

# Fiscal and Economic Consequences of Medicaid Expansion



Dave Wells, Ph.D.

Research Director

Grand Canyon Institute

[GrandCanyonInstitute.org](http://GrandCanyonInstitute.org)

[dwells@azgci.org](mailto:dwells@azgci.org)

# Grand Canyon Institute

- Founded 2011
- Centrist, nonpartisan
  - Independent, mainstream
  - Pragmatic, Analytical
- Policy evaluation before Ideology
  - Emphasis on economic outcomes
  - Quality growth & shared prosperity
  - Fiscal Balance and Stability



**1912-2012**  
Arizona's Centennial

# EDITORIALS

PAGE B4  
SATURDAY, 6.18.2011  
THE ARIZONA REPUBLIC  
OPINIONS.AZCENTRAL.COM

**THE ARIZONA REPUBLIC** Founded in 1890 • A Gannett newspaper • Incorporating The Phoenix Gazette  
EUGENE C. PULLIAM 1889-1975 • Publisher, 1946-1975 JOHN ZIDICH CEO and Publisher

Editorials represent the opinion of the newspaper, whose Editorial Board consists of: John Zidich, Joanna Allhands, Steve Benson, Phil Boas, Jennifer Dokes, Cindy Hernandez, Kathleen Ingle, Robert Leger, Randy Lovely, Doug MacEachern, Laura McBride, Robert Robb, Linda Valdez and Ken Western

» Online: Opinions  
To comment on letters, columns and editorials, go to [opinions.azcentral.com](http://opinions.azcentral.com).

## THE ISSUE: MIDDLE GROUND IN ARIZONA POLITICS

### THINK TANK BRINGS MODERATE VIEW

The middle ground has been a shrinking place in Arizona politics recently. Yet at the same time, more and more Arizonans spurn party labels and identify themselves as independents.

The Grand Canyon Institute, a new "centrist" think tank, has set out to help moderates reclaim territory.

The landmarks here are pragmatism, cooperation and economic common sense.

Arizonans have seen the type of legislation that comes from lawmakers more focused on ideology than real-world consequences. Measures allowing guns in universities, libraries and public swimming pools. Micromanagement of local government. Overriding local limits on using fireworks. A "birther" bill. (All of which were only squashed by Gov. Jan Brewer's veto.)

for a moderate voice," says former state Sen. Carolyn Allen, a Scottsdale Republican on the institute's board of directors.

The institute is led by a bipartisan group of well-respected Arizonans with deep roots in the state. They include Democrat George Cunningham, former legislator and budget guru; Republican Susan Gerard, former legislator and director of health services; and independent Paul Johnson, who was mayor of Phoenix.

The gravitational pull should keep it in the center.

But it will take a while to develop an identity, which is key to generating financial support.

For a think tank on the left or the right, there's ideological glue. The high-profile Goldwater Institute has developed a strong voice advocating conservative and libertarian principles.

The Grand Canyon Institute

With its growing population of independents, Arizona lacks an economic-minded think tank with a centrist view. The Grand Canyon Institute can provide the state's moderates with research and advocacy.

CHERYL EVANS/  
THE REPUBLIC

federal health-care reform, he sees the pitfalls of today's extreme partisanship. By failing to gather any Republican support, Democrats guaranteed that the instant the GOP gained power, it would start chipping away at the plan.

The success of major initiatives requires all sides to be invested, he argues. Solutions that half the population or Legislature rejects won't stand the test of time.

Arizona's electorate is realigning. Voters registered as "other" (Arizona has no "independent" label) have edged past Democrats and are now 32 percent of state rolls. Republicans are just a whisker ahead.

The Grand Canyon Institute has found a real need. Its research perspective will be valuable. As it adds to the mix of ideas, Arizona will have a richer political and intellectual land-

ology, Cunningham said. It will act as an independent analyst of economic, budget and tax issues — and how they play out in our everyday lives.

The goal is to help policy makers base their decisions on practical results, such as jobs gained and lost. The institute plans to provide solid research on what our tax dollars are really accomplishing. Are K-12

for college or careers? What's the real balance sheet for various public-private partnerships?

Research is the initial mission of the institute, with advocacy down the road. Cunningham foresees the institute's positions tacking conservative on some issues and liberal on others. But always after getting buy-in from all sides.

