

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 Expansion¹

	Study Time Period	Estimated Economic Impact²	Estimated Job Growth
Alabama	2014-2020	\$20 billion	30,700*
Alaska	2014-2019	\$2.33 billion	3,700
Arkansas	2014-2020	\$9.25 billion	8,500
California	2014-2019		100,000*
Colorado	2014-2025	\$4.4 billion	22,388
Florida	2014-2016	\$8.9 billion	71,300
Georgia	2014-2023	\$8.2 billion	70,343
Idaho	2014-2024	\$2.99 billion	11,247
Indiana	2014-2020	\$2.4-\$3.4 billion	33,371
Illinois	2014-2016	\$2.6 billion	19,800
Kentucky³	2014-2016	\$1.7 billion	14,700
Louisiana	2014-2016	\$1.8 billion	15,600
Maine	2014-2016	\$350 million	3,100
Maryland	2014-2020	\$3.3 billion	26,970
Michigan	2014-2016	\$2.1 billion	18,000
Missouri	2014-2020	\$9.6 billion	22,175
Montana	2014-2021	\$3.8-\$4.2 billion	11,500*
Nebraska	2014-2020	\$4.9-\$5.9 billion	10,770*
New Mexico	2014-2020	\$4.8 -\$8.6 billion	6,001
North Carolina	2014-2021	\$1.4 billion*	23,000
Ohio	2014-2022	\$18.6-\$19.8 billion	27,056 – 31,872
Oregon	2014-2020		29,100
Pennsylvania	2014-2020	\$3.2 - \$3.6 billion	35,000
Texas	2014-2023	\$270 billion	3.2 million person years
Virginia	2014-2019	\$3.9 billion*	30,000
Wisconsin	2014-2016	\$1.3 billion	10,500

¹ 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>

² 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.

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

Technical Notes:

Sources cited include:

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Deloitte Development LLC. (2015). *Medicaid Expansion Report: 2014*. Commonwealth of Kentucky. Retrieved from: http://governor.ky.gov/healthierky/Documents/medicaid/Kentucky_Medicaid_Expansion_One-Year_Study_FINAL.pdf

Dorn, S., John Holahan, C. C., & McGrath, M. (2013). Medicaid Expansion Under the ACA: How States Analyze the Fiscal and Economic Trade-offs. Washington, D.C.: Urban Institute. Retrieved from: <http://www.urban.org/UploadedPDF/412840-Medicaid-Expansion-Under-the-ACA.pdf>

Dorn, S, et al. (March 2015). Kaiser Family Foundation and Urban Institute (March 2015). The Effects of the Medicaid Expansion on State Budgets: An Early Look in Select States. Kaiser Family Foundation. Accessed at: <http://kff.org/medicaid/issue-brief/the-effects-of-the-medicare-expansion-on-state-budgets-an-early-look-in-select-states/>

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Gross, T. and Notowidigdo, M. (2011). Health Insurance and the Consumer Bankruptcy Decision: Evidence from Expansions of Medicaid. *Journal of Public Economics* 95(7-8): p. 767-778.

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The Council of Economic Advisors. (2014). Missed Opportunities: The Consequences of State Decisions Not to Expand Medicaid. Washington, D.C.: The Council of Economic Advisors. http://www.whitehouse.gov/sites/default/files/docs/missed_opportunities_medicare.pdf