care

Since its inception in 1997 to 2016, Pennsylvania's Behavioral HealthChoices program, funded entirely through federal and state Medicaid funds, saved the state between $11 and $14 billion, primarily through reduced inpatient utilization and increased reliance on coordinated, community-based care.[31] In Philadelphia, which accounts for about one-quarter of state Medicaid recipients, this shift has helped stabilize individuals before crises occur and avoid costly interventions. Medicaid-funded

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25. Maddy Reinert, Danielle Fritze, and Theresa Nguyen, "The State of Mental Health in America 2024" (Alexandria, VA: Mental Health America, July 2024).

*26. Patrick Drake and Nirmita Panchal, **"Mental Health and Substance Use State Fact Sheets,"** KFF, March 20, 2023.*

*27. Drug Enforcement Administration, **"Philadelphia,"** DEA, 2023.*

28. Logan Kelly, "Leveraging the Strengths of the Behavioral HealthChoices Program to Support Integrated Care in Pennsylvania" (Center for Health Care Strategies, April 2023).

*29. **PA Department of Human Services (PA-DHS)***

*30. **Regional Community Health Needs Assessment 2025: Philadelphia**.*

31. Logan Kelly, "Leveraging the Strengths of the Behavioral HealthChoices Program to Support Integrated Care in Pennsylvania" (Center for Health Care Strategies, April 2023).

behavioral health services managed by CBH have reduced emergency room visits, interactions with the criminal justice system, and instances of homelessness.

These avoided costs are supported by national research. A study of adults in Indiana, a state with about half the population of Pennsylvania, found that untreated mental illness resulted in $4.2 billion in annual societal costs including $709 million in direct health care expenses.[32]

Reduced Emergency Department Use

Emergency Department (ED) visits for behavioral health issues are costly and are often avoidable with proper preventative care. For example, Maryland saved about $60 million in outpatient and acute care costs through an MCO-led care coordination program that supports patients before and after hospital discharge.[33] Maryland has a Medicaid behavioral health carve-out similar to Pennsylvania that allows MCOs like CBH to exist. In Pennsylvania, uncompensated hospital care fell by 28 percent after Medicaid expansion, despite increasing health care costs.[34] As formerly uninsured individuals gained Medicaid coverage, they were able to access primary and preventative care and reduce their reliance on ED visits. This shift helped ease the burden of uncompensated care costs, particularly at safety net hospitals.[35]

Criminal Justice System Impacts

Behavioral health is tied directly to the criminal justice system, law enforcement, and public safety. Nationally, over 70 percent of people incarcerated in the United States have at least one diagnosed mental health condition or SUD.[36] Without consistent treatment, the post-release period carries high risks of overdose, suicide, and reincarceration for former inmates.[37] Behavioral health services reduce arrests and emergency interventions by stabilizing individuals before crises escalate or can be available to patients in crises.

The cost difference is significant. In Philadelphia, for example, it costs approximately $53,000 annually to incarcerate one individual, compared to $2,500 for SUD treatment.[38] Medicaid enrollment at release has been associated with a 16 percent reduction in recidivism among former inmates with severe mental illness, reducing costs for public-safety services.[39]

Homelessness and Housing Stability

Homelessness is closely linked to behavioral health challenges. The National Coalition for the Homeless estimates that 38 percent of homeless individuals are alcohol dependent, 26 percent use other drugs, and one-quarter suffer from severe mental illness.[40] Without access to timely and effective treatment, individuals experiencing homelessness are more likely to rely on shelters,

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32. Heather L Taylor et al., ***"Economic Burden Associated with Untreated Mental Illness in Indiana,"*** *JAMA Health Forum 4, no. 10 (October 13, 2023): e233535–35.*

33. AHIP, ***Care Coordination and Social Determinants of Health***, *2024.*

34. Zakya Hall, ***"Pennsylvania Needs Medicaid and SNAP,"*** *Community Legal Services, May 2, 2025.*

35. Agency for Healthcare Research and Quality. ***Care Following Medicaid Expansion by Safety-Net and Non-Safety-Net Hospitals***. *Healthcare Cost and Utilization Project, 16 Dec. 2020.*

36. Patricia Warth, ***"Unjust Punishment: The Impact of Incarceration on Mental Health - New York State Bar Association,"*** *New York State Bar Association - NYSBA, December 5, 2022.*

37. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, ***Health Care Transitions for Individuals Returning to the Community from a Public Institution: Promising Practices Identified by the Medicaid Reentry Stakeholder Group***, *January 2023.*

38. Carla Rose, ***"Addressing Opioid Addiction: Treatment, Not Jail,"*** *ACLU Massachusetts, November 12, 2015.*

39. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Health Care Transitions for Individuals Returning to the Community from a Public Institution: Promising Practices Identified by the Medicaid Reentry Stakeholder Group, 9.

