Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

October 9, 2018

Medicaid Expansion Continues to Benefit State Budgets, Contrary to Critics' Claims

By Jesse Cross-Call

As residents of Idaho, Nebraska, and Utah prepare to vote this November on initiatives to expand Medicaid as part of the Affordable Care Act (ACA), a large and growing body of evidence shows that Medicaid expansion has produced large gains in health coverage and improved beneficiaries' physical and financial health. "With dozens of scientific analyses spanning multiple years, the best evidence we currently have suggests that Medicaid expansion greatly improved access to care, generally improved quality of care, and to a lesser degree, positively affected people's health,"[1] according to the lead author of an analysis of peer-reviewed evidence on the expansion's impact.[2]

In the face of this evidence, critics of Medicaid expansion (including the conservative Foundation for Government Accountability and similar state-level organizations) have centered their opposition on the claim that expansion has financially harmed states because some states underestimated the number of people who would enroll.[3] This argument doesn't hold up under scrutiny. As a review of studies on the cost of expansion concluded, "[c]laims that the costs of Medicaid expansion have far exceeded expectations are overstated, misleading, and substantially inaccurate, based on a review of the credible evidence from either academic or government sources."[4]

[1] Olena Mazurenko *et al.*, "The Effects of Medicaid Expansion Under the ACA: A Systemic Review," *Health Affairs*, June 2018, https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2017.1491.

[2] Aaron E. Carroll, "Finally, Some Answers on the Effects of Medicaid Expansion," *New York Times*, July 2, 2018, https://www.nytimes.com/2018/07/02/upshot/finally-some-answers-on-the-effects-of-medicaid-expansion.html.

[3] See, for example, Jonathan Ingram and Nicholas Horton, "A Budget Crisis in Three Parts: How Obamacare is Bankrupting Taxpayers," Foundation for Government Accountability, February 1, 2018, https://thefga.org/research/budget-crisis-three-parts-obamacare-bankrupting-taxpayers/; Dan Hemmert, "Guest Opinion: Proposition 3 is not right for Utah," *Deseret News*, September 22, 2018, https://www.deseretnews.com/article/900032994/guest-opinion-proposition-3-is-not-right-for-utah.html.

[4] Mark Hall, "Do states regret expanding Medicaid?," Brookings Institution, March 26, 2018, https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2018/03/26/do-states-regret-expanding-medicaid/.

Medicaid Expansion Continues to Produce State Budget Savings

Under the ACA, the federal government paid 100 percent of the cost of Medicaid expansion coverage from 2014 to 2016. The federal share dropped to 95 percent in 2017, 94 percent in 2018, and 93 percent in 2019 and will settle at 90 percent in 2020 and each year thereafter. By comparison, the federal government pays between 50 and 76 percent of the cost of other Medicaid enrollees, depending on the state.

Many state and independent analyses have found that expansion produced *net savings* for state budgets while the federal government was paying the full cost of expansion enrollees, since expansion allowed states to spend less in other areas.[5] For example, as more people gained coverage, hospitals' uncompensated care costs — and thus, for some states, payments to hospitals to help cover those costs — fell. States also spent less on programs serving people with mental health or behavioral health needs since Medicaid paid for their treatment, and less on corrections as federal Medicaid dollars paid a greater share of the inpatient hospital costs of inmates eligible for and enrolled in Medicaid. And, in states that tax managed care plans serving Medicaid beneficiaries, increased enrollment has generated revenue gains that further offset the cost of expansion.

Going forward, even with the federal share of expansion dropping to 90 percent, some states project savings that will offset much (though not all) of their expansion costs, while others project expansion will continue producing net budget savings.

- **Arkansas**. Medicaid expansion will produce net state savings each year through fiscal year 2021, and $444 million total from 2018-2021, as the state pays less to hospitals to cover uncompensated care costs and collects more premium tax revenue, among other factors.[6]
- **Michigan**. Net savings from expansion will total more than $1 billion from 2018-2021 due to increased tax revenue and savings on state mental health programs.[7]
- **Montana**. Expansion has produced net savings for the state since coverage began in 2016. That's because the state now gets the higher match rate for some Medicaid beneficiaries it previously covered at its regular Medicaid match (66 percent) and generates savings in its corrections system.[8]
- **Virginia**. Expansion, which the legislature passed in June, is projected to save the Commonwealth $421 million in its first two years as Virginia claims the enhanced matching

---

[5] See, for example, Deborah Bachrach *et al.*, "States Expanding Medicaid See Significant Budget Savings and Revenue Gains," State Health Reform Assistance Network, Robert Wood Johnson Foundation, March 2016, https://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097.

[6] The Stephen Group, "Arkansas Health Reform Legislative Task Force: Final Report," December 15, 2016, http://www.arkleg.state.ar.us/assembly/2017/Meeting%20Attachments/836/I14805/Final%20Approved%20Report%20from%20TSG%2012-15-16.pdf.

