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American Action Forum Analysis Finds Supreme Court's Ruling on Medicaid Will Add Hundreds of Billions to Cost of Affordable Care Act

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The Affordable Care Act just got more unaffordable. Many people have worried that employers would dump their workers into the subsidized exchanges. Now there is good reason for states to dump Medicaid beneficiaries there at the expense of the federal taxpayer.

How big could it be? The American Action Forum ran the numbers. Suppose that every state takes advantage of this opportunity, and that every individual who is either on Medicaid or would be eligible for the expansion actually moves to the exchanges. The federal government would save as much as \$130 billion in Medicaid in 2014, but it would be on the hook for \$230 billion in new insurance subsidies. The net bottom line: a \$100 billion annual expansion in federal costs.

Of course, not all states may forego the expansion, without doubt fewer than 100 percent of those eligible will take up subsidies, and actual insurance choices are impossible to foresee perfectly. Accordingly, the net cost will be lower than the full \$100 billion, but it seems safe to say that the ACA will leave the taxpayer on the hook for an additional \$500 billion or so in federal costs over the first 10 years.

How does this work? The Supreme Court ruled that the federal government could not punish states that refused to expand Medicaid (to 133 percent of the federal poverty line) by yanking their existing Medicaid funding. They would not, of course, get any new federal Medicaid money.

But, states would be able to get piles of federal money. Specifically, beginning in 2014 they could pare their Medicaid program back to the federally-designated minimum (100 percent of poverty), saving the state a lot of money. Everybody between 100 percent and 133 percent would be eligible for insurance subsidies - with the federal government (read: taxpayer) picking up the entire tab.

For states, this is a clear winner - covering more individuals and saving budget dollars at the same time.

For the taxpayer this is a nightmare. The taxpayer would save some money on the Medicaid expansions that would not take place (where the feds pay 90 percent of the cost) but they will pick up the full cost of the additional and generous insurance, bearing an additional \$500 billion over ten years.

Who knew the (Un)Affordable Care Act could get even more unaffordable?