



Fiscal Impacts of Medicaid Expansion

July 19, 2018

Updated October 12, 2018 with New Economic Impact Analysis from Professor Steven Peterson

An initiative to allow Idahoans in the coverage gap to enroll in Medicaid has qualified for the November 6th ballot. A report on the fiscal impacts of this Medicaid expansion commissioned by Idaho Department of Health and Welfare shows significant savings to state and local governments due to lower costs from emergency medical services.¹ The full extent of savings will depend on whether Idaho retains its local indigent and state catastrophic care programs. The Catastrophic Health Care Cost Program and Local Medically Indigent Program cover hospital costs incurred by Idahoans who don't have health insurance. Elimination of these programs combined with Medicaid expansion would generate net taxpayer savings year after year in a 10-year projection.

The Bottom Line Depends On the Fate of Indigent and Catastrophic Care Programs

By year three of implementation, historical claims to the indigent and catastrophic care programs will have been fully processed and unpaid medical bills will have declined significantly as newly eligible Idahoans enroll in Medicaid. This point in time gives us the clearest picture of the fiscal impacts. The state will need to invest \$44.6 million in Medicaid to generate \$40.3 million in savings at the state and local level. The result is a net cost to taxpayers of \$4.4 million. This comes to less than \$50 per person covered per year.

There is an opportunity to generate additional savings, however. These calculations assume that the indigent and catastrophic care programs remain intact, even while their costs will decline dramatically. The Idaho Legislature has generally assumed that an elimination or sunset to these programs would coincide with any solution to the coverage gap. If Idaho phases out the indigent and catastrophic care programs, our state and local savings increase to \$60.2 million in the third year. This scenario produces net savings of \$15.6 million to Idaho taxpayers in that year and the net savings persist year after year. See Table 1 and Figures 1 and 2.

¹ Milliman, Inc., "Financial Impacts from Medicaid Expansion in Idaho," July 18, 2018. Available at: <https://healthandwelfare.idaho.gov/Portals/0/AboutUs/FromTheNewsroom/Impact%20of%20Medicaid%20Expansion%20for%20Idaho%2020180718%20-%20Final.pdf>.

Medicaid Expansion Has Lower Overhead than Alternative Proposals

Notably, allowing Idahoans up to 138% of the federal poverty level to enroll in Medicaid, is the most efficient way of addressing the coverage gap. A more complex proposal considered by the Legislature in previous years would have cost the state \$10 million per year in administration. As written for the ballot initiative, Medicaid expansion will only cost \$900,000 to administer.

Economic Stimulus Will Generate Additional Revenue and Makes Medicaid Expansion a Net Positive for Taxpayers

By bringing federal tax dollars back to Idaho, Medicaid expansion will have additional economic impacts that will generate new revenue at both the state and local level. This is because the nurses, clinic managers, and other healthcare staff who will be hired to provide care will also spend money in our local economies. As healthcare workers have their oil changed and get their hair cut, additional jobs and economic activity are generated, which in turn produces more tax revenue. New tax revenue produced in this way will likely exceed \$22 million and create more than 5,600 new jobs in the third year of implementation compared with today. With increased tax revenue from new economic growth, Medicaid expansion is estimated to save Idaho \$17.7 million in year three if overlapping programs remain in place or \$37.7 million if catastrophic and indigent programs are sunset.

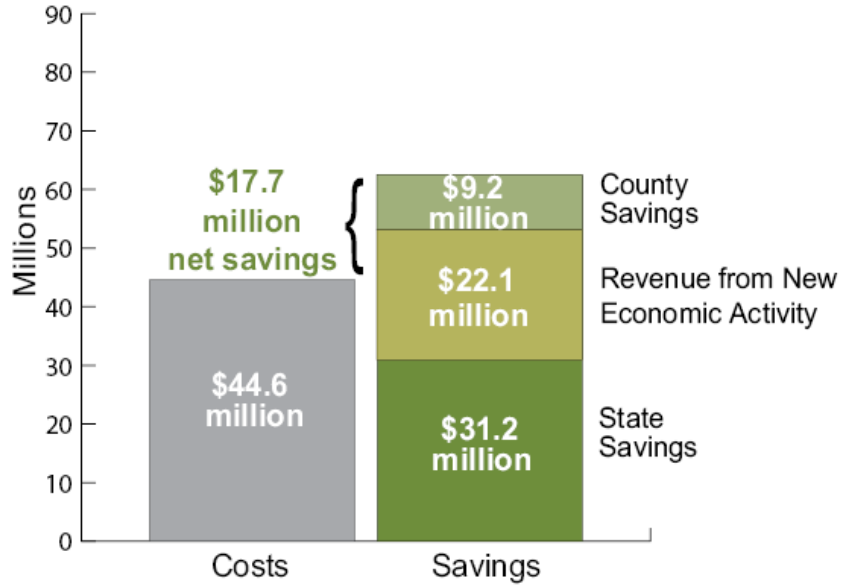
Table 1.

