The economic impact of Medicaid expansion in Montana

Bryce Ward

Brandon Bridge

At the margin, how does Medicaid expansion affect Montana?

- What are the marginal benefits to Montanans and the economy? Medicaid expansion brings a large amount of money into Montana that would not otherwise be here. How large is this flow of money and what does it do to Montanans and the economy?

- What are the marginal costs to Montanans? What do Montanans have to pay to turn on the flow of Medicaid spending?

Summary of key findings:

Medicaid expansion insures over 90,000 Montanans and generates over $500M per year in health care spending.

Approximately, 75-80% of this ($350M-$400M) is new money circulating in Montana's economy. As such, the direct impact of Medicaid expansion is approximately 133% the size of Montana's beverage manufacturing industry (e.g., breweries, distilleries).

New Medicaid expansion spending supports a substantial amount of economic activity – approximately 5,000 jobs and $270M in personal income each year.

Medicaid expansion (and the associated HELP-Link program) appears to have led to a 6-9% increase in labor force participation among low income Montanans (ages 18-64 & 0-138% FPL).

Summary of key findings (cont):

Medicaid expansion is associated with increased health care access among low-income Montanans.

Other studies of the effects of Medicaid expansion find that Medicaid expansion:

- Improves health outcomes among the Medicaid expansion eligible population
- Improves financial health – reducing outstanding debt, reducing bankruptcy, and improving credit scores.
- Reduces property and violent crime.

Medicaid expansion has a positive fiscal impact on the state budget. Medicaid expansion reduces state spending in some areas (e.g., traditional Medicaid). It also increases economic activity and, as such, increases state revenue. Combined, the savings and increased revenues are sufficient to more than cover the Montana's share of Medicaid expansion costs (10% in 2020 and beyond).

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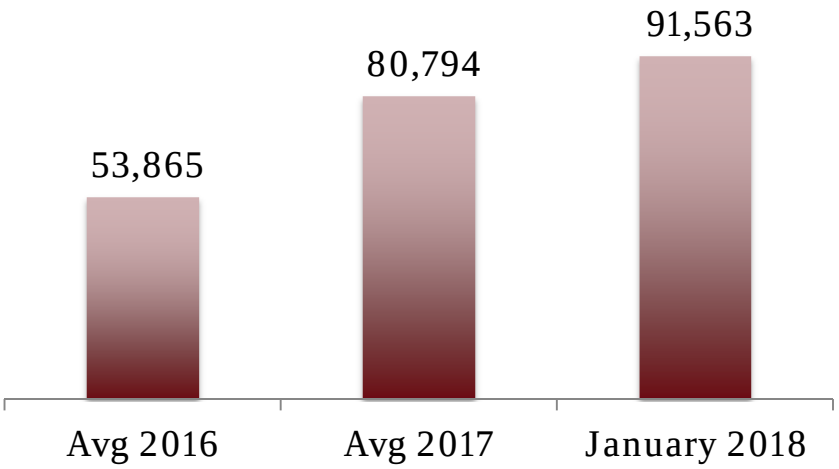
MT Medicaid expansion enrollment



Expansion spending per beneficiary

	Medicaid actuary (US actual & forecast)	Montana
2014	5511	
2015	6365	
2016	5926	5315
2017	5551	6387
2018	5370	
2019	5662	
2020	5981	

Approx. annual expansion spending: 92,000 * $5,500 = $506,000,000
94,000 * $6,000 = $564,000,000