When board member Johnson

# GCI Board of Directors

- George Cunningham
  - Former State Senator, Deputy Chief of Staff for Gov. Napolitano
- Carolyn Allen
  - Former State Legislator (House and Senate)
- George Seitts
  - Former staff for Sen. Barry Goldwater and department head in Napolitano administration
- Jack August
  - Noted historian of leading Arizona leaders
- Paul Johnson
  - former Mayor of Phoenix
- Susan Gerard
  - former State Legislator (House and Senate) and department head for Gov. Napolitano
- Peter Hershberger
  - former State Legislator
- Tom Chapman
  - Phoenix community leader
- Jeff Chapman
  - former Dean of ASU College of Public Programs
- Ryan Harper
  - Policy and Public affairs advisor

# Would you take \$9 if it only cost you \$1?

- Governor Brewer says YES



# Medicaid NOW

- Federal Match, adjusted slightly annually for state poverty
- Arizona FMAP is about 2/3
- 1/3 paid for by the state
- 2/3 by the Federal Government
- 2:1 ratio



# Affordable Care Act mandated-part of AZ baseline costs

## Category

- Children to 133% FPL\*
- <100% FPL Parents and Children\* not currently enrolled but eligible

## Federal Portion

- 2/3 except some KidsCare rollover who retain KidsCare match of  $\frac{3}{4}$
- 2/3

# Affordable Care Act optional populations, if expand

## Category

- Childless Adults <100%FPL
  - Currently enrolled (freeze since July 2011 and total enrollment has dropped by 120,000)
  - Eligible, but not enrolled
    - Both people who had been enrolled
    - And people who had been eligible but not enrolled

## Federal Portion

- 83 percent rising to 90 percent by 2020
  - Ariz. eligible because one of six states that had covered this group before ACA.

AHCCCS

Estimates Aug  
2012

Regular FMAP  
FY 2015

Enhanced FMAP  
FY 2015



Gov. Brewer  
denied waiver  
to receive  
enhanced  
FMAP for only  
Prop. 204  
compliance

Childless Adult Freeze Members Reinstated (<100% FPL)

State Match	461,077,463	207,484,858
Federal Share	882,388,337	1,135,980,942
Total	1,343,465,800	1,343,465,800
Lives Covered	154,300	154,300

Childless Adults Woodwork (<100% FPL)

State Match	97,217,509	43,747,879
Federal Share	186,050,291	239,519,921
Total	283,267,800	283,267,800
Lives Covered	32,854	32,854

Combined Prop. 204 Compliance

State Match	<b>558,294,972</b>	<b>251,232,737</b>
Federal Share	1,068,438,628	1,375,500,863
Total	1,626,733,600	1,626,733,600

Why  
Prop. 204  
Compl-  
iance only  
not an  
option

**EXCLUDES CURRENTLY COVERED CHILDLESS ADULTS  
WHO GET SAME FMAP**

AHCCCS estimates Aug.,  
2012





# Affordable Care Act optional populations

## Category

- Adults 100-133% FPL

## Federal Portion

- 100 percent declining to 90 percent by 2020
  - With Medicaid no premium
- IF don't expand, this group eligible for coverage under exchange with federal subsidies and no state dollars.
  - Premium for enrollees 2% of income

# Problems with Current Policy

- Disproportionate Hospital Share Funding goes down with ACA (because ACA increases coverage)
  - Helps pay hospitals for uncompensated care
- 120,000 childless adults lost health coverage
  - 90,000 still have it, but could lose it
- Arizona Hospital Assoc. reports since July 2011
  - Uncompensated care had doubled as portion of gross charges from about 3.6% to more than 7%.
- Many hospitals are operating at a loss

# Fiscal Costs FY 2015

## Executive

- \$154 M

- 239,000 new covered

## JLBC

- \$103 M

- 245,000 new covered

## GCI

- \$165 M

- 245,000 new covered

**GCI 90-90 to no childless adults coverage**

- \$265 M

- 298,000 all childless adults included

# Economic Returns

- Conservative Assumptions
  - Assume long-run 90% Federal payments, not transitional payments
  - Compared to a base # of Jan. 2014 childless adults staying covered (approx. 50,000)
    - Which will instead tend toward zero under current policy or possibly go immediately to zero Jan. 1, 2014
  - Compared to a base that includes additional federal dollars that adults at 100-133% FPL would receive under the exchange
    - But enrollment rate is about 70% as much due to premium imposed

