

Medicaid Expansion and Other States

Prepared for

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Updates on studies referenced in Report on SFY 2017

We noted in our SFY 2017 study that a similar economic model to what we used in analyzing the economic impact of the Medicaid Expansion program had been used by other states to evaluate the impact of new federal spending for Medicaid programs, especially the Medicaid Expansion program. Some of the studies noted have slightly different components to their analysis but the same objective, namely, what, if any, was the economic impact of Medicaid Expansion on the state's economy and budget. In some cases, researchers have extended the studies to include other dimensions of financial and health outcomes for the individuals receiving healthcare assistance and the states providing this assistance. Below, we focus on the states and studies that we noted in our original report.

- The University of Michigan's Institute for Healthcare Policy & Innovation noted that Michigan's expansion of Medicaid health insurance boosted the state's economy and budget and would continue to do so for at least five years.

The University of Michigan's Institute for Healthcare Policy & Innovation is now focusing on Medicaid Expansion and healthcare outcomes as opposed to the economic impact and they have extended their research models beyond Michigan by looking at the number of deaths that could be averted by appropriate healthcare treatment. They are also focusing on the impact on the financial health of individuals who were able to get healthcare insurance through Medicaid Expansion in a working paper included as part of the NBER (National Bureau of Economic Research) working paper series (September 2018).

- The Arkansas Regional Economic Analysis Project prepared a study for the state of Arkansas and found that Medicaid Expansion in Arkansas had contributed a 0.41% increase in gross domestic product as of 2014 and would have a continuing positive impact on the growth of GDP and on state employment through 2020.

The first Arkansas study focused on Medicaid Expansion without any changes in the process of implementing it. This study took a multi-year approach and estimated the impact over a six-year period to be an increase in jobs of approximately 8,600 in 2014 and 10,600 in 2020. A second study focused on Arkansas' decision to implement Medicaid Expansion as "Arkansas Private Option." Arkansas applied for a waiver from the Center for Medicare and Medicaid Services to create its own Medicaid Expansion program. This study notes that, without Medicaid Expansion, certain changes in taxes paid by individuals and certain federal funding, would affect the economy regardless of if the Arkansas Private Option was accepted or not. The study found that the decision to expand Medicaid in Arkansas will grow the state's economy more than it would have without expansion. This report also focused on the fact that over time the state would pick up a larger share of the cost of the Medicaid Expansion program. This is an important dimension of analyzing the Medicaid Expansion program, given the changing federal contribution up through 2020.

Arkansas is in the process of making several adjustments to its Medicaid Expansion program including a work requirement that was approved by the CMS. This requirement led to a reduction in the number of people on Medicaid Expansion by about 18,000 persons from June 2018 to the end of 2018 or about 7% of the Medicaid Expansion enrollees in Arkansas as of June 2018. The work requirement has been challenged in Court and, until the Courts have made a final decision, the work requirement is not being implemented.

The challenge to Arkansas' work requirement in order to qualify for Medicaid Expansion, assuming the person meets the income requirements, centers on the method of illustrating your work effort. The work requirements were documented through an online portal and there was no alternative way of providing such information to the state.

- The Colorado Health Foundation prepared a report title "Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY 2015-16 through FY 2034-35" in which they concluded that Medicaid expansion is having and will continue to have a significant positive impact on the state's economy.

The Colorado study had a number of key findings, including the following:

- By 2034-2035 the Colorado economy, as measured by GDP, would be 1.14% larger due to Medicaid Expansion,
- Medicaid Expansion supported initially 31,074 additional jobs with this estimate to grow to 43,018 by 2034-2035,
- Repeal of Medicaid Expansion would have the following effects: (1) the economic stimulus would be reversed, (2) health-care access for low-income households would be reduced, (3) budgets of low-income households would be reduced, and (4) levels of uncompensated care by healthcare providers would increase.

We did not extend our analysis of the impact of Medicaid Expansion on the Louisiana economy past one or two years given the dynamics of the healthcare field and potential changes in healthcare policy. We believe that the economic impact of Medicaid Expansion becomes more integrated into the local economies as time goes on and there are other substitutes among healthcare providers that may affect the overall economic impact. These activities have to be assessed with micro data in each health region regarding healthcare providers and expenses.

- The Commonwealth of Kentucky retained Deloitte Development, LLC to prepare a study outlining the impact of Medicaid Expansion on the state's economy, with the following result: the net difference between expanding Medicaid and not expanding Medicaid was estimated to be a positive \$919.1 million from FY 2014 through FY 2021. This study was designed around Medicaid Expansion without any waivers that had to be approved by CMS.

Kentucky is now working through some changes in its Medicaid Expansion program with a focus on work requirements. The potential changes and impacts are being discussed and debated. The original study focused on the difference between the overall economy if

Medicaid Expansion was accepted relative to if it were not accepted. The result was a major gain in the overall economy due to Medicaid Expansion. CMS has approved Kentucky's proposed work requirements but the requirements have been challenged in Court. The work requirements are still in the judicial system so have not been implemented at this time.

- "The Real Impact of Medicaid Expansion in Maine," estimated that expanding Medicaid coverage in Maine would create 6,000 net new jobs, 4,000 in the healthcare sector and 2,000 in other sectors of the economy. This study was not commissioned by the state but was completed by Dr. Elizabeth H. Kilbreth, an Associate Professor Emerita in the Muskie School of Public Service. She disagreed with the Governor of Maine who had decided not to engage in the Medicaid Expansion program.