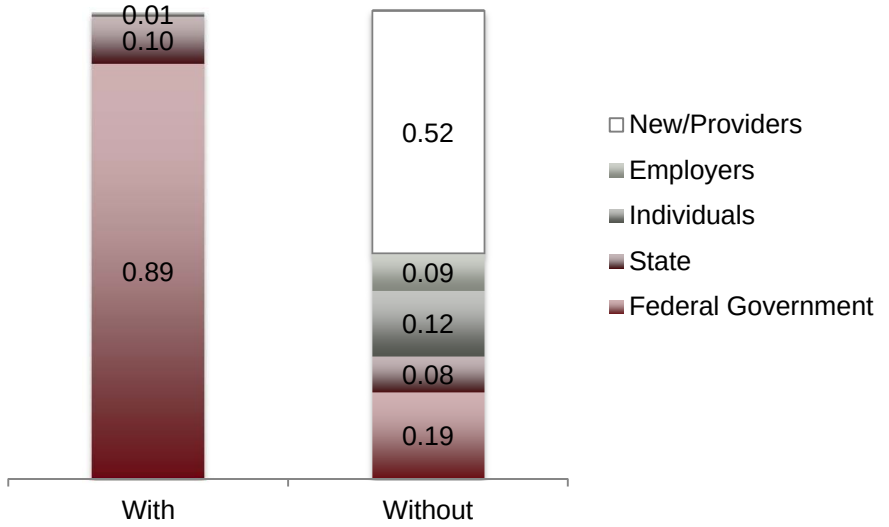
Medicaid expansion increases health care spending by beneficiaries and changes who pays for their care.

We can divide Medicaid expansion spending into two categories:

1. New spending -- spending on health care services that would not have occurred without Medicaid expansion.

2. Pre-existing spending -- spending for health care that would have occurred regardless of Medicaid expansion.

Share of spending on Medicaid expansion beneficiaries' health care with and without expansion by source (2020)



Economic impacts of Medicaid expansion spending (based on REMI model)

Summary of economic impacts of Medicaid expansion in Montana

	2016	2017	2018	2019	2020	Cumulative
Jobs	3,161	5,071	5,326	5,165	4,975	
Personal income (millions $2016)	$147	$241	$265	$272	$279	$1,204
New sales (output) (millions $2016)	$336	$551	$587	$576	$566	$2,616
Population	968	2,229	3,263	4,036	4,672	

Assumptions: Total expansion spending ranges between $286M (2016) and $550M (2020). Assumes 19% is a transfer within the federal government (between traditional Medicaid/exchange subsidies and expansion). Assumes 52% represents new revenue in Montana's health care sector. We allocate new health care spending across health care spending categories in proportion to DPHHS reports on expansion spending. We also allocate spending across regions in proportion to enrollment. Reductions in out-of-pocket or other health care spending by individuals is modeled as reallocated consumption. Reductions in employer provided health insurance are modeled increased income to individuals and employers (split 50-50).

* Cumulative jobs and population impacts are person- or job-years over whole 2016-2020 period.

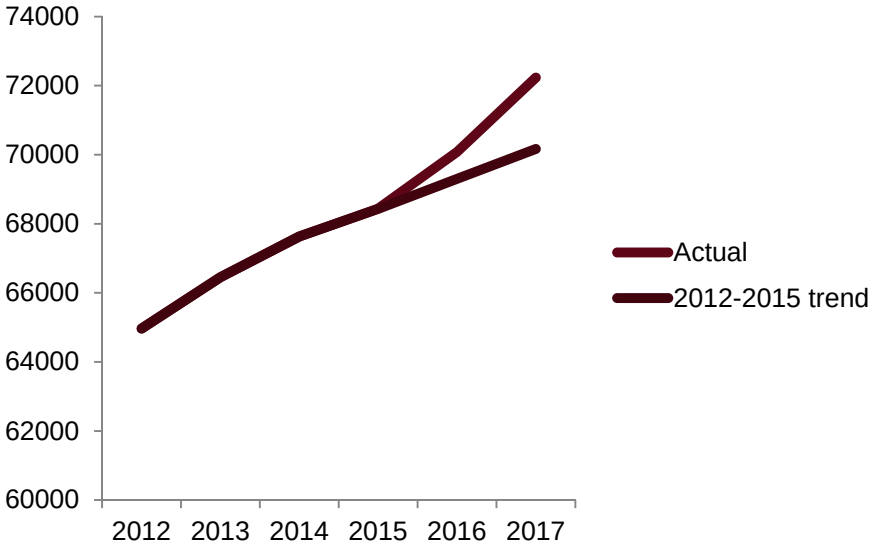
Employment impacts by industry

	2016	2017	2018	2019	2020
Health Care and Social Assistance	**1,183**	**2,033**	**2,085**	**2,030**	**2,142**
Retail Trade	469	788	828	814	825
Construction	320	568	652	628	549
Accommodation and Food	160	266	289	294	303
Other Services, Except Public Administration	152	266	289	294	303
Professional, Scientific, and Technical Services	95	159	172	171	168

