

# Economic Impact of Medicaid Expansion

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## A little bit about me

- I'm an associate professor of economics at KU, with an appointment in population health at KUMC
- I research in several areas, including reproductive care; health insurance; fertility; and health care broadly
- I teach everyone from first year undergraduate students to doctoral students
- For several years I have taught a first year seminar on the Affordable Care Act, which has included visits from Kathleen Sebelius, Sandy Prager, and Lee Norman

# Today I'll cover both background and recent studies

- How we got here on Medicaid expansion
- Biden administration's Medicaid expansion incentives
- Impact of Medicaid expansion on
  - Mortality
  - State expenditures
- Overall multiplier of federal spending on state economies



# Original ACA incentives were unconstitutional

- ACA made all federal Medicaid funding conditional on the new expansion
- The Supreme Court in 2012 ruled that coercive and only the new funds (90%) could be conditional
- Even at 90% several states including KS still won't expand



Sources: USA Today; Kaiser Family Foundation, <https://www.kff.org/health-reform/issue-brief/a-guide-to-the-supreme-courts-decision/>

# American Rescue Plan incentivizes Medicaid expansion

- The recently signed American Rescue Plan tried a carrot instead of a stick
- Federal government pays 50-85% (which is called the FMAP) of traditional Medicaid (Kansas at 66%)
- Biden plan raises this by 5 percentage points as incentive for ACA expansion



Source: ABC News, Kaiser Family Foundation, <https://www.kff.org/medicaid/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending/>, <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/>

# This would net Kansas at least ~\$240 million/year

Table 1: Cumulative Fiscal Impact of a 5 Percentage Point Increase in FMAP, FYs 2022-2023 (In Millions of Dollars)

	Increased Federal Funds from FMAP Increase on Traditional Populations	New State Cost Due to ACA Medicaid Expansion	Net Effect for State Spending
<b>Total*</b>	<b>\$16,410</b>	<b>-\$6,830</b>	<b>\$9,590</b>
Alabama	740	-200	540
Florida	3,080	-1,260	1,810
Georgia	1,360	-640	710
Kansas	450	-210	250

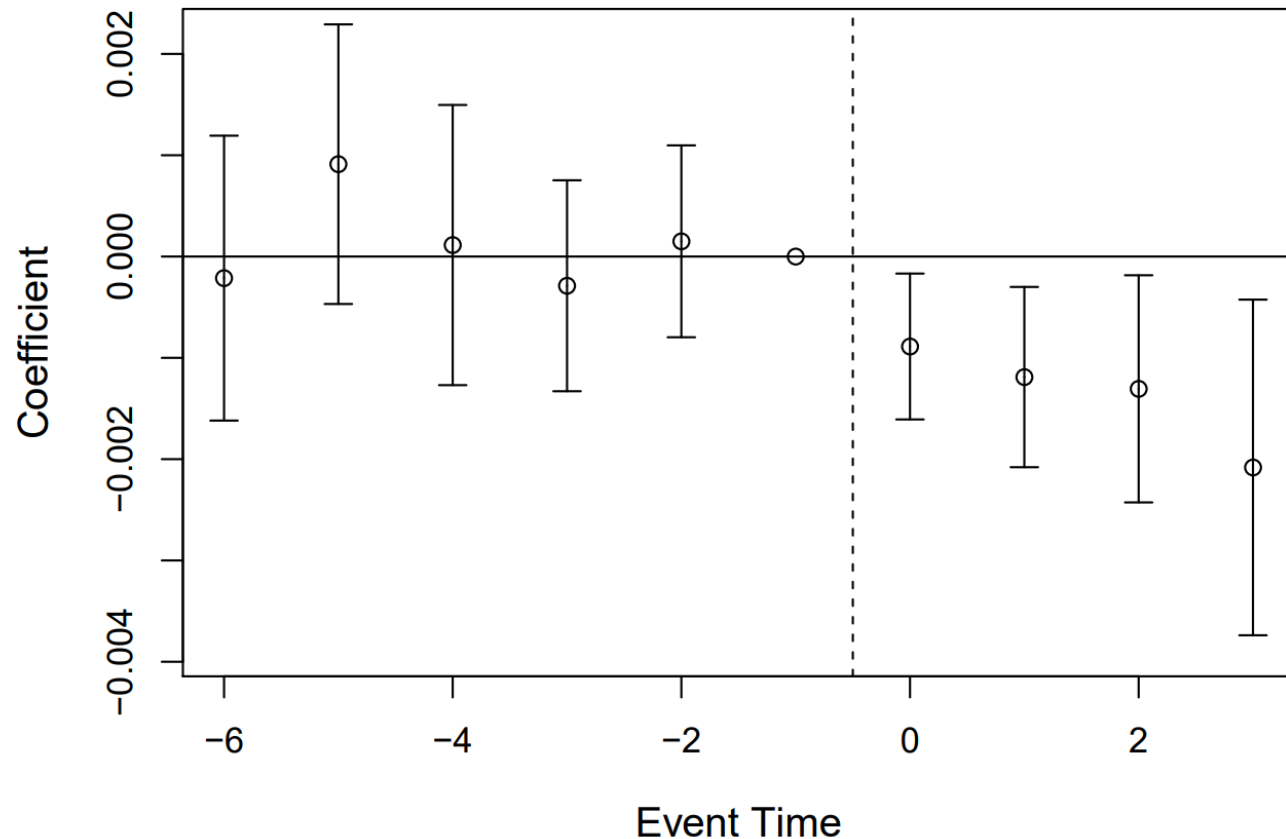
Source: Kaiser Family Foundation, <https://www.kff.org/medicaid/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending/>