[7] John Ayanian *et al.*, "Economic Effects of Medicaid Expansion in Michigan," *New England Journal of Medicine*, February 2, 2017, https://www.nejm.org/doi/full/10.1056/NEJMp1613981.

[8] Bryce Ward and Brandon Bridge, "The Economic Impact of Medicaid Expansion in Montana," University of Montana Bureau of Business and Economic Research, April 2018, https://mthcf.org/wp-content/uploads/2018/04/BBER-MT-Medicaid-Expansion-Report_4.11.18.pdf.

rate for some populations it previously covered at its regular Medicaid match (50 percent) and generates savings in its corrections system and elsewhere.[9]

In Idaho, where voters will decide on expansion in November, a recent report that the consulting firm Milliman prepared for the state found that expansion would allow Idaho to spend less on several state-funded programs for the low-income uninsured, such as its catastrophic care fund and inpatient hospital services for people in the corrections system.[10] These offsetting savings would reduce Idaho's net cost from expansion to $21.5 million during the first full year coverage would be offered. This means Idaho would spend about *$20 per month* on the Medicaid coverage for each of the more than 90,000 low-income residents gaining coverage.

The conservative Heartland Institute and the Idaho Freedom Foundation (IFF) claim that Milliman's enrollment projections are too low given that enrollment exceeded projections in some expansion states.[11] But Milliman incorporated the experiences of Arkansas, Montana, and other states that enrolled more people than they projected in its calculations for Idaho and *still* found a minimal cost to the state. The Heartland-IFF report also claims that spending on expansion has made it harder for states to fund other priorities like education and transportation, but a 2017 study in *Health Affairs* found no evidence of this.[12]

In fact, Medicaid enrollment and costs have stabilized after initial growth when expansion first took effect in 2014. Overall Medicaid enrollment grew by 8.8 percent in 2014 and 7.6 percent in 2015 but only 3.1 percent in 2016, according to the Centers for Medicare & Medicaid Services' (CMS) actuary.[13] CMS projects enrollment growth of 2.1 percent in 2017 and 1.3 percent annually from 2017 to 2026. Per-beneficiary costs were higher among expansion beneficiaries than among previously eligible adults in 2014 and 2015 but fell in 2016 and 2017 and are now *lower* than among previously eligible adults.

---

[9] Virginia Department of Medical Assistance Services, "Overview of the Governor's Introduced Budget," January 8, 2018, http://sfc.virginia.gov/pdf/health/2018/010818_No1_Jones_DMAS%20Budget%20Briefing.pdf.

[10] Justin C. Birrell *et al.*, "Financial Impacts from Medicaid Expansion in Idaho," Milliman, Inc., July 19, 2018, https://healthandwelfare.idaho.gov/Portals/0/AboutUs/FromTheNewsroom/Impact%20of%20Medicaid%20Expansion%20for%20Idaho%2020180718%20-%20Final.pdf.

[11] Charlie Katebi and Lindsay Atkinson, "Don't Buy the Hype: Medicaid Expansion Would Be A Disaster for Idaho," The Heartland Institute and the Idaho Freedom Foundation, September 2018, https://www.heartland.org/_template-assets/documents/publications/IdahoPBMedicaid2.pdf.

[12] Benjamin D. Sommers and Jonathan Gruber, "Federal Funding Insulated State Budgets From Increased Spending Related to Medicaid Expansion," *Health Affairs,* May 2017, https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.1666.

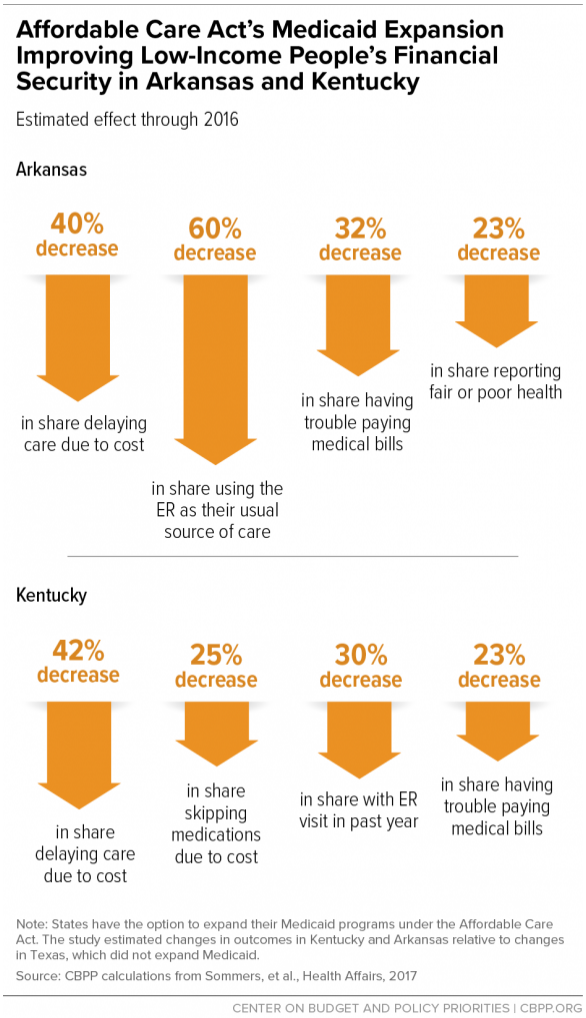
[13] Christian Wolfe, Kathryn Rennie, and Christopher Truffer, "2017 Actuarial Report on the Financial Outlook for Medicaid," Centers for Medicare & Medicaid Services, Office of the Actuary, https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2017.pdf.