40. National Coalition for the Homeless, ***"Substance Abuse and Homelessness Policies,"*** *June 2017.*

hospitals, law enforcement, and other public services.[41] These visible and persistent challenges also negatively impact tourism, real estate, and local businesses operating close to encampments.[42]

Philadelphia's DBHIDS implemented the Hi-Five Initiative in 2018, providing five-year housing vouchers and behavioral health interventions to 43 chronically homeless individuals.[43] The program reduced emergency shelter stays and behavioral health care costs. CBH complements these efforts through case management in shelters, outreach programs, and coordinated care for those in supportive housing.

Research by National Alliance to End Homelessness shows that supportive housing can save taxpayers nearly $5,000 per person annually.[44] Notably, CBH and DBHIDS partnered on a local program that provided permanent supportive housing to CBH members through non-Medicaid funding. The results showed that participants saw average annual medical cost savings of $16,000 per person, resulting in more than $10 million in total health care savings annually.[45] These programs demonstrate how permanent supportive housing reduces public costs while improving outcomes for vulnerable residents.[46]

Impact on Workforce Productivity

Behavioral health is also an economic issue. In Pennsylvania, 57 percent of adults enrolled in Medicaid are under the age of 65.[47] Many of these individuals suffer from mental health disorders such as depression, anxiety, or substance abuse disorders which can lead to higher rates of absenteeism, disability, and lost productivity. Nationally, mental health issues cost the U.S. economy an estimated $282 billion annually in lost productivity.[48]

Medicaid-supported services help individuals stabilize and remain employed. In Michigan, 69 percent of employed Medicaid expansion enrollees reported improved job performance due to coverage, while more than half of unemployed participants said coverage helped them search for work.[49] Pennsylvania's Employment Advancement and Retention Network (EARN) integrates behavioral health screenings and referrals into its job readiness programs, reinforcing how access to care boosts employment readiness and retention.

The economic and social benefits of behavioral health services extend beyond individual treatment, influencing public budgets, workforce participation, housing stability, and the overall efficiency of Philadelphia's health care system. While the magnitude of these effects varies by context and is difficult to quantify precisely, they are consistently documented across states and settings. While this study focuses specifically on the economic impacts of CBH's operating expenditures and the potential economic impacts of the Medicaid policy reform, it is important to note that reductions in behavioral health funding in Philadelphia would likely result in broader social and economic harms.

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41. National Alliance to End Homelessness, ***"Ending Chronic Homelessness Saves Taxpayers Money Chronic Homelessness."*** 2017.
42. Hanna Love and Tracy Hadden Loh, ***"Homelessness in US Cities and Downtowns."*** Brookings, December 7, 2023.
43. ***City of Philadelphia Department of Behavioral Health and Intellectual DisAbility Services*** (DBHIDS), October 20, 2023.
44. ***"Ending Chronic Homelessness Saves Taxpayers Money."*** National Alliance to End Homelessness (retrieved July 2025).
45. "Permanent Supported Housing for individuals referred from shelters and intensive residential treatment programs. Is there a cost saving?", Penn Center for Mental Health, DBHIDS, and CBH, May 5, 2023.
46. Community Behavioral Health, ***2024 Annual Report*** (Philadelphia: CBH, January 15, 2025).
47. KFF, ***"Medicaid Enrollees by Age \| KFF."*** KFF, May 17, 2024.
48. Jonathan Sperling, ***"Mental Health and the Economy – It's Costing Us Billions \| Columbia Business School."*** Columbia Business School, May 28, 2024.
49. Renuka Tipirneni et al., ***"Changes in Health and Ability to Work among Medicaid Expansion Enrollees: A Mixed Methods Study."*** Journal of General Internal Medicine 34, no. 2 (December 5, 2018): 272–80.

6 POTENTIAL IMPACT OF MEDICAID POLICY CHANGES

analyzes the potential economic and fiscal consequences of federal Medicaid policy changes, including reduced eligibility, lost revenues, and diminished service delivery.

Changes to Medicaid eligibility and funding levels under the One Big Beautiful Bill Act (OBBBA) will undermine CBH's ability to ensure access to behavioral health services to Philadelphia residents. OBBBA Medicaid policy changes are expected to eliminate eligibility for Medicaid services for an estimated 67,200 Philadelphians. These reductions in eligibility will lead to reductions in services provided by CBH's network, which results in a loss in economic activity in the city and state. These reductions in service also impact individual and community well-being.

This section presents the estimated economic and fiscal impacts to Philadelphia and Pennsylvania of the decrease in CHB operations due to the reduction in Medicaid eligibility under OBBBA.[50]

The estimated economic and fiscal impacts of reduced CBH operations are:

- $122 million reduction in annual economic impact in Philadelphia
- 810 jobs lost in Philadelphia (direct, indirect, and induced FTE positions) associated with $65 million in annual employee compensation
- $171 million reduction in annual statewide economic output, with a decrease of 1,110 FTE jobs and $84 million in employee compensation
- A reduction of $26 million in annual city and state tax revenues associated with this economic activity

The economic and fiscal impact of the Medicaid policy changes are modeled in IMPLAN, following the same methodology detailed in Section 4 of this report.