Maine was a unique case in which Medicaid Expansion was voted on by the people of the state and then implemented in January 2019. The economic impact was based on what would be expected to happen if Medicaid Expansion were accepted. Now the focus will be on what did happen since Medicaid Expansion has been accepted.

- A study by the Pennsylvania Department of Human Services (January 27, 2017) found that the expansion of Medicaid led to an increase of employment by 15,500 jobs and an increase in state tax revenues of \$53.4 million.

Other studies have projected larger employment increases, with the Rand Corporation's 2013 study having projected an increase of 35,000 jobs in Pennsylvania. In Pennsylvania, Medicaid Expansion enrollees accounted for about 25% of all Medicaid enrollees. In Louisiana, Medicaid Expansion enrollees have accounted for up to 30% of Medicaid enrollees.

- A study by the Bureau of Business and Economic Research at the University of Montana estimated Medicaid Expansion created and supported about 5,000 jobs and increased personal income by \$280 million. Of the estimated 5,000 jobs created, about 2,000 were in the healthcare industry and the other 3,000 jobs were spread across the retail, personal services, construction, and hospitality sectors. Researchers were estimating that 70% of the Medicaid Expansion dollars spent in Montana represented new federal dollars being spent in the state.

The 2018 Montana study was updated in 2019, with findings highlighting Medicaid Expansion's substantial impact on the Montana economy. Researchers found that about 70% of the Medicaid Expansion dollars spent in Montana represented new federal dollars being spent in the state. The 2019 estimates for employment gains due to Medicaid Expansion suggests between 5,900 and 7,500 jobs and between \$350 to \$385 million in personal income, representing about 1% of Montana employment. This study also found that Medicaid Expansion created enough savings and increased revenues to cover Montana's share of the state's cost of Medicaid Expansion. The 2019 Montana study used the REMI model which is an economic model representing the interactions in the Montana economy. The Montana researchers also used statistical models (differences-in-

differences) to compare Medicaid Expansion states to non-Medicaid Expansion states. These statistical results produce a larger employment impact than the REMI model. This study also noted the importance of Medicaid Expansion to other social concerns such as improving health, improving financial health, reducing crime, and making the healthcare sector more robust, especially in rural areas. These are areas of the possible impact of Medicaid Expansion that we have not examined in detail in Louisiana.

As a final note regarding economic impact studies, In March 2015 the Office of the Assistant Secretary for Planning and Evaluation for the U.S. Department of Health and Human Services put out an estimate of the Economic Impact of Medicaid Expansion for a variety of states, including Louisiana. In that report it was estimated that job growth due to Medicaid Expansion in Louisiana would be 15,600 jobs. This estimate was completed in 2015 when the FMAP was 100%. This estimate is in the same range as the job estimates in our study completed for SFY 2018 and SFY 2019. It is lower than the job estimates in the SFY 2017 study.

There have been additional studies regarding the economic impact of Medicaid Expansion, a number of which have been highlighted and summarized by the Kaiser Family Foundation (KFF).

Summary highlights from KFF include the following:

- (1) States accepting Medicaid Expansion without a waiver, as Louisiana did, had better outcomes in terms of uninsured rates than states that implemented the expansion with a waiver.
- (2) Most studies demonstrate that Medicaid expansion improved access to care, utilization of services, the affordability of care, and financial security among the low-income population. These studies focused on the healthcare perspectives of Medicaid Expansion which we identified as the major focus of the program. The studies focused on improved health outcomes and have also focused on the delivery of healthcare services. Our studies of Medicaid Expansion did not focus on access to care, utilization of services, the affordability of care, or financial security among low-income individuals. These are all significant issues that should be studied for Louisiana.
- (3) Many states analyzed the impact of Medicaid Expansion on a variety of economic outcomes, including state budget savings, revenue gains, and economic growth. According to the Kaiser Family Foundation, multiple studies suggested Medicaid Expansion resulted in state savings, especially in the early years of Medicaid Expansion since the federal government covered 100% of the cost for the first three years (2014 through 2016). Louisiana only received six months of 100% federal support for Medicaid Expansion. Some studies have shown expansion and gains in employment as well as growth in the labor market, with a minority of studies showing neutral effects in this area.
- (4) A number of studies suggested that Medicaid expansion supported the ACA Marketplaces and possibly helped to lower marketplace premiums. The Kaiser Family Foundation reported the following: “Two national studies showed that Marketplace

premiums were significantly lower in expansion compared to non-expansion states, with estimates ranging from 7% lower in 2015 to 11-12% lower in a later study that looked at 2015-2018 data.” These are important findings as the market exchanges have to encourage participation by having premiums that attract customers.

Additional Studies

Medicaid Expansion has prompted a number of studies on healthcare access, insurance coverage, healthcare providers, the various market exchange programs, and economic and budgetary effects. For Louisiana, the Medicaid Expansion program will serve as the basis for future studies on the Louisiana workforce, the overall health index of the state’s lower income population, the budgetary choices facing the state as the FMAP moves to a 90% federal match, and the possible enrollment of adults in the program. These are major concerns in a relatively low-income state such as Louisiana.

What has happened in Louisiana with regards to Medicaid Expansion is comparable to what has occurred in other states in terms of healthcare access and economic impacts. But, as we have pointed out, the real test of Medicaid Expansion will be the impact of the program on the health of persons who have not had consistent health insurance in the past and have relied upon the state’s emergency care system. Last, there will always be a budgetary concern about the Medicaid Expansion program, especially as the federal support drops to a 90% FMAP and as more individuals potentially join the program.

Selected References

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