Fiscal Impacts in Year Three of Medicaid Expansion Implementation (State Fiscal Year 2022, millions of \$)		
	With Preservation of Indigent and Catastrophic Care Programs	With Elimination of Indigent and Catastrophic Care Programs
Savings at the County Level		
Indigent Care Program	(\$9.2)	(\$18.4)
Savings and Offsets at the State Level		
Catastrophic Care Program	(\$10.7)	(\$21.4)
Substance Use Disorder Services for Corrections	(\$4.9)	(\$4.9)
Behavioral Health Services	(\$8.1)	(\$8.1)
Hospitalizations in the Corrections System	(\$2.8)	(\$2.8)
Mental Health Services	(\$4.7)	(\$4.7)
Increased State and Local Revenue from New Economic Activity		
Sales and Excise	(\$8.1)	(\$8.1)
Property	(\$5.2)	(\$5.2)
Income	(\$8.8)	(\$8.8)
TOTAL SAVINGS (State and Local)	(\$62.4)	(\$82.3)
TOTAL COSTS	\$44.6	\$44.6
NET IMPACT (State and Local)	(\$17.7) net savings	(\$37.7) net savings

Source: Idaho Center for Fiscal Policy analysis of data from a report by Milliman, *Financial Impacts from Medicaid Expansion in Idaho* and a report by Steven Peterson, *Economic Impacts of Medicaid and the Proposed Medicaid Expansion in Idaho*. Figures may not appear to add up due to rounding.

Figure 1.

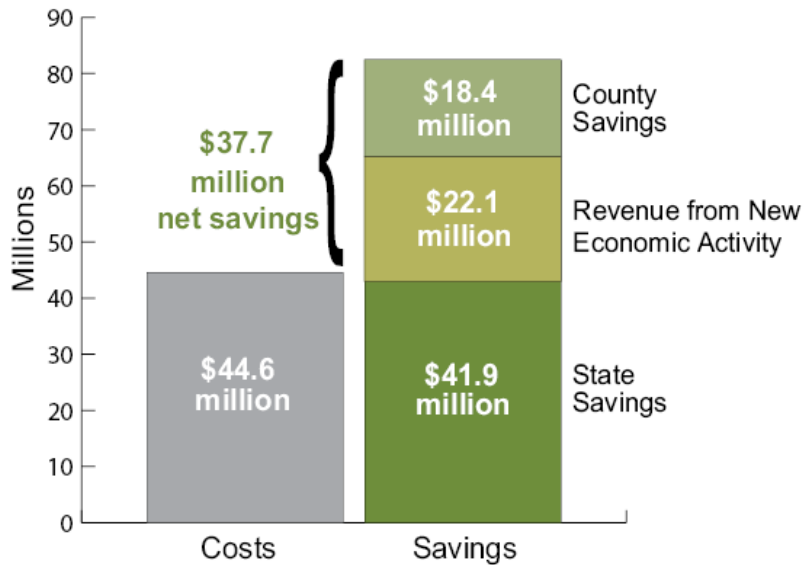
Fiscal Impact in Year Three of Medicaid Expansion,
with Preservation of Indigent and Catastrophic Care Programs



Idaho Center for Fiscal Policy analysis of Milliman July 2018 report and Steven Peterson August 2018 report.

Figure 2.

Fiscal Impact in Year Three of Medicaid Expansion,
with Elimination of Indigent and Catastrophic Care Programs



Idaho Center for Fiscal Policy analysis of Milliman July 2018 report and Steven Peterson August 2018 report.