6.1. Medicaid Coverage Reductions

In July 2025, Congress passed the One Big Beautiful Bill Act (OBBBA), which includes Medicaid policy changes that will result in decreased federal Medicaid funding to states including Pennsylvania.

In June 2025, the Pennsylvania Department of Health Services (DHS) estimated that the OBBBA version passed by the House of Representatives on May 22 would result in Medicaid coverage loss for 310,000 Pennsylvanians, including 73,200 Philadelphia residents.[51] Nationally, the Congressional Budget Office (CBO) estimated that this version of the bill would result in a coverage loss for 10.9 million.[52]

The final version of OBBBA, modified by the Senate, passed by the House, and signed into law in July, made changes to Medicaid related provisions. CBO analysis of the final bill provisions resulted in a revised estimate of national health care coverage losses of 10.0 million, a reduction in losses of 8.3 percent relative to the House version.

Philadelphia Eligibility Loss Estimates

At the time of this impact study, since the PA DHS had not yet estimated the impacts of the final version of the OBBBA, we estimated the following Philadelphia-specific coverage losses by scaling the losses estimated by DHS for the House version of the bill by the differential in national coverage losses estimated by the CBO between the House and final versions of the bill:

- PA DHS estimated that 73,200 Philadelphians would lose Medicaid eligibility based on the

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50. These estimates do not capture the overall economic and fiscal impacts of OBBBA on other MCOs in Philadelphia or Pennsylvania under the HealthChoices program, nor do they capture the economic and fiscal impacts of OBBBA on the overall health care sector.

*51. PA DHS, **Projected Medicaid & SNAP Losses Due to Federal Changes**, 2025.*

*52. CBO, **"Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline"**, July 2025.*

House version of OBBBA.[53]

- CBO's analysis suggests that 8.3 percent fewer people will lose health care coverage nationwide under the final legislation relative to the House version.[54]
- Scaling this differential to the initial estimate of losses in Philadelphia, we utilized an estimate of 67,200 Philadelphians losing Medicaid eligibility under the OBBBA as provisions take effect over the next 10 years.

For CBH, this translates directly into reduced medical and administrative expenses.

6.2. Potential Economic Impact of Eligibility Loss Due to Medicaid Policy Changes

This section estimates the effect of Medicaid cuts on CBH's economic impact in the region and state.

Impact Methodology

This analysis estimates the reduction in CBH's economic impact due to projected Medicaid eligibility losses using IMPLAN (see Section 4 for more detail on IMPLAN). These estimates use a per-capita measure of CBH's expenses to translate the change in eligibility under OBBBA to reductions in CBH spending.[55] Reductions are based on analyses of OBBBA impacts on Medicaid eligibility by the CBO and PA DHS.[56] As shown in Section 4 of this report, CBH's current operations generate an estimated $2.0 billion in economic activity throughout Philadelphia and Pennsylvania. The impacts presented below represent decreases from that established baseline.

CBH Expense Reduction Calculation

Using CBH's 2024 financial data, we estimated the following:

- **CBH Expenses per eligible individual**: Total CBH expenses ÷ Number of Medicaid eligible individuals
- **Expense loss**: Estimated number of individuals who would lose Medicaid coverage × CBH Expenses per eligible individual

This study assumes that these reductions in spending are distributed proportionally amongst CBH expense categories.

Expenditure Loss Estimates

With 788,800 Medicaid-eligible individuals in Philadelphia in 2024, CBH spent approximately $1,670 per person, totaling $1.3 billion. Based on this per person rate, expense losses from the reduction in the 67,200 Medicaid eligible individuals are estimated at about $111 million (see Figure 6.1).

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53. The PA DHS projects the total eligibility loss due to the OBBBA but does not project the year that these eligibility losses will be reached.

*54. The Congressional Budget Office (CBO) estimates that 10 million individuals will lose Medicaid coverages nation-wide due to OBBBA changes. Congressional Budget Office, **"Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline."** July 2025. The CBO estimates that 10 million individuals will lose Medicaid coverages nationwide. CBO estimated a 10.9 million healthcare coverage loss (inclusive of Medicaid) per the House bill and a 10 million healthcare coverage loss per the final legislation, an 8 percent decrease. The majority of federal health spending reductions concern Medicaid, with a small portion of health spending reductions (5 percent) concerning Medicare, so the reduction in healthcare coverage is attributable to a reduction in Medicaid coverage.*

*CBO, **"Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline."** July 2025.*

*CBO, **"Estimated Budgetary Effects of H.R. 1, the One Big Beautiful Bill Act,"** June 2025.*

55. CBH revenue from Medicaid is determined by capitation, which is the per capita cost of providing services.

56. These estimates do not capture the effects of individual sections of the OBBBA, nor does it capture the OBBBA's economic impact through mechanisms outside of eligibility losses.