# Added Coverage Summaries

## Added Coverage Medicaid Cost Summaries for FY2014 to FY2017

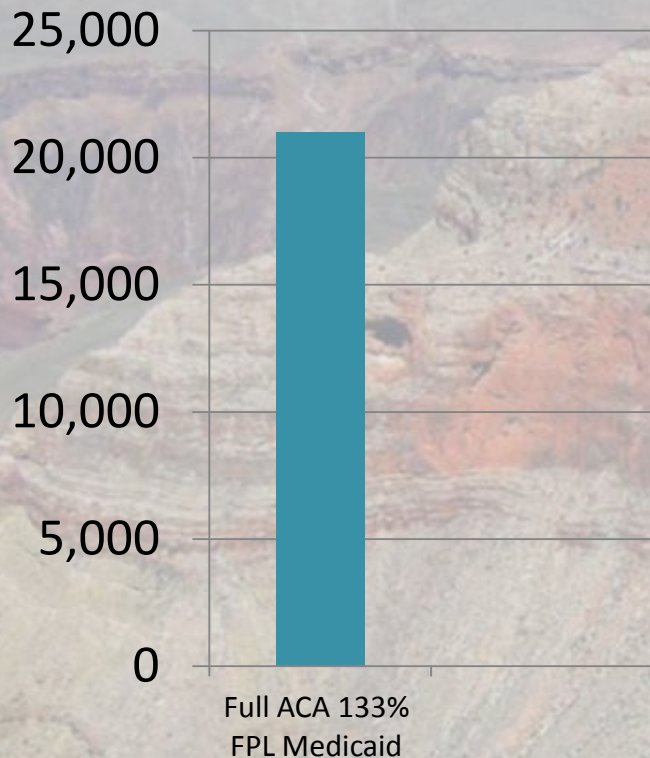
	State Costs	Federal Funding	2017 Lives Covered
Option 1-not complying with Healthy Arizona (freeze on childless adults)	\$855,559,239	\$2,758,704,003	228,607
Option 2-Healthy Arizona Compliance (100% of FPL)	2,733,940,716	6,353,462,027	417,234
Option 3-Full Compliance with ACA (133% of FPL)	1,520,422,753	7,932,760,353	434,855

Option 1 assumes # of currently covered childless adults stays constant for the period AND includes added federal subsidies for adults 100-133% FPL covered in the exchange

