



# Expanding Medicaid: The Fiscally Responsible Choice

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**When the Supreme Court upheld the Affordable Care Act in June of 2012, it made the Medicaid expansion optional to the states. As Utah leaders weigh their options, it may be helpful to know what economic benefits expanding Medicaid could do for the state of Utah. Here is our list of seven fiscally responsible reasons to expand Medicaid in our state.**

- 1. The Medicaid Expansion will save Utah tax dollars spent on the uninsured.** If low income Utahns remain uninsured, their medical costs will continue to be shifted onto the privately insured. This “cost shifting” raises insurance premiums, on average, over \$1,000 per year.<sup>1</sup>
- 2. It benefits small business.** Under the ACA, businesses with more than 50 full-time employees must insure their employees or pay a penalty. In non-expansion states, businesses will continue to absorb cost shifting and pay higher premiums because they live in a state with more uninsured residents. As a result, businesses may ‘vote with their feet’ and relocate to expansion states because they face all the costs but few of the benefits of ACA.
- 3. It keeps residents’ federal taxes flowing into the State.** Federal tax dollars will cover 100% of the cost of the Medicaid Expansion in the first 3 years (phasing down gradually to 90%). Taxpayers residing in states that do not implement the expansion will see their taxes flowing to states that do expand, states like California or Oregon.
- 4. It saves hospitals money.** Covering otherwise uninsured low-income adults will save Utah money by reducing ER costs, uncompensated care costs for hospitals, and state spending on the uninsured and medically needy. HHS estimates total savings of \$372 million in the first six years.<sup>2</sup>
- 5. It keeps Utah families healthy while they get back on their feet.** Medicaid is a temporary tool to help Utahns get out of poverty and back to work; the average length of time an individual is enrolled in Medicaid in any given year is approximately 9 months.<sup>3</sup> Expanding Medicaid helps more people take control of their financial situation when they need it most.
- 6. It only raises state Medicaid costs about 4%.** Utah will spend between \$174-227 million to cover new enrollees during the first 6 years. This extra spending is just 3.7% to 4.8% more than what Utah would have spent on Medicaid during that timeframe without the expansion.
- 7. It protects safety-net hospitals.** Many hospitals receive federal funding (DHS funding) to compensate them for treating the uninsured. On the assumption that the number of uninsured people will decrease when the ACA takes effect in 2012, the ACA lowers the DSH payments.<sup>4</sup> In states that do not expand Medicaid, the need for uncompensated care may not change, while the amount of DSH funds will fall substantially. This may result in severe financial hardship for hospitals, which must either increase costs to paying patients or provide less care.

<sup>1</sup> See 42 U.S.C. § 18091(2)(F).

<sup>2</sup> John Lyon, Ark. News Bureau, *Update DHHS: Savings to state would exceed Medicaid expansion costs* (July 17, 2012) (also attributing saving to the increased federal funding and reduction in the amount the state spends on uncompensated care).

<sup>3</sup> <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/TheChartSeries/downloads/2Tchartbk.pdf>

<sup>4</sup> Corey Davis, National Health Law Program, *Q&A Disproportionate Share Hospitals and the ACA* (June 2012).