Figure 6.1: Estimated Expense Loss Due to Eligibility Reduction, CY2024

Total Expenses	***$1.3 Billion***
Unique Eligible Individuals	***788,800***
Expenses per Eligible Individual	***$1,670***
Reduction in Eligible Individuals	***(67,200)***
Expenses Loss ($M)	***($111)***

Source: Community Behavioral Health (2025), Econsult Solutions (2025), PA Department of Human Services (2025)

Expenditure Reductions

Based on current budget proportions, the loss in CBH's annual expenses implies a reduction of $84 million in medical expenses and an additional $27 million in administrative expenses (see Figure 6.2), for a total reduction in revenue of about $111 million due to Medicaid policy changes.[57]

Figure 6.2: Estimated Expenditure Reductions Due to Capitation Revenue Loss

Expenses	***CY24***	***Post-Medicaid Change***	***Change***
Medical Expenses	***$985M***	***$901M***	***($84M)***
Administrative Expenses (Including MCO)	***$317M***	***$290M***	***($27M)***
Total	***$1.3B***	***$1.2B***	***($111M)***

Source: Community Behavioral Health (2025), Econsult Solutions (2025)

Economic Losses

CBH expenditures have a substantial impact on local and state economies through business growth and employment, as shown in Section 4.2. A reduction in those expenditures will have a proportional impact on local and state economies.

A $111 million reduction in CBH expenditure is estimated to reduce CBH's total economic impact in Philadelphia by $122 million (9 percent of CBH's current economic impact). In this scenario, employment in Philadelphia will shrink by an estimated 810 direct, indirect, and induced jobs (FTE) and $65 million in annual employee compensation.

Statewide, these reduced expenses are estimated to decrease total economic output by $171 million, jobs by 1,110 (FTE), and annual employee compensation by $84 million.

57. As in Section 4, CBH expenditures are modelled to determine the effects of funding cuts on the regional and statewide economies. The decrease in modelled operating expenses, which excludes non-circulating expenses like depreciation and interest, out-of-state expenses, and the MCO assessment, is less than the decrease in total expenditures ($99 million).

Figure 6.3: Estimated Economic Impact Losses[58]

Impact	City of Philadelphia	The Rest of Pennsylvania	All of Pennsylvania
Direct ($M)	***($78)***	***($15)***	***($92)***
Indirect and Induced ($M)	***($44)***	***($35)***	***($79)***
Total ($M)	***($122)***	***($50)***	***($171)***
Employment (FTE)	***(810)***	***(300)***	***(1,110)***
Employee Compensation ($M)	***($65)***	***($19)***	***($84)***

Source: IMPLAN (2023), Community Behavioral Health (2025), Econsult Solutions (2025)

State and Local Tax Revenue Reductions

The estimated reduction of $171 million in economic activity statewide results in decreased household income, business revenues, and consumption, which, in turn, result in lower tax revenues for the City of Philadelphia and the Commonwealth of Pennsylvania.

In total, CBH's reduced operations expenditure as a result of Medicaid cuts are projected to reduce City of Philadelphia tax revenue by $2.3 million and Commonwealth of Pennsylvania tax revenue by more than $23 million (see Figure 6.4).

Figure 6.4: Estimated Fiscal Impact Losses ($M)

Impact	City of Philadelphia	Commonwealth of Pennsylvania
*MCO Assessment**	*-*	***($17.0)***
Income/Wage Tax	***($1.51)***	***($2.0)***
Sales Tax	***($0.38)***	***($3.0)***
Business Tax	***($0.43)***	***($1.3)***
Total Tax Revenue Impact	***($2.3)***	***($23.4)***

**This analysis assumes a proportional reduction in the MCO assessment to the reduction in overall expenses based on the per-capita approach discussed above. However, CBH's MCO assessment is actually calculated as a percentage of revenue. This estimate may overstate the MCO assessment by some margin. The MCO assessment draws down additional FMAP funds, so a lower contribution will limit the state's ability to finance Medicaid services.*

Source: IMPLAN (2023), Community Behavioral Health (2025), Econsult Solutions (2025)

58. *Values may not sum due to rounding.*

6.3. Additional Impacts of Medicaid Policy Changes

The economic impact analysis presented above captures the direct effects of projected Medicaid eligibility losses due to spending reductions at CBH. As reviewed in Section 5, behavioral health services have important social and economic impacts beyond the initial budgetary effects through preventative care and improved health outcomes. Further, reductions in payments to CBH providers may threaten the economic viability of these providers, resulting in further losses in expenditure and care beyond reductions in CBH payments.

Provider Network Impacts

Reduced payments from CBH to providers will limit the number of providers able to participate in Medicaid.[59] Many of CBH's providers are small organizations that are entirely dependent on Medicaid. Providers who rely on Medicaid funding to sustain their operations may face challenging financial conditions with reduced funding.

CBH's Medicaid providers have closed due to operational losses before. In May 2025, Wedge Recovery Centers, a behavioral health service provider under CBH with eight locations city-wide, shut down after three years of spending deficits.[60] Providers that survive Medicaid restrictions will be tasked with maintaining mental health services at a higher volume but with fewer resources.

The economic losses in Section 6.2 do not consider provider closures. The complete loss of providers' spending and employment footprints will accumulate alongside CBH's expenditure reductions, escalating through a multiplier effect and generating additional economic and employment losses. In turn, the City of Philadelphia and the Commonwealth of Pennsylvania will see greater tax revenue losses than modelled.

