

Report Finds State Costs of Implementing The Affordable Care Act's Medicaid Expansion Would Be Modest Compared to Increases in Federal Funds, and Some States Would See Net Savings

Updated Analysis Provides New Data on Coverage and Cost Impact of the Medicaid Expansion Under The ACA

Washington, D.C. – A new [report](#) released today by the Kaiser Family Foundation shows modest state costs for implementing the Medicaid expansion under the Affordable Care Act compared to significant increases in federal funds, allowing some states to see net budget savings even as millions of low-income uninsured Americans gain health coverage.

The new, updated analysis, conducted by John Holahan, Matt Buettgens, Caitlin Carroll and Stan Dorn at the Urban Institute for the Foundation's Commission on Medicaid and the Uninsured, shows that if all states were to expand their programs, state Medicaid spending nationally would rise by \$76 billion from 2013 to 2022, an increase of less than 3 percent, while federal Medicaid spending would increase by \$952 billion, or 26 percent. As a result, an additional 21.3 million individuals could gain Medicaid coverage by 2022 and, together with other coverage provisions of the ACA, that would cut the uninsured by almost half (48%).

"States are deciding whether to expand the Medicaid program, and they clearly will be balancing improvements in coverage against new costs for states," said Diane Rowland, executive vice president of the Foundation and executive director of the Kaiser Commission on Medicaid and the Uninsured. "While some states will see net savings, others will need to weigh the trade-offs between small increases in state spending in return for large gains in coverage supported by mostly federal dollars."

As with all of Medicaid, the coverage and budget impacts of the Medicaid expansion would vary across states. States that had already expanded coverage to adults – such as Vermont, Massachusetts, New York, Maine, and Maryland – may see savings under the

CONTACTS

Chris Lee
(202) 347-5270
clee@kff.org

Craig Palosky
(202) 347-5270
cpalosky@kff.org

ACA due primarily to higher matching rates for already covered populations. Meanwhile states with relatively large uninsured populations prior to any coverage expansions – including Nevada, Florida and Mississippi – are likely to see higher increases in state costs, but these increases are expected to be small relative to decreases in the uninsured and increases in federal matching funds.

The report provides key data for state officials to consider in light of the June Supreme Court ruling that effectively made the ACA's expansion of Medicaid eligibility a state option. The ACA set a national floor for Medicaid eligibility for adults with annual incomes at or below 138 percent of the federal poverty level, which is \$15,415 for an individual in 2012. The analysis also points out that Medicaid enrollment and spending is expected to rise even in states that elect not to expand coverage. That is because other ACA provisions, including the requirement to simplify enrollment and the implementation of the exchanges, are expected to increase Medicaid enrollment of some adults and especially many children who are already eligible for the program but not yet enrolled. States may want to factor the costs of the currently eligible population into their calculations as they weigh the costs and benefits of undertaking the Medicaid expansion to newly eligible individuals. For states that do adopt the expansion, they will see significant increases in coverage with limited incremental state costs and will see large increases in additional federal funds.

If coverage is expanded, states can expect to see declines in uncompensated care costs tied to spending on hospital care for people without insurance. If all states adopted the Medicaid expansion, it is estimated that states could save \$18 billion from 2013-2022. That would help to further mitigate the incremental costs of implementing the Medicaid expansion, particularly for states in the South, which tend to spend more on uncompensated care relative to their current spending on Medicaid than do states in other regions.

We limited this analysis to data available for all 50 states and the District of Columbia, so we were unable to estimate several potential sources of state fiscal gain from the Medicaid expansion including increased federal matching rates for current-law beneficiaries other than those covered through 1115 waivers or limited benefit programs; reduced state

spending on non-Medicaid health care previously for uninsured populations (like mental health and substance abuse services), as well as additional revenue state revenues tied to economic activity that would result from increased federal Medicaid dollars being spent within the state. If these factors were taken into account, more states could realize net fiscal gains.

More data on how individual states are expected to be affected by the ACA's Medicaid expansion, as well as a discussion of the methods underlying this analysis, can be found in the full report [online](#).

The Kaiser Family Foundation, a leader in health policy analysis, health journalism and communication, is dedicated to filling the need for trusted, independent information on the major health issues facing our nation and its people. The Foundation is a non-profit private operating foundation, based in Menlo Park, California.

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, D.C. office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.