

Reports Build Strong Case for Medicaid Expansion

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Alabama has an opportunity to generate billions of dollars in economic activity and state savings and provide more than 340,000 Alabamians with health insurance coverage, according to two reports released this week regarding Medicaid expansion.

The first report, produced by David J. Becker, Ph.D., UAB School of Public Health, actually updates an earlier report he wrote in 2016. The new estimates reveal that 340,000 individuals would be covered under Medicaid expansion, providing Alabama with an economic boost of more than \$11 billion over four years.

“While Alabama missed the first three years of 100-percent federal funds, the updated estimates show that the impact would be significant as the federal government will still provide \$9 for every \$1 the state spends on the expanded population,” said Dr. Becker. “In addition, when you consider the additional state and local taxes and the predicted state savings, the costs to the state are minimal as compared to the benefits provided.”

Dr. Becker explained the ripple effect of the influx of federal dollars and increased Medicaid enrollees, noting that the number of health care services and employees would increase as would the community services required to support the additional growth and the taxes paid by the newly created jobs.

Building on the evidence from states that have already expanded their Medicaid programs, Manatt, a national consulting firm, released a report that affirms Dr. Becker’s enrollment estimates and adds to it the potential for state savings. “We predict Alabama could free up almost \$60 million the first year of expansion, with an increasing amount each year ... dollars that could be reinvested to help maintain the state’s health care delivery system,” said Deborah Bachrach, a partner with Manatt.

Alabama is currently one of only 14 states that have not expanded Medicaid, putting it in a precarious position with the upcoming federal cuts to hospitals. Dr. Becker highlights the potential harm. “When Congress passed the Affordable Care Act, the assumption was that states would expand Medicaid to help cover the uninsured. So to help offset the costs of expansion, Congress mandated cuts in payments hospitals receive to cover the cost of the uninsured.”

“Alabama’s hospitals are scheduled to lose \$119 million in federal funding unless Congress takes action,” said Owen Bailey, chairman of the board of the Alabama Hospital Association and CEO of USA Health. “Those are critical dollars for us as our hospitals currently spend more than \$500 million each year in care for which they receive no reimbursement. In fact, three-fourths of our hospitals are currently operating in the red, and 12 hospitals have closed over the last 8 years. For many, the additional cuts won’t be sustainable. Providing insurance through Medicaid expansion is vital to maintain access to care for everyone.”

Highlights of the reports (both of which focus on 2020 through 2023):

- More than 340,000 individuals are estimated to enroll the first year. (based on both reports)
- Estimated economic impact of federal spending on Medicaid expansion - \$2.7 billion in 2020 up to \$2.97 billion in 2023 with overall impact for the four years of \$11.4 billion. (Becker report)
- Additional tax revenue generated - \$715 million over the four-year period, including \$446 in state taxes and \$269 in local taxes. (Becker report)
- Estimated state savings (based on increased federal match for existing populations and enrollment in expansion of those currently covered with 100 percent state funds) – range of \$59 million in 2020 to \$87.6 million in 2023. (Manatt report)

Download reports from www.alhealthmatters.com:

Medicaid Expansion in Alabama: Revisiting the Economic Case for Expansion - David J. Becker, Ph.D.,
UAB School of Public Health

Medicaid Expansion: Summary of Estimated Cost and Savings – Manatt Health