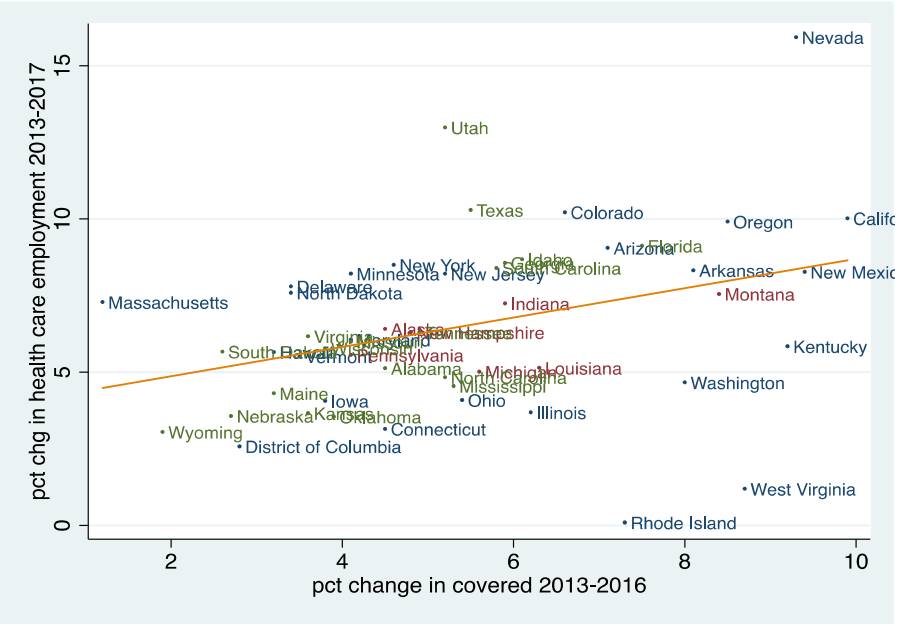
* Cumulative jobs and population impacts are person- or job-years over whole 2016-2020 period.

Reality cross-check

Annual change in health care employment in Montana, June 2012 – June 2017



Correlation between change in insurance coverage and change in health care emp.



Source: BBER analysis of QCEW and American Community Survey data

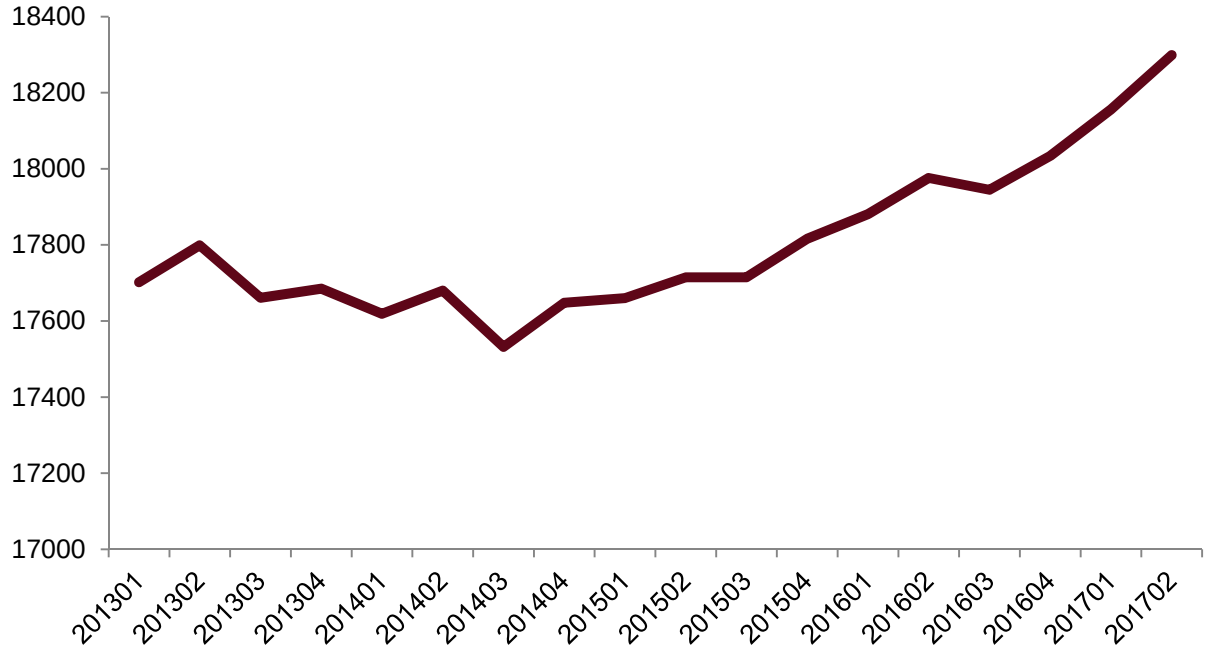
Summary of economic impacts of Medicaid expansion by region