Potential Social Impacts on Behavioral Health

Reduced federal Medicaid outlays directly and indirectly limit Pennsylvania's Medicaid behavioral health services. Losses to Philadelphia's behavioral health infrastructure will reverberate across communities through economic and social mechanisms. Further, initial expenditure savings are likely to be offset to some extent by future increases in health service needs and spending associated with the decrease in preventative care services.

Decreased Supply of Mental Health Services

Pennsylvania has fewer mental health providers per capita than the national average, which places pressure on hospitals, emergency rooms, correctional facilities, and other public systems.[61] Medicaid plays a central role in addressing Philadelphia's high demand for mental health services. Reductions in Medicaid funding will cause provider closures and the remaining providers will have fewer resources to meet the critical demand for mental health care.

Decreased Preventative Care Services

Medicaid-funded behavioral health services focus on prevention and early intervention, aiming to stabilize individuals before conditions escalate into acute crises.[62] Crisis services typically address immediate, severe episodes of mental health and substance use distress that require urgent intervention, often resulting in costly impatient or emergency care. Crisis prevention services, such as assertive community treatment, mobile crisis outreach, and outpatient therapy, are designed to

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*59. Governor Josh Shapiro, **Impact of Congressional Republicans' Health Care Cuts on Medicaid and SNAP in Pennsylvania**, 2025.*

*60. Nicole Leonard, **Wedge recovery Centers will close behavioral health services after 31-year run in Philadelphia**, 2025.*

61. Logan Kelly, "Leveraging the Strengths of the Behavioral HealthChoices Program to Support Integrated Care in Pennsylvania" (Center for Health Care Strategies, April 2023).

*62. **"Medicaid Handbook: Interface with Behavioral Health Services."** Substance Abuse and Mental Health Services Administration (SAMHSA).*

proactively manage behavioral health needs and reduce emergency episodes.

Pennsylvania's Behavioral HealthChoices Program has demonstrated how crisis prevention services yield cost savings. Since its implementation in 1997, the program has saved the state an estimated $11 to $14 billion, largely by reducing reliance on inpatient care and shifting toward coordinated, community-based treatment.[63] Reduced spending on Medicaid and behavioral health preventive care will degrade health outcomes and increase future health and social costs associated with these individuals.

Increased Emergency Department Use

Without accessible outpatient and preventative behavioral health care, more individuals may turn to emergency departments (EDs) for support during crises. MCOs connect individuals to outpatient community-based behavioral health services, reducing ED visits and thereby lowering ED public costs. Reduced Medicaid funding would make proactive care harder to sustain, resulting in higher ED utilization and increased public health care costs.

Increased Risk of Recidivism for Justice-Impacted Individuals

Behavioral health services reduce incarceration and support reentry for individuals with mental health and substance use challenges. Medicaid enrollments have been linked to a 16 percent reduction in recidivism for people with severe mental illness.[64] In Philadelphia, it costs about $53,000 annually to incarcerate one person compared to just $2,500 for substance use disorder treatment.[65] Devesting in behavioral health care is both detrimental to justice-impacted individuals and cost-inefficient.

Increased Risk of Housing Instability

Among people experiencing homelessness, 38 percent are alcohol dependent, 26 percent use other drugs, and one in four lives with serious mental illness.[66] Medicaid-funded behavioral health and housing support can reduce reliance on emergency systems and improve outcomes for this population. National research shows that supportive housing programs can save nearly $5,000 in taxpayer dollars per capita annually.[67]

However, Medicaid dollars cannot currently be used to directly fund housing costs in Pennsylvania. As such, CBH and other MCOs in the Commonwealth do not provide housing through Medicaid funding. Although in 2024, Pennsylvania received approval from the CMS for a Section 1115 waiver, Keystones of Health, which would allow the state to provide Medicaid-funded housing supports for eligible populations, the initiative has not been funded.[68]

If Medicaid funding is reduced before these expanded supports are implemented, essential behavioral health services could become increasingly difficult to sustain, compounding housing instability and driving up related public costs across systems such as emergency care, criminal justice, and shelters.

Decreased Workforce Productivity

Medicaid-supported services help individuals stabilize and retain employment. In Pennsylvania, 57 percent of Medicaid enrollees are working-age adults, many of whom manage conditions like

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63. Ibid.

64. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Health Care Transitions for Individuals Returning to the Community from a Public Institution: Promising Practices Identified by the Medicaid Reentry Stakeholder Group, 9.

*65. Carla Rose, **"Addressing Opioid Addiction: Treatment, Not Jail,"** ACLU Massachusetts, November 12, 2015.*

*66. National Coalition for the Homeless, **"Substance Abuse and Homelessness Policies,"** June 2017.*

*67. **"Ending Chronic Homelessness Saves Taxpayers Money,"** National Alliance to End Homelessness (retrieved July 2025).*

*68. **"Bridges to Success: Keystones of Health for Pennsylvania,"** Commonwealth of Pennsylvania.*

depression, anxiety, or substance us disorders.[69] Nationally, untreated mental health conditions cost the economy an estimated $282 billion each year in lost productivity.[70] Reductions in Medicaid funding could disrupt Philadelphia's behavioral health support system, potentially leading to higher unemployment and reduced productivity.