# Why expand Medicaid? It lowers mortality rates

- Researchers linked survey & social security mortality data
- Want to look at low education or low income population
- Compared expansion & non expansion states
- 9.4% drop in mortality from expansion

Figure II: Effect of the ACA Medicaid Expansions on Annual Mortality



Source: Miller, Johnson, and Wherry (2021), <https://academic.oup.com/qje/advance-article-abstract/doi/10.1093/qje/qjab004/6124639>, <https://www.nber.org/papers/w26081>

# For Kansas, this means 504 excess deaths (2014-2020)

Table 1: Excessive Deaths per Year, Non-Expansion States

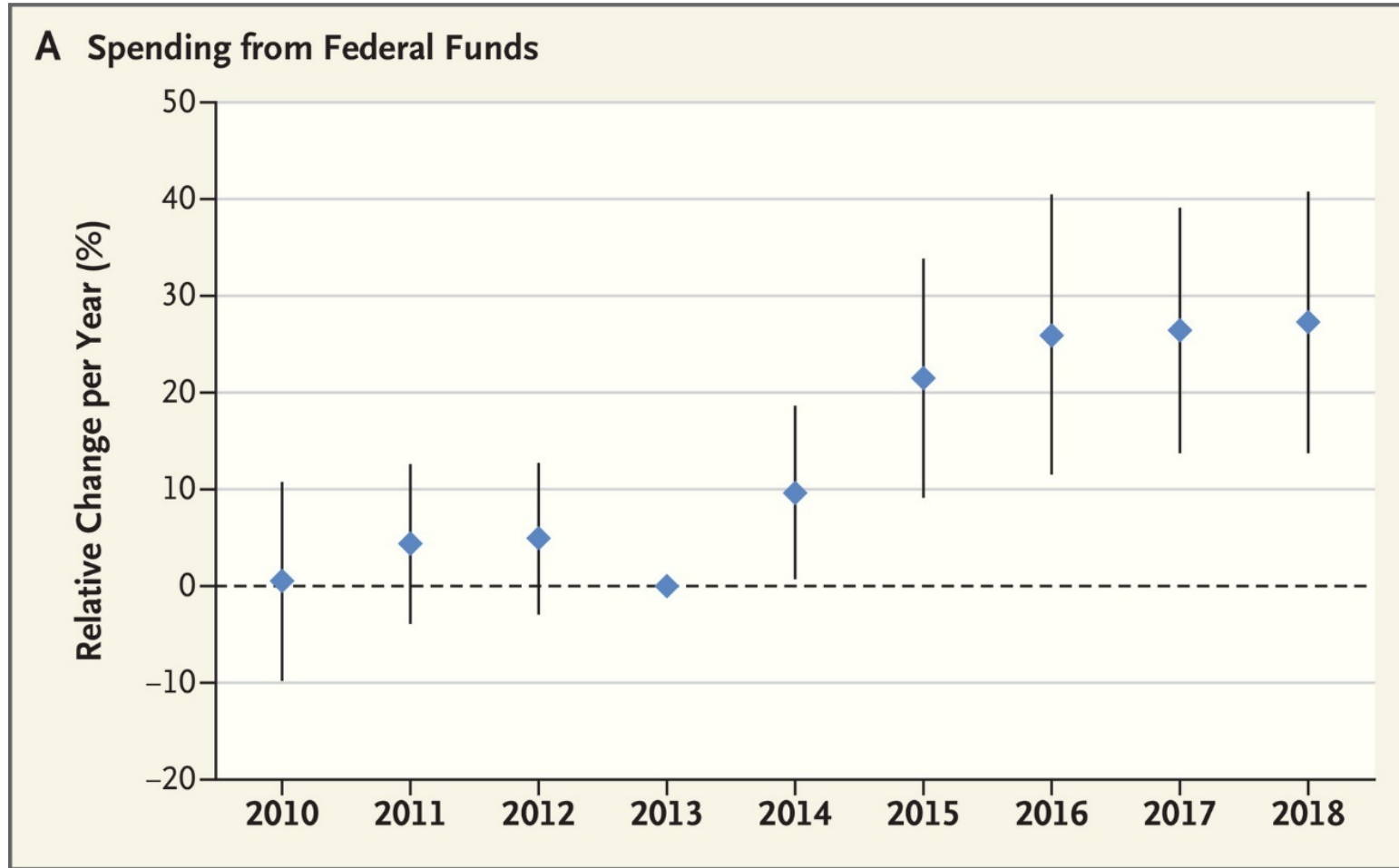
State	Annual Excessive Deaths
Alabama	192
Florida	694
Georgia	334
Idaho	45
Kansas	72
Mississippi	135
Missouri	194
North Carolina	350
Oklahoma	119
South Carolina	197
South Dakota	21
Tennessee	241
Texas	730
Utah	54
Wisconsin	144
Wyoming	16