Medicaid Expansion Has Led to Large Coverage Gains, Improved Health, and Supported Work

Even as expansion imposes little if any burden on state budgets, evidence of its positive impacts continues to accumulate.

States that have adopted expansion have a much lower uninsured rate than states that haven't, and the gap continues to widen. The uninsured rate in expansion states dropped 6.4 percentage points from 2013 to 2017, from 13 percent to 6.6 percent, according to Census data.[14] In non-expansion states, it dropped 4.8 percentage points, from 17 percent to 12.2 percent. This gap between expansion and non-expansion states has grown each year beginning in 2014.

FIGURE 1



[14] Matt Broaddus, "Census States Not Expanding Medicaid Lagging on Health Coverage," Center on Budget and Policy Priorities, September 12, 2018, https://www.cbpp.org/blog/census-states-not-expanding-medicaid-lagging-on-health-coverage

Beneficiaries gaining coverage through expansion are using it to obtain cancer screenings, prescription drugs, and treatment for chronic health conditions. Evidence suggests that expansion coverage leads to more appropriate use of care by increasing the use of primary care services and reducing emergency room visits by the uninsured.[15] And expansion has reduced the medical debt of low-income Americans and improved their financial situation generally.[16] (See Figure 1.)

Medicaid also supports work. "No studies have found negative effects of expansion on employment or employee behavior," a comprehensive literature review by the Kaiser Family Foundation found,[17] and expansion hasn't significantly affected other economic measures like labor force participation and the number of work hours per week.

The Heartland-IFF report claims that expansion could "pull tens of thousands of hard-working Idahoans out of the labor force."[18] To the contrary, ample evidence suggests that Medicaid expansion has been a crucial work support for people with low incomes. In studies conducted in Michigan[19] and Ohio,[20] expansion beneficiaries with jobs said Medicaid coverage has made it easier for them to maintain employment, while those without jobs said coverage made it easier for them to look for employment.

Conclusion

Voters in Idaho, Nebraska, and Utah will decide in November whether to expand Medicaid as part of the ACA, while policymakers in Georgia, Kansas, and other non-expansion states are giving renewed consideration to expansion. There is ample evidence of the benefits of expansion, from increased health coverage to improved physical and financial health among those who gain coverage. Claims that higher-than-expected enrollment in some states has harmed state budgets don't hold up under scrutiny. Expansion continues to save states money or come at a minimal cost.

---

[15] See, for example, "Chart Book: The Far Reaching Benefits of the Affordable Care Act's Medicaid Expansion," Center on Budget and Policy Priorities, October 2, 2018, https://www.cbpp.org/research/health/chart-book-the-far-reaching-benefits-of-the-affordable-care-acts-medicaid.

[16] Aaron Sojourner and Ezra Golberstein, "Medicaid Expansion Reduced Unpaid Medical Debt and Increased Financial Satisfaction," *Health Affairs* blog, July 24, 2017, https://www.healthaffairs.org/do/10.1377/hblog20170724.061160/full/.

[17] Larisa Antonisse *et al.*, "The Effects of Medicaid Expansion Under the ACA: Updated Findings From a Literature Review," Kaiser Family Foundation, March 2018, http://files.kff.org/attachment/Issue-Brief-The-Effects-of-Medicaid-Expansion-Under-the-ACA-Updated-Findings-from-a-Literature-Review.

[18] Katebi and Atkinson, *op. cit.*

[19] Kara Gavin, "Medicaid Expansion Helped Enrollees Do Better at Work or in Job Searches," University of Michigan Health Lab, June 27, 2017, https://labblog.uofmhealth.org/industry-dx/medicaid-expansion-helped-enrollees-do-better-at-work-or-job-searches.

[20] Ohio Department of Medicaid, "2018 Ohio Medicaid Group VIII Assessment," August 2018, http://medicaid.ohio.gov/Portals/0/Resources/Reports/Annual/Group-VIII-Final-Report.pdf.