Reduced Household Resources

The OBBBA will decrease available resources for households in the lowest income brackets. Per the House bill, the Congressional Budget Office (CBO) estimates that the bottom 10 percent of households in the income distribution will have their available resources, including Medicaid, decreased by $1,600 annually (4 percent).[71] Low-income households who depend on Medicaid to treat long-term conditions will be impacted even further.

69. KFF, ***"Medicaid Enrollees by Age | KFF,"*** *KFF, May 17, 2024.*

70. Jonathan Sperling, ***"Mental Health and the Economy – It's Costing Us Billions | Columbia Business School,"*** *Columbia Business School, May 28, 2024.*

71. CBO, ***"Estimated Budgetary Effects of H.R. 1, the One Big Beautiful Bill Act,"*** *June 2025.*

APPENDIX A: INPUT-OUTPUT METHODOLOGY

In an inter-connected economy, every direct dollar spent generates two spillover impacts:

- First, some amount of the proportion of that expenditure that goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local vendors. This represents what is known as the **indirect effect** and reflects the fact that local purchases of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors.
- Second, some amount of the proportion of that expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This represents what is known as the **induced effect** and reflects the fact that some of those goods and services will be purchased from local vendors, further stimulating the economy.

To model the impacts resulting from the direct expenditures of Community Behavioral Health, ESI developed a customized economic impact model using IMPLAN's input/output modeling system. Utilizing an industry standard approach, IMPLAN's input/output modeling system allows users to assess the economic and job creation impacts of industry-based events and public policy changes within a county or its surrounding area. IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through economics. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), or the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or institution, but also the high level at which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes these multipliers and divides them into 528 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.

Explanation of Multipliers[72]

The use and application of multipliers are intuitive. Multipliers, in their most basic form, are the result of an algebraic analysis expressing how two inputs are interconnected in the production of an output. The result of the equation generates a multiplier that is broken down into direct, indirect, and induced effects. In a generalized example: if the multiplier for good *X* to good *Y* is 3, then the direct effect of good *X* on *Y* is 1, with indirect and induced effects of 2. Essentially, every unit of good *X* supports 2 units of good *Y*.

When implemented on a large complex scale, such as that of the US economy or any subsection of it, multiplier effects across industries can be complicated. However, the same general concept comes into play. Each industry has largely different and varied inputs into other industries. The quantity of the output is largely decided by the scale and efficiency of the industries involved. As a result, the sum of those inputs equates to an output product plus a value added/component. By arranging these inputs and outputs by industry in a matrix and performing some algebra to find the Leontief inverse matrix, each industry's effect on final demand can be estimated. Additionally, the direct, indirect, and induced effects can also be determined. Direct effects include direct purchases for production, indirect effects include expenses during production, and induced effects concern

72. Lahr, Michael. "Input-Output Analysis: Technical Description and Application." Rutgers University Edward J. Bloustein School of Planning and Public Policy.

the expenditures of employees directly involved with production. Using building construction as an example, the direct effects would include materials, brick, steel, and mortar; the indirect effects would involve the steel fabrication and concrete mixing; and the induced effects would consider purchases by construction workers using their wages. While impacts vary in size, each industry has rippling effects throughout the economy. By using an input-output model, these effects can be more accurately quantified and explained.

IMPLAN is one of several popular choices for regional input-output modeling. Each system has its own nuances in establishing proper location coefficients. IMPLAN uses a location quotient to determine its regional purchase coefficient (RPC). This represents the proportion of demand for a good that is filled locally; this assessment helps determine the multiplier for the localized region. Additionally, IMPLAN also accounts for inter-institutional transfers (e.g., firms to households, households to the government, etc.) through its social account matrix (SAM) multipliers. IMPLAN takes the multipliers and divides them into industry categories in accordance with the North American Industrial Classification System (NAICS) codes, allowing a comprehensive breakdown of a region's multipliers by industry to be shown.

APPENDIX B: GLOSSARY OF TERMS

Behavioral Health and Medicaid

Affordable Care Act (ACA): A comprehensive health care reform law (passed in 2010) and its amendments. The law addresses health insurance coverage, health care costs, and preventive care.[73]

Affordable Care Act (ACA) Medicaid Expansion Population: The ACA Medicaid expansion population is nearly all adults with incomes up to 138% of the Federal Poverty Level. The ACA provided states with an enhanced federal matching rate (FMAP) for their expansion populations. It is effectively optional for states and to date 41 states (including D.C.) have adopted the expansion.

