

# Financial Dynamics of Medicaid Expansion

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**The Menges Group**

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# State Residents Are Paying for Medicaid Expansion – Whether or Not Politicians Expand Coverage in Their State

- This edition of the 5 Slide Series estimates the following dynamics
  - The amount each expansion state's residents are paying for their own Medicaid coverage expansion
  - The amount each expansion state's residents are paying for other states' Medicaid expansions
  - The amount each non-expansion state's residents are paying for other states' Medicaid coverage expansions
  - The net gain/loss for the residents in expansion states versus non-expansion states

# Projected Financial Dynamics of Medicaid Expansion, CY2016

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
State or Group of States	Projected Additional Persons Covered by Medicaid	Total Expenditures Attributable to Medicaid Expansion	Share of National Gross IRS 2012 Tax Collections	Estimated State Residents' Spending on Own Medicaid Expansion	Estimated State Residents' Spending on Other States' Medicaid Expansion	Net Financial Impact of Medicaid Expansion on State's Residents
States Expanding Medicaid (27)	7,287,000	\$46,509,381,935	63.3%	\$3,453,356,812	\$26,381,134,488	\$16,674,890,634
States Not Expanding (23)	-	\$0	36.7%	\$0	\$16,674,890,634	(\$16,674,890,634)
<b>USA (expansion states only)</b>	<b>7,287,000</b>	<b>\$46,509,381,935</b>	<b>100.0%</b>	<b>\$3,453,356,812</b>	<b>\$43,056,025,122</b>	<b>\$0</b>
Colorado (sample expansion state)	225,000	\$1,436,065,725	1.6%	\$57,216,066	\$722,647,408	\$656,202,250
Missouri (sample non-expansion state)	383,000	\$0	1.9%	\$0	\$875,103,312	-\$875,103,312

Estimates were prepared for each state, then aggregated into the above table. Estimates for two states – Colorado and Missouri – are shown above. While Colorado’s projected annual Medicaid expansion costs are \$1.4 billion, only \$0.6 billion of these costs are paid by the states’ residents. On net, Colorado residents realize a \$656 million financial gain, comparing payments made to Colorado providers for the expansion population with the contribution Colorado residents make towards their own and the other 26 states’ expansions. Conversely, Missouri residents experience a one-directional outflow of \$875 million per year in contributions to other states’ Medicaid expansions, receiving no revenue in return.

Net financial impact for a state’s residents (in Column 6) are derived by subtracting Columns 4 and 5 from Column 2.

# Data Sources and Assumptions

- Additional coverage population is based on a 2012 Urban Institute paper, available at: <http://kaiserfamilyfoundation.files.wordpress.com/2013/01/8384.pdf>
- Medical costs of expansion are estimated at \$6,079 per person in 2016, based on Menges Group tabulations of costs and coverage for Medicaid non-disabled, non-dual eligible adults using 2012 MSIS data.
- A 4% annual medical cost increase assumption was used to trend observed 2012 costs to 2016.
- Administrative costs were estimated to be 5% of medical costs, with the state and federal government sharing in these costs 50/50.
- The distribution of gross federal IRS tax collections was used to estimate the degree to which the federal share of Medicaid expansion costs would be borne by the residents of any given state. Gross collections include all individual and corporate income taxes, payroll taxes, estate taxes, gift taxes, and excise taxes.

## Current State Expansion Decisions Are Creating Significant Money Shifts Between States

- Annual payments for Medicaid expansion being made by residents of the 23 non-expansion states are estimated to be \$17 billion
- Conversely, residents in the expansion states are collectively experiencing a large financial net gain (the same \$17 billion) at the expense of the residents of the non-expansion states
  - It is important to note that the expansion is not “free” to residents of the expansion states – they must pay half the administrative costs for their state’s expansion, and their share of federal costs for all states’ expansions (including their own)
- Nonetheless, it is difficult to understand where the “win” is when a state’s policymakers elect to not expand Medicaid
  - Less health coverage for the state’s residents
  - Significant collective net financial loss for the state’s residents
  - Less revenue for the state’s provider community
  - This seems akin to prohibiting a state’s residents from enrolling in Medicare, while the residents still pay taxes for the national Medicare program

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