72 deaths/year \* 7 years  
= 504 excess deaths

Source: [http://www-personal.umich.edu/~mille/ACAMortality\\_ByState.pdf](http://www-personal.umich.edu/~mille/ACAMortality_ByState.pdf)



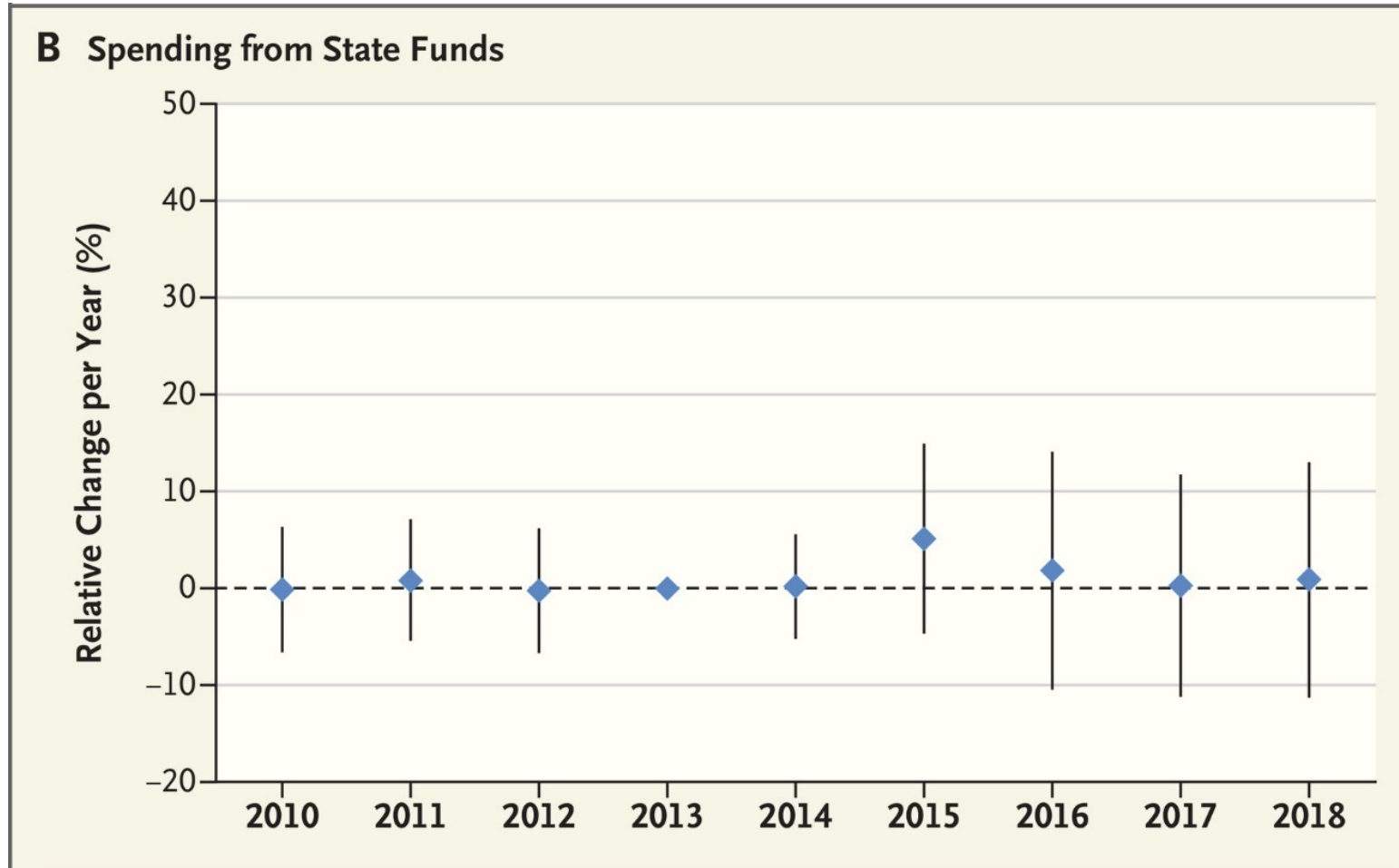
# Expansion states spend more from federal funds