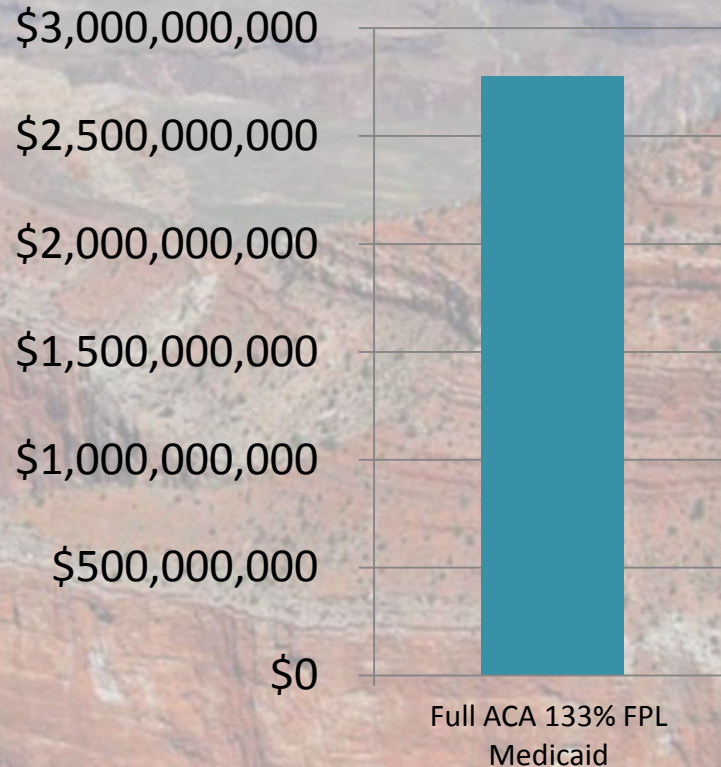
# Annual Economic Impact

## 21,000 jobs and \$2.7 billion

Added Jobs



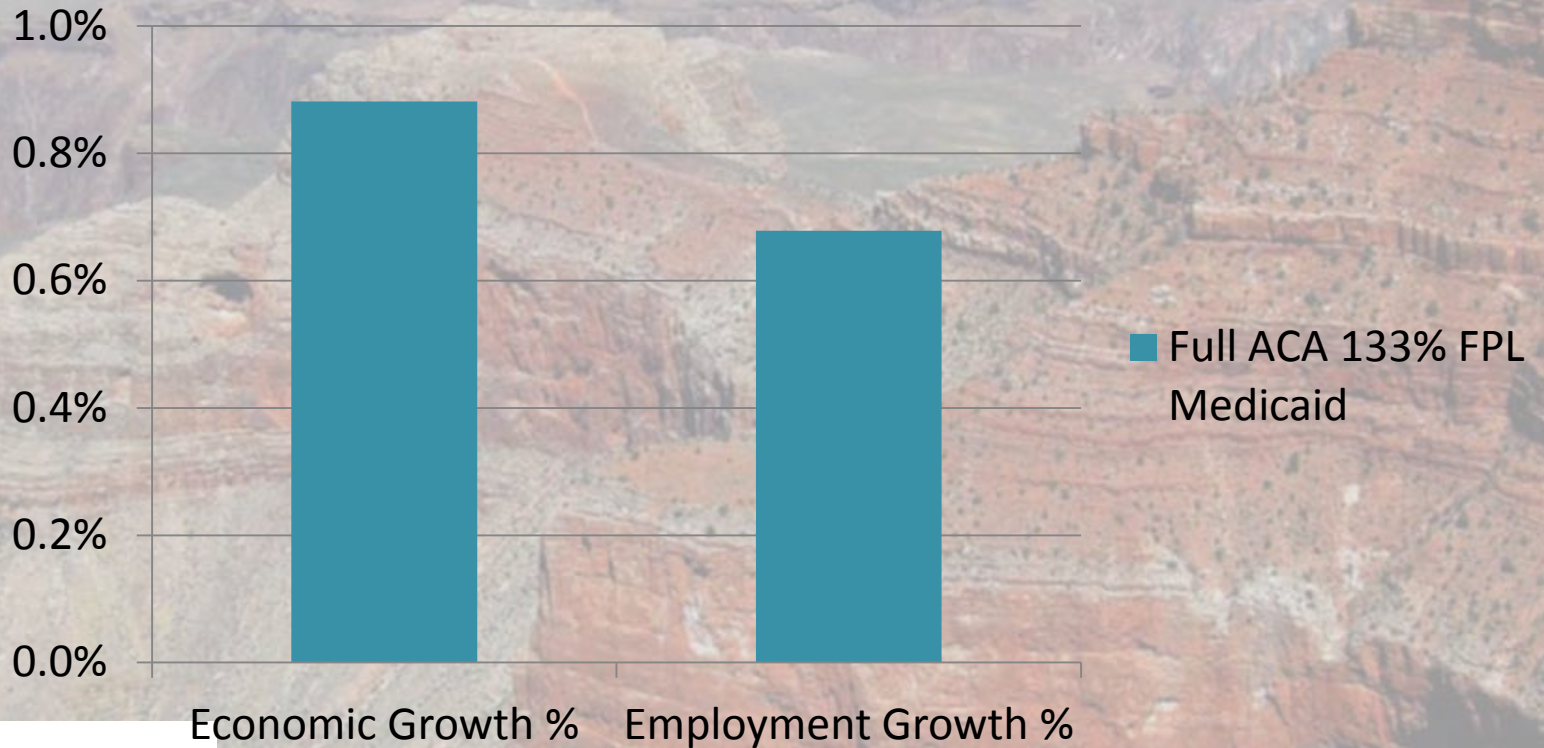
Added Output



# Annual Economic Impact

Nearly 1% economic growth,  
lower unemployment by 0.7 percent

**Full ACA 133% FPL Medicaid**



# Annual Economic Impact

## 21,000 jobs and \$2.7 billion

- Multiplier Impact (1.85 Output, 1.97 Jobs)
  - Direct and Indirect impacts
  - 30% Greater than impact of Luke Air Force Base
  - 10% Greater than impact of Intel in AZ
  - Unlike Luke or Intel
    - distributed throughout Arizona, including rural areas, especially those with higher Medicaid eligible populations
      - Rural benefits likely proportionally greater than urban areas
    - Every additional person enrolled means health benefits + economic benefits