

# ECONOMIC IMPACT OF THE MEDICAID EXPANSION

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**Medicaid's Role in the Economy** – The Affordable Care Act allows states to expand Medicaid coverage to adults up to 133% of the federal poverty level (FPL), including parents and childless adults. To reduce the number of uninsured in their state and to strengthen their Medicaid programs, 28 states and the District of Columbia have taken up the option to expand Medicaid coverage. The federal government covers 100% of the costs of the Medicaid expansion population until 2016 and the federal matching rate will decrease over time to 90% by 2020.

In this fact sheet, we assemble evidence that shows that expanding Medicaid will benefit states both directly and indirectly by generating additional federal revenue, increasing jobs and earnings, increasing Gross State Product (GSP), increasing state and local revenues (via additional provider taxes and fees and increased prescription drug rebates), and reducing uncompensated care and hospital costs.

## Impact of Medicaid Expansion on Low-Income People's Financial Circumstances

Expanding Medicaid plays an important role in helping to financially protect low-income enrollees. Research shows that:

- Medicaid is the third largest poverty-reducing program in the country and the second-largest program in reducing the rate of Americans in extreme poverty (<50% of the federal poverty level). (Sommers)
- In the Oregon Medicaid experiment, researchers found a 25% decline in the probability of having an unpaid medical bill sent to a collection agency and almost eliminated catastrophic out-of-pocket medical costs. (Finkelstein)
- Pre-ACA Medicaid expansions have been associated with reductions in bankruptcy rates. (Gross)

## Impact of Medicaid Expansion on Uncompensated Care

Hospital financial reporting suggests that coverage expansions are contributing to a national reduction in hospital uncompensated care costs. In particular:

- Volumes of uninsured/self-pay admissions and emergency department visits have fallen substantially in Medicaid expansion states. (ASPE)
- Hospitals uncompensated care costs are estimated to be \$7.4 billion (21%) lower in 2014 than they would have been in the absence of coverage expansions. (ASPE)
- Medicaid expansion states saw significantly greater reductions in their uncompensated care costs in 2014 - an estimated additional \$2.6 billion in reductions over the savings realized in non-expansion states (\$5.0 billion in expansion states compared to \$2.4 billion in non-expansion states). (ASPE)

## Impact of Medicaid Expansion on State Gross Domestic Product (GDP)

Medicaid has been shown to have a positive effect on a state's economy. Research shows that:

- In a 10-state study examining the economic impacts of expanding Medicaid, on balance, the Medicaid expansion would be financially advantageous in each of the states. (Urban)
- States that choose not to expand their Medicaid programs as of July 2014 would forego an estimated \$88 billion in federal funding from 2014-2016 and would reduce the Nation's economic output by approximately \$66 billion lower through 2017. (CEA)
- States have gained savings from reductions in expenditures on behavioral health programs (mental health and substance abuse services). (Kaiser)
- In Kentucky, the first state to release a post-expansion study with updated estimates on the impact of their Medicaid expansion, the estimated economic contribution is projected to be \$30.1 billion from 2014 to 2021. Their report also finds that there will be a net positive impact on their state budget of \$919.1 million and job growth of 12,000 jobs in state fiscal year 2014 and 40,000 jobs from state fiscal year 2014 to 2021. (Deloitte)

Many other states have commissioned independent studies to estimate the state-specific impacts of expanding Medicaid on their economy. The findings almost universally show job growth and positive economic impacts over time (see Table 1). Of the state analyses that also estimate the effects on hospital costs, all states show reductions in uncompensated care.

**Table 1: State Supported Studies of Estimated Impacts of the Medicaid Expansion<sup>1</sup>**

	<b>Study Time Period</b>	<b>Estimated Economic Impact<sup>2</sup></b>	<b>Estimated Job Growth</b>
<b>Alabama</b>	2014-2020	\$20 billion	30,700*
<b>Alaska</b>	2014-2019	\$2.33 billion	3,700
<b>Arkansas</b>	2014-2020	\$9.25 billion	8,500
<b>California</b>	2014-2019		100,000*
<b>Colorado</b>	2014-2025	\$4.4 billion	22,388
<b>Florida</b>	2014-2016	\$8.9 billion	71,300
<b>Georgia</b>	2014-2023	\$8.2 billion	70,343
<b>Idaho</b>	2014-2024	\$2.99 billion	11,247
<b>Indiana</b>	2014-2020	\$2.4-\$3.4 billion	33,371
<b>Illinois</b>	2014-2016	\$2.6 billion	19,800
<b>Kentucky<sup>3</sup></b>	2014-2016	\$1.7 billion	14,700
<b>Louisiana</b>	2014-2016	\$1.8 billion	15,600
<b>Maine</b>	2014-2016	\$350 million	3,100
<b>Maryland</b>	2014-2020	\$3.3 billion	26,970
<b>Michigan</b>	2014-2016	\$2.1 billion	18,000
<b>Missouri</b>	2014-2020	\$9.6 billion	22,175
<b>Montana</b>	2014-2021	\$3.8-\$4.2 billion	11,500*
<b>Nebraska</b>	2014-2020	\$4.9-\$5.9 billion	10,770*
<b>New Mexico</b>	2014-2020	\$4.8 -\$8.6 billion	6,001
<b>North Carolina</b>	2014-2021	\$1.4 billion*	23,000
<b>Ohio</b>	2014-2022	\$18.6-\$19.8 billion	27,056 – 31,872
<b>Oregon</b>	2014-2020		29,100
<b>Pennsylvania</b>	2014-2020	\$3.2 - \$3.6 billion	35,000
<b>Texas</b>	2014-2023	\$270 billion	3.2 million person years
<b>Virginia</b>	2014-2019	\$3.9 billion*	30,000
<b>Wisconsin</b>	2014-2016	\$1.3 billion	10,500

<sup>1</sup> The Kaiser Family Foundation created a resource guide with all of the independent state studies released as of 2013. The information from this table is included in:

Kaiser Family Foundation. (2013). The Role of Medicaid in State Economies and the ACA. Washington, D.C.: Kaiser Family Foundation. Retrieved from: <https://kaiserfamilyfoundation.files.wordpress.com/2013/11/8522-the-role-of-medicaid-in-state-economies-looking-forward-to-the-aca.pdf>

<sup>2</sup> The estimated economic impact and job growth amounts represent total growth for the entire study period as included in each state-specific study. States with a "\*" indicate the estimated economic impact and job growth on an annual basis for each year in the state-specific study.

<sup>3</sup> Kentucky is the first state to release an updated study in 2015 with new estimates on the impact of their Medicaid expansion.

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## Technical Notes:

Sources cited include:

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