- Can compare spending changes in expansion and non expansion states each year
- Federal spending increased 12-24% on average, depending on empirical model

Sources: Gruber and Sommers (2020a), <https://www.nejm.org/doi/full/10.1056/NEJMp2007124>; Gruber and Sommers (2020b), <https://www.nber.org/papers/w26862>

# But expansion state don't spend more from state funds

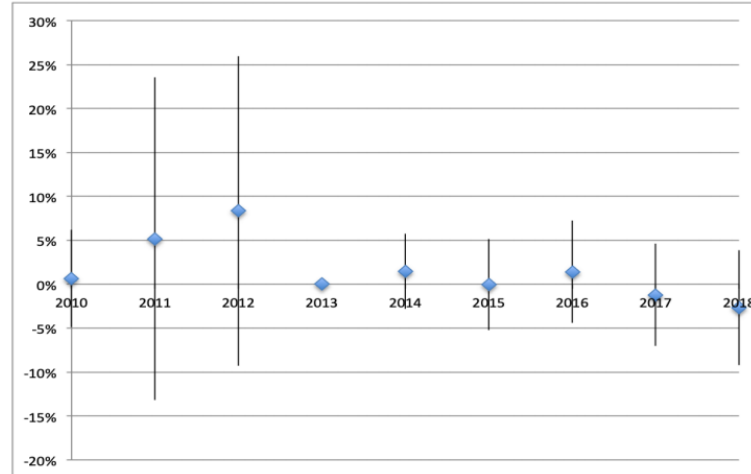


- In contrast, no clear change in spending from state funds
- Best estimate is a 0.4% increase, but very noisy

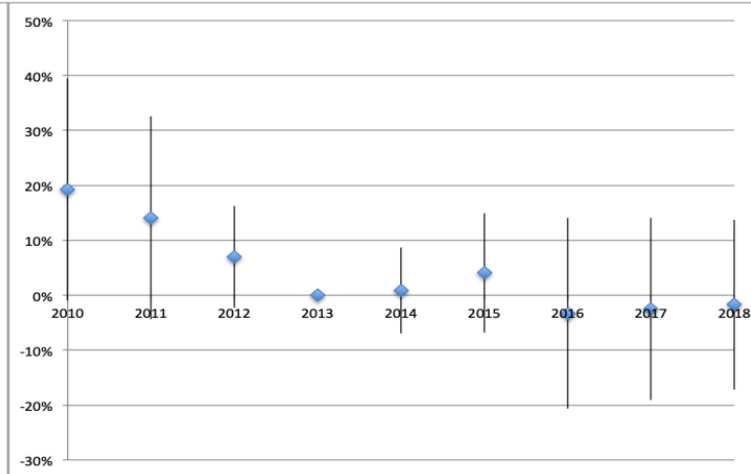
Sources: Gruber and Sommers (2020a), <https://www.nejm.org/doi/full/10.1056/NEJMp2007124>; Gruber and Sommers (2020b), <https://www.nber.org/papers/w26862>

