

MEMORANDUM

TO: Members of the Workgroup, “Healthcare Alternatives for Citizens Below 100 Percent of Poverty Level”
FROM: Lauren Necochea, Director of Idaho Voices for Children
DATE: August 28, 2016
RE: Fiscal impacts in states that have closed the coverage gap

I was honored to be among the presenters at your previous meeting. This memo and its attachments aim to answer questions posed during that discussion. They present further details about state fiscal impacts experienced by states that have closed their coverage gaps.

States that have closed the gap have realized documented savings.

Multiple studies show that states that closed their coverage gaps have experienced budget savings and revenue gains.¹ Medicaid match rates, Medicaid eligibility, and population size lead to differences across states. Additionally, savings vary according to how states previously covered uncompensated care and provided public health services for the uninsured. See Table 1 for detailed figures from states that conducted analysis of their cost savings.

Idaho has a unique indigent care system. Because Idaho currently pays for uncompensated care through county indigent funds and our state CAT fund, we have an opportunity to realize particular savings related to that system.

Total state Medicaid spending actually grew more *slowly* in states that expanded coverage than in states that did not. State Medicaid spending in expansion states grew by half as much as spending in non-expansion states between FY 2014 and FY 2015 (3.4% compared to 6.9%). This is largely due to the enhanced match rate for newly eligible populations in states that have closed the gap. For example, in states that closed the gap many pregnant women are covered with an enhanced match rate because they are part of the newly eligible population. Similar pregnant women would receive temporary coverage in states like Idaho, but at a lower match rate (i.e. the state pays a greater share of the cost). By taking advantage of the enhanced match rate, states that closed the coverage

¹ Antonisse, Larisa, Garfield, Rachel, Rudowitz, Robin, and Artiga, Samantha, “The Effects of Medicaid Expansion Under the ACA: Findings from a Literature Review,” June 20, 2016. <http://kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-findings-from-a-literature-review/>

gap are seeing smaller increases in state funding on Medicaid, compared to states that still have a gap population.

Most states are reporting that the costs of covering newly eligible adults either meet projections or are lower than expected. Almost two-thirds of states that have closed the coverage gap reported that the per-member cost for enrollees previously in the gap were at or below projections for FY15 and FY16.²

States that have closed the gap have realized faster rates of job creation. Fitch Ratings reported that health care sector jobs grew more than 30 percent faster in states that expanded eligibility. States that closed their coverage gaps in January, 2014 saw job growth in that sector at 2.4 percent, compared to 1.8 percent for other states, on average.³

A researcher in New Mexico noted certain impacts in that state, stating that the influx of new dollars is “contributing to job and income growth in [New Mexico] and is encouraging new investments in hospitals and treatment facilities.” The researcher also noted the substantial increases in health care employment since the state closed its coverage gap, which make it the leading sector in employment growth in the state.⁴

² Rudowitz, Robin, Snyder, Laura, and Smith, Vernon, “Medicaid Enrollment and Spending Growth,” Kaiser Family Foundation and Health Management Associates, October, 2015. <http://files.kff.org/attachment/issue-brief-medicaid-enrollment-spending-growth-fy-2015-2016>

³ Fitch Ratings, “Healthcare Jobs Grew Faster in ACA Expansion States,” February 19, 2015.

https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Healthcare-Jobs-Grew?pr_id=980053

⁴ Lee A. Reynis, Economic and Fiscal Impacts of the Medicaid Expansion in New Mexico, (The University of New Mexico Bureau of Business and Economic Research, February 2016).

http://bber.unm.edu/media/publications/Medicaid_Expansion_Final2116R.pdf

Table 1. Savings and New Revenues Related to Expanding Coverage

While the cost of expanding eligibility has been negligible because of the initial 100 percent enhanced match rate, the savings and new revenues have been substantial. In the two states with the most comprehensive data (Arkansas and Kentucky), savings and revenue gains have proven sufficient to offset the state costs that rise in future years through at least state fiscal year 2021.⁵

Savings and New Revenues Related to Expanding Coverage⁶				
(All figures in millions)				
	2014		2015	
	Savings	New Revenues	Savings	New Revenues
Arkansas	\$30.8	\$4.7	\$101.4	\$29.7
California (partial savings reported)	\$0.0	\$369.7	\$1,000.0	\$615.4
Colorado (partial savings reported)	\$147.4	N/A	\$160.3	N/A
Kentucky	\$25.8	N/A	\$83.1	N/A
Maryland (partial savings reported)	\$50.4	N/A	\$123.7	\$26.6
Michigan (partial savings reported)	\$197.7	N/A	\$244.4	\$26.0
Pennsylvania (partial savings, 6 months)	N/A	N/A	\$108.6	N/A
Washington (partial savings reported)	\$112.2	N/A	\$318.6	\$33.9

Data come from a report by the State Health Reform Assistance Network and Mannatt Health and these figures are based on budget information provided by state officials. Some states have figures shown for calendar years and some are for fiscal years. This table presents the states studied that had the most thorough information. However, most still only show partial savings, based on incomplete data available from the particular state. Arkansas and Kentucky are the exceptions with the most comprehensive assessments of expansion-related savings and revenue gains. Findings in those two states revealed that state budget savings and revenue gains were sufficient to offset state costs attributable to expansion through at least state fiscal year 2021.

⁵ Bachrach, Deborah, Boozang, Patricia, Herring, Avi, and Reynari, Dori, "States Expanding Medicaid See Significant Budget Savings and Revenue Gains," State Health Reform Assistance Network and Manatt Health, June 2016. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwif419097

⁶ Bachrach, Deborah, Boozang, Patricia, Herring, Avi, and Reynari, Dori, "States Expanding Medicaid See Significant Budget Savings and Revenue Gains," The Robert Wood Johnson Foundation and Manatt Health, June 2016. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwif419097