	NW		SW		Central	
	2018	**Cumul.**	**2018**	**Cumul.**	**2018**	**Cumul.**
Jobs	1,920		1,190		1,091	
Personal Income	$89	$403	$61	$277	$59	$269
New Sales/Output	$202	$902	$123	$584	$130	$581
Population	1,132		766		682	

	N. Central		East	
	2018	**Cumul.**	**2018**	**Cumul.**
Jobs	877		247	
Personal Income	$43	$194	$13	$59
New Sales/Output	$96	$427	$27	$120
Population	547		138	

* Cumulative jobs and population impacts are person- or job-years over whole 2016-2020 period.

Healthcare employment growth in Montana counties outside metro-and micro-areas



Notes: BBER analysis of QCEW data; Montana counties in metro and micro-areas excluded from this figure are Cascade, Flathead, Gallatin, Lewis and Clark, Missoula, Silver Bow, and Yellowstone counties.

Labor market outcomes for Medicaid eligible Montanans improved simultaneously with implementation of expansion/HELP-Link. Similar improvements did not occur among low-income people in other states or among higher income Montanans.

Labor force participation among 18-64 year olds, before and after expansion

	Before (2013-2015)	After (2016-2017)	Difference (After minus Before)	Difference in Difference (MT difference minus Rest difference)
0-138% FPL				
Montana	58.2%	64.2%	6%	
Rest of US	57.1%	54.6%	-2.5%***	8.5%*
>138% FPL				
Montana	86.2%	84.1%	-2.0%	
Rest of US	83.4%	83.5%	0.1%	-2.1%

Source: BBER analysis of Current Population Survey ASEC data obtained from IPUMS-CPS. ***=p<0.01, *=p<0.05.

The positive relationship between Medicaid expansion/HELP-Link and labor force participation is also apparent in a different dataset.

Labor force participation by poverty and disability

	With disabilities			Without disabilities		
Montana	2015	2016	Change	2015	2016	Change
Below poverty	24%	29%	6%	56%	64%	9%
Above poverty	56%	56%	0%	86%	87%	1%
US						
Below poverty	23%	22%	-1%	57%	56%	-1%
Above poverty	47%	48%	1%	86%	86%	0%

Source: BBER analysis of American Community Survey data obtained from American Fact Finder Table B23024.

Differences in implementation of Medicaid expansion across space and time create fertile opportunities for evaluation.

Hundreds of studies have found that Medicaid expansion effects important outcomes, including:

- Medicaid expansion improves self-reported health. Residents in expansion states were 5.1 percentage points more likely to report excellent health than residents of non-expansion states.

- Medicaid expansion improves financial health. It has reduced medical debts, prevented 50,000 bankruptcies, and improved credit terms available to low-income borrowers.

- Medicaid expansion reduces crime by more than 3%, generating social benefits of over $13B annually.