# Also no overall change in other spending categories

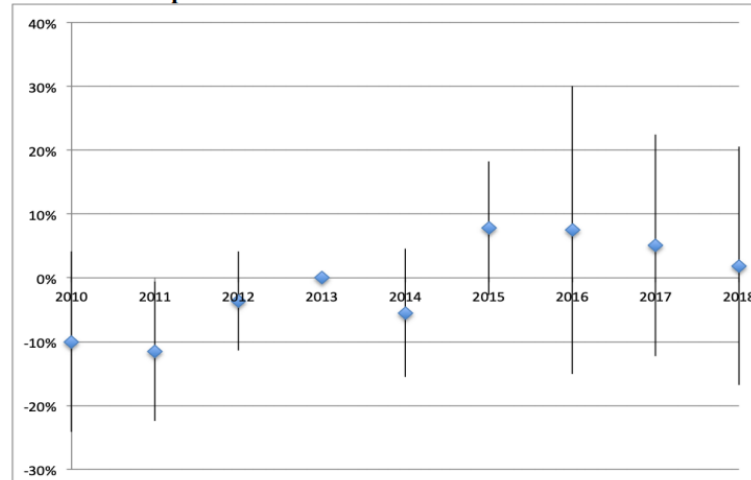
Panel A: K-12 Education



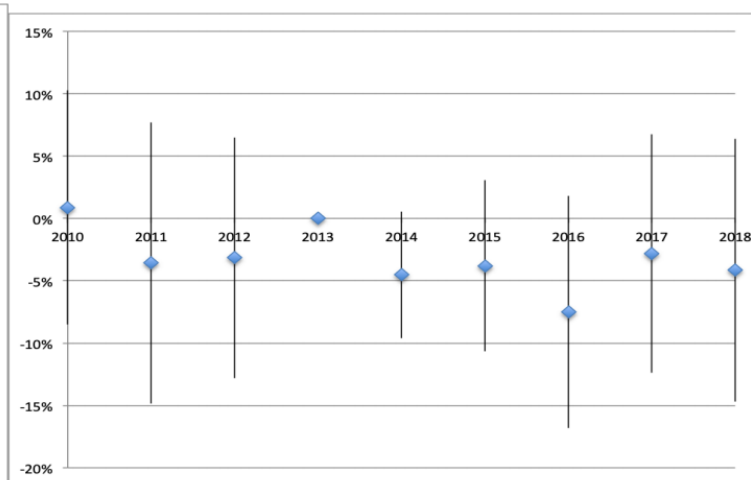
Panel B: Higher Education



Panel C: Transportation



Panel D: Corrections



- Can also look at impact of expansion on other categories of spending
- Overall, no clear increase or decrease from expansion

Source: Gruber and Sommers (2020b), <https://www.nber.org/papers/w26862>



# Case study on Michigan shows possible fiscal benefits

- For FY 2021, the authors project the state deficit will:
  - +\$399 million for the state's 10% of expansion costs
  - -\$235 million from programs for community mental health, adult benefits waiver, and corrections health care
  - -\$178 million from taxes on hospitals and long-term care
  - Overall a minimal direct impact on the state deficit (-\$14 MM)
- The authors also project the expansion's indirect positive economic effects on population growth and tax revenue
- They estimate a net \$43 million increase in revenue

Source: Levy, Ayanian, Buchmueller, Grimes, and Ehrlich (2020), <https://read.dukeupress.edu/jhpl/article-abstract/45/1/5/140654/Macroeconomic-Feedback-Effects-of-Medicaid>

# Federal spending has a positive economic multiplier

- 2009 American Recovery and Reinvestment Act
- Allocated \$800 billion in using existing funding formulas
- These may not have been correlated with that recession
- If it were any effect may be just mean reversion
- Can use those prior formulas to isolate causal effect of \$\$
- Multiplier for Gross State Product is 1.53
- Multiplier for job-years per \$100K spent is 2.01 (so each \$49,750 spent created one job for one year)

Source: Chodorow-Reich (2019), <https://www.aeaweb.org/articles?id=10.1257/pol.20160465>

# Expanding Medicaid will save lives and raise revenue

- Kansas has ~72 excess deaths/year from not expanding
- This adds up to 504 excess deaths from 2014-2020
- Biden administration will send Kansas an extra \$450 million/year for traditional Medicaid for expanding
- This is more than 2x the direct 10% cost of expansion
- Many researchers believe Kansas won't even have to pay the 10% cost due to indirect benefits of expansion
- These federal dollars will also help the state economy