Carve-Out: A carve-out is a Medicaid managed care financing model where some portion of Medicaid benefits—dental services, pharmacy services, behavioral health services, etc.—are separately managed and/or financed. -

Department of Behavioral Health and Intellectual disAbility Services (DBHIDS): A department under the City of Philadelphia's Health and Human Services cabinet that functions as a single-payer public health system using federal, state, and local dollars, including Medicaid, to oversee behavioral health care, intellectual disability supports, and early intervention services.[74]

Federal Medicaid Assistance Percentage (FMAP): Computed from a formula that considers the average per capita income for each State relative to the national average. By law, the FMAP cannot be less than 50%.[75]

Medicaid Managed Care Organization (MCO): An MCO is an entity that has entered into a risk contract with a state Medicaid agency to provide a specified package of benefits to Medicaid enrollees in exchange for an actuarially sound monthly capitation payment on behalf of each enrollee.

Managed Care Organization (MCO) Assessment: MCO Assessment is a state-level financial assessment levied on MCOs, calculated as a percentage of revenue or per-member amount. The purpose is to generate additional non-federal Medicaid funds that can be used to draw down matching federal dollars, thereby increasing total available Medicaid funding. These assessments are authorized under federal law as long as they meet certain requirements and are applied uniformly. The resulting revenue is reinvested into the Medicaid program to stabilize rates, expand coverage, or support provider payments.

Medicaid Provider: An individual, firm, corporation, or other entity which provides behavioral health or medical services or supplies to Medical Assistance Recipients.

One Big Beautiful Bill Act (OBBBA): A U.S. federal budget reconciliation act, passed in July 2025, containing tax and spending policy changes.

Pennsylvania Behavioral HealthChoices Program: Behavioral HealthChoices is Pennsylvania's mandatory Medicaid managed care program for behavioral health services. Implemented in 1997 under a Section 1915(b) waiver, the program allows counties or multi-county joinders to contract with Behavioral Health Managed Care Organizations (BH-MCOs) to deliver mental health and substance

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73. Further information is available at the U.S. Department of Health and Human Services ***About the Affordable Care Act****.*

74. Further information is available at ***dbhids.org****.*

75. Further information is available at ASPE ***Federal Medical Assistance Percentages or Federal Financial Participation in State Assistance Expenditures****.*

use disorder services to Medicaid recipients.[76]

Pennsylvania Community HealthChoices Program: Community HealthChoices is Pennsylvania's mandatory Medicaid and Medicare managed care program for long-term health services. Implemented in 2019 under a Section 1915(b) waiver, the program allows counties or multi-county joinders to contract with Managed Care Organizations (MCOs) to deliver community health services to both Medicaid and Medicare recipients.[77]

Pennsylvania Department of Human Services (DHS): The Pennsylvania Department of Human Services (DHS) is a state agency responsible for providing care and support to vulnerable citizens in Pennsylvania.[78]

Pennsylvania HealthChoices Program: HealthChoices is Pennsylvania's managed care program for Medicaid / Medical Assistance recipients. It is administered by the Pennsylvaina Department of Human Services (DHS) and encompasses the Physical HealthChoices, Behavioral HealthChoices, and Community HealthChoices programs.[79]

Pennsylvania Physical HealthChoices Program: Physical HealthChoices is Pennsylvania's mandatory Medicaid managed care program for physical health services. Implemented in 1997 under a Section 1915(b) waiver, the program allows counties or multi-county joinders to contract with Physical Health Managed Care Organizations (PH-MCOs) to deliver physical health services to Medicaid recipients.[80]

Provider Pay for Performance: A health care payment model that offers financial incentives to health care providers that meet certain performance measures.

Reinvestment Funds: Capitation revenues from DHS and investment income which are not expended during an Agreement period by the Primary Contractor for purchase of services for Members, administrative costs, Risk and Contingency Funds, and equity requirements but may be used in a subsequent Agreement period to purchase start-up costs for State Plan Services, development or purchase of ILOS and in addition to services or non-medical services, contingent upon DHS prior approval of the Primary Contractor's reinvestment plan.

U.S. Centers for Medicaid and Medicare Services (CMS): CMS is the federal agency that provides health coverage through Medicaid, Medicare, the Children's Health Insurance Program, and the Health Insurance Marketplace.

U.S. Centers for Medicaid and Medicare Services (CMS) Section 1115 Waiver: The CMS Section 1115 Waiver allows states to administer experimental, pilot, or demonstration projects that promote the objectives of the Medicaid and CHIP programs. It allows states to expand Medicaid eligibility, provide services not typically covered by Medicaid, or use innovative service delivery systems.

U.S. Centers for Medicaid and Medicare Services (CMS) Section 1915(b) Waiver: The CMS Section 1915(b) Waiver allows states to implement a Medicaid-funded managed care system through waiver authority. States must demonstrate that the managed care system is cost-effective, effective, and consistent with the principles of the Medicaid program.

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*76. Further information is available on the **PA Behavioral HealthChoices webpage**.*

*77. Further information is available on the **PA Community HealthChoices webpage**.*

*78. Further information is available at **PA Department of Human Services**.*

*79. Further information is available on the **PA Medicaid / Medical Assistance webpage**.*

*80. Further information is available on the **PA Physical HealthChoices webpage**.*

Input/Output Models

Multiplier Effect: The notion that initial outlays have a ripple effect on a local economy, to the extent that direct output leads to indirect and induced output.