Sources: Sommers, B. D., Maylone, B., Blendon, R. J., Orav, E. J., & Epstein, A. M. (2017). Three-year impacts of the Affordable Care Act: improved medical care and health among low-income adults. *Health Affairs*, *36*(6), 1119-1128; Brevoort, K., Grodzicki, D., & Hackmann, M. B. (2017). *Medicaid and Financial Health* (No. w24002). National Bureau of Economic Research; Hu, L., Kaestner, R., Mazumder, B., Miller, S., & Wong, A. (2016). *The Effect of the Patient Protection and Affordable Care Act Medicaid Expansions on Financial Wellbeing* (No. w22170). National Bureau of Economic Research; Vogler, J. (2017). Access to Health Care and Criminal Behavior: Short-Run Evidence from the ACA Medicaid Expansions; He, Q. (2017). The Effect of Health Insurance on Crime Evidence from the Affordable Care Act Medicaid Expansion. For an expansive recent bibliography see: Antonisse, L., Garfield, R., Rudowitz, R., & Artiga, S. (2017). The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review. https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-september-2017/

At the state level, Medicaid expansion likely pays for itself.

Medicaid expansion directly reduces state spending in a variety of areas:

- It reduces spending on traditional Medicaid (over $40M to date)
- It reduces spending on health care for inmates ($7.66M in savings in FY2017)
- It may reduce state spending on substance use disorders and mental health.
- It may reduce state spending on uncompensated care.

Medicaid expansion also increases economic activity. Increased economic activity may positively impact the state budget by increasing revenues by more than expenses.

Combined, direct savings plus net impact of increased activity exceed the cost of Medicaid expansion to the state.

This result is consistent with several other studies, e.g., Ayanian, J. Z., Ehrlich, G. M., Grimes, D. R., & Levy, H. (2017). Economic effects of Medicaid expansion in Michigan. *New England Journal of Medicine*, *376*(5), 407-410; Bachrach, D., Boozang, P., Herring, A., & Reyneri, D. G. (2016). States expanding Medicaid see significant budget savings and revenue gains. *Princeton: Robert Wood Johnson Foundation*; Dorn, S. (2015). The effects of the Medicaid expansion on state budgets: an early look in select states.

Table 7: Fiscal Effects of Medicaid Expansion in Montana (all values in millions of $2016)

	2016	2017	2018	2019	2020
Savings					
Traditional Medicaid	15.2	28.4	29.3	30.1	30.9
Corrections	1.3	7.6	7.8	8.0	8.2
Substance Use Disorders	1.5	3	3	3	3
Total Savings	**18**	**38.9**	**40.1**	**41.1**	**42.1**
Costs					
Benefits and Claims	2.4	28.0	32.9	36.3	53.1
Administration	2.9	5.1	5.1	4.9	5.2
Total Costs	**5.3**	**33.0**	**38.0**	**41.2**	**58.3**
Savings Minus Costs	**12.7**	**5.9**	**2.1**	**-0.1**	**-16.2**
Revenues (all sources)	22.2	38.4	44.1	46.8	49.1
Revenues, Taxes Only	11.5	19.3	21.1	21.4	21.8
Expenditures	-10.5	-10.3	-1.9	6.6	13.9
Net Fiscal Impact (revenues minus expenditures)	32.7	48.7	46.0	40.2	35.3
Total Savings + Net Fiscal Impact	50.7	87.6	86.1	81.4	77.4
Net (savings + revenues - costs)	**45.4**	**54.6**	**48.1**	**40.2**	**19.1**

Limitations

Model based results (although model results appear to align well with empirically observable results).

Effects could be higher or lower.

- Shocks to enrollment
- Shocks to health care costs
- Shocks to exchanges
- Complicated interactions
- Impacts of reduced debt on individuals

However, basic pattern of results are robust to a variety of alternative assumptions.

This study was funded by the Montana Healthcare Foundation and the Headwaters Health Foundation of Western Montana.

- The Montana Healthcare Foundation is an independent, 501(c)3 foundation that makes investments to improve the health and healthcare of all Montanans. For more information on the Montana Healthcare Foundation's work on health policy, visit www.mthcf.org/ and click on the "Medicaid and Health Policy" button on the homepage.

- Headwaters Health Foundation of Western Montana is a an independent, 501(c)3 foundation that works side by side with Western Montanans to improve the health of our communities. For more information about Headwaters Health Foundation visit: https://headwatershealthmt.org/