Economic Impacts: Total expenditures, employment, and labor income generated.

Tax Revenue Impacts: Local and/or state tax revenues generated.

Direct Output: Initial outlays usually associated with the project or activity being modeled; examples: one-time upfront construction and related expenditures associated with a new or renovated facility; annual expenditures associated with ongoing facility maintenance and/or operating activity.

Direct Employment: The number of annual jobs associated with direct output (including full- and part-time employment)

Direct Labor Income: The salaries and wages earned by employees, contractors, and proprietors as part of the direct output.

Indirect Output: Indirect and induced outlays resulting from the direct output; examples: vendors increasing production to meet new demand associated with the direct output, workers spending direct labor income on various purchases within the local economy.

Indirect/Induced Employment: The number of annual jobs associated with indirect/induced output (including full- and part-time employment)

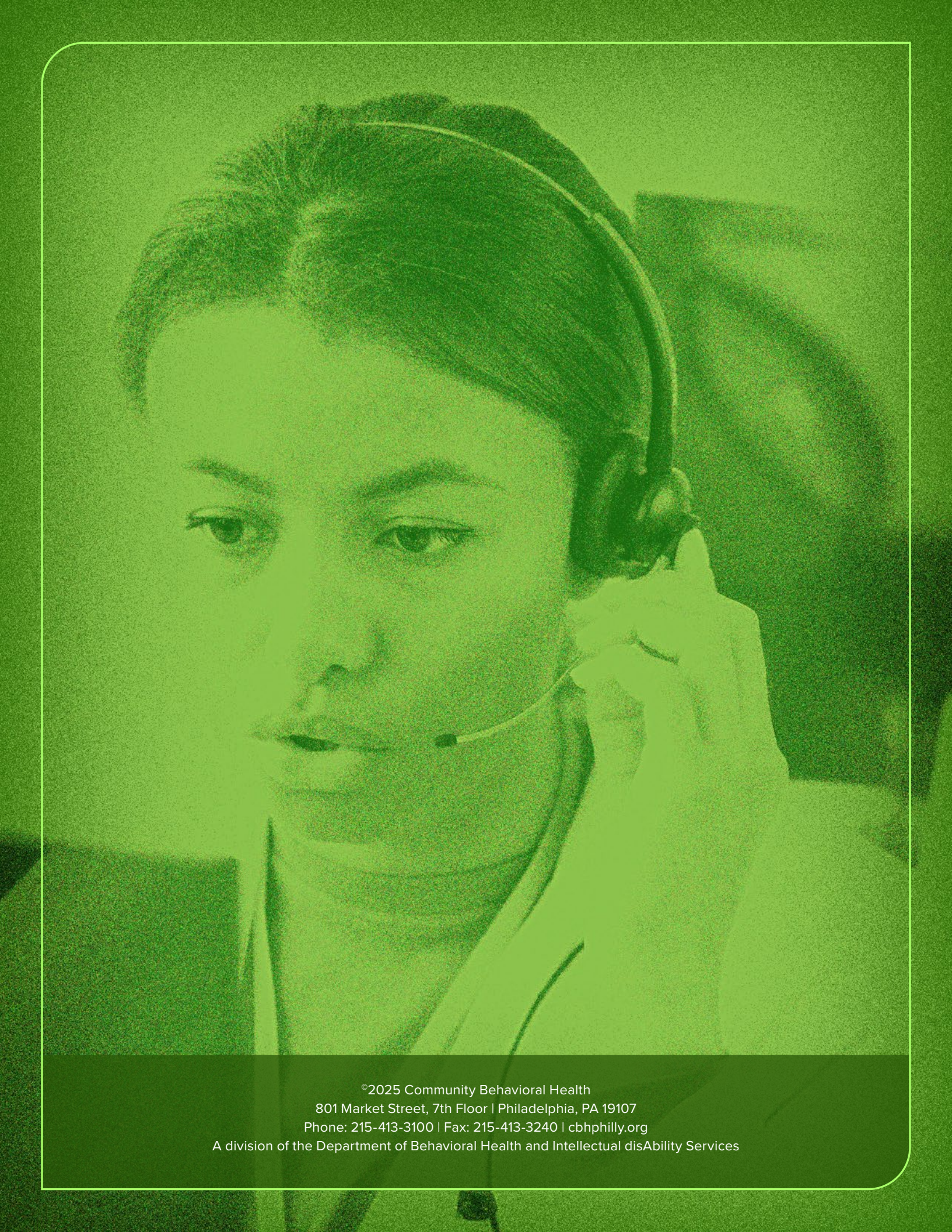
Indirect Labor Income: The salaries and wages earned by employees, contractors, and proprietors as part of the indirect output.

Total Output: The sum of direct output and indirect output.

Total Employment: The sum of direct employment and indirect employment.

Total Labor income: The sum of direct labor income and indirect labor income.

Source: Econsult Solutions, Inc. (2025)



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