



THE ECONOMIC IMPACT OF MEDICAID EXPANSION IN MONTANA: UPDATED FINDINGS

BRYCE WARD & BRANDON BRIDGE
JANUARY 2019

The Montana Healthcare Foundation
and Headwaters Foundation

JANUARY 2021

ECONOMIC EFFECTS OF MEDICAID EXPANSION IN MONTANA

IN MONTANA

ABMJ CONSULTING

REPORT COMPLETED BY
Bryce Ward, ABMJ Consulting

ABMJ CONSULTING

January 2023

Economic Effects of Medicaid Expansion in Montana

2023 Update

ISSUE BRIEF
May 2020

The Impact of Medicaid Expansion on States' Budgets

Bryce Ward
Founder
ABMJ Consulting

ABSTRACT

ISSUE: The impact of Medicaid expansion on state budgets is a concern cited by policymakers in nonexpansion states.

GOAL: To estimate the financial impact of Medicaid expansion on state budgets based on state experiences to date.

METHODS: Using historical data, projections of cost, and difference-in-differences analysis, we estimate the impact of expanding eligibility for Medicaid on states' spending on the program and the overall effect on their budgets.

KEY FINDINGS: During 2014–17, Medicaid expansion was associated with a 4.4 percent to 4.7 percent reduction in state spending on traditional Medicaid. Estimates of savings outside of the Medicaid program vary significantly. Savings on mental health care, in the corrections system, and from reductions in uncompensated care range from 14 percent of the cost of expansion in Kentucky to 30 percent in Arkansas.

CONCLUSION: It is not necessary to cut other spending or raise revenue by 10 percent of the cost of expansion — their share in 2020 — to balance their budgets. States have a variety of means to offset some or all of expansion's statutory costs. Thus, the net cost of Medicaid expansion to states is different from the "sticker price." In some cases, the net cost is negative.

TOPLINES

Medicaid expansion can reduce state spending on traditional Medicaid and yield savings outside the program too, a new analysis finds.

The cost of Medicaid expansion to states is different from the "sticker price"; in some cases, the net cost is negative.



How has Medicaid expansion affected Montana and Missoula's economy, and what would likely happen if we eliminate it?

Bryce Ward

October 9, 2024

What happened when Montana expanded Medicaid?

Effect	Montana	Missoula
Share of 19-64-year-olds covered by expansion	16%	13%
Expansion spending per year (supports better health and financial health for beneficiaries)	\$800-\$1000M	\$136-\$170M
New spending (i.e., if Montana had not expanded Medicaid this money would not have entered and circulated through Montana's economy)	\$600-\$800M	\$102-\$136M
Jobs supported	6,000-8,000	1,000-1,400
Income supported	\$400-600M	\$66-101M
Net impact on state spending (not including revenue effects)	-\$26-\$36M	
Net impact on state budget including revenue effects	\$25-\$96M	

What happens if Montana opts out of expansion?

Montana gives up Medicaid coverage for the expansion population and all related benefits, and gives up the increased economic activity and associated effects.

What does Montana get in return?

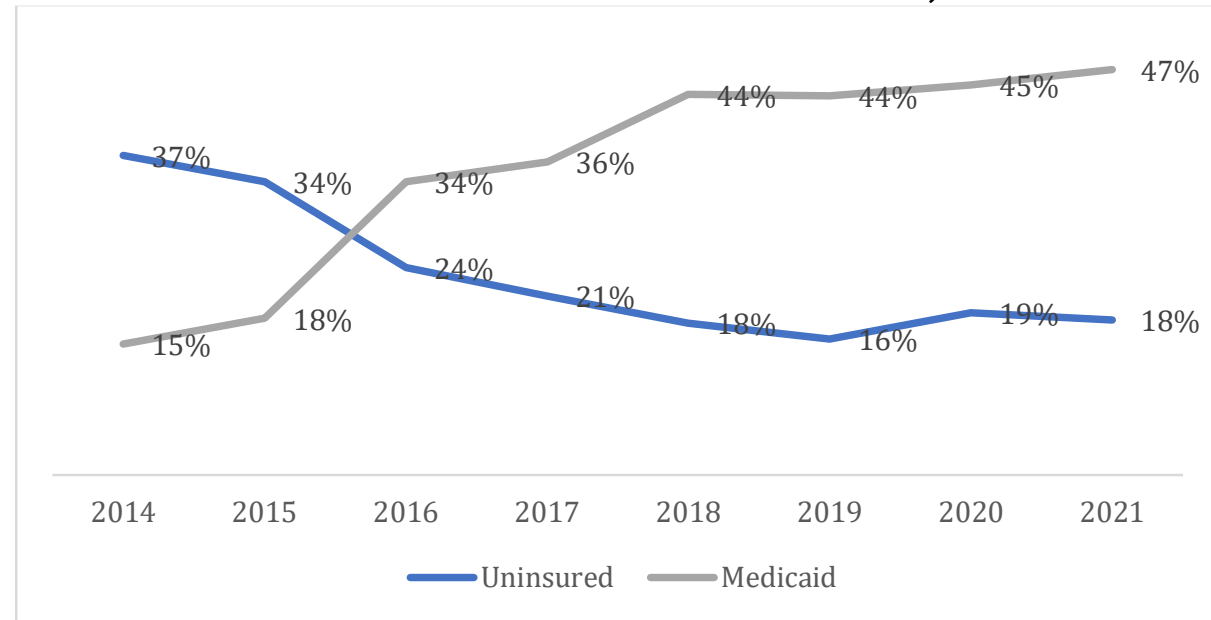
Effectively nothing. I.e., Montana does not receive a grant or tax break from the federal government equal to net increase in federal spending in Montana from expansion.

What happens if Montana opts out of expansion?

The 80-100K Montanans covered by expansion are no longer covered.

- Approximately 50% will likely become uninsured.
- Approximately 20% will be covered by traditional Medicaid
- Remaining 30% will be covered by employer-sponsored insurance or on the exchange.

Figure 1: Share of low-income (<139% FPL) Montanans ages 19-64 with no SSI income with no health insurance or with Medicaid, 2014-2021.



Notes: Analysis of American Community Survey microdata obtained from IPUMS-USA.

What does this the loss of expansion mean for beneficiaries?

Uninsured =>

- Substantial reduction in healthcare consumed
- Care received is paid out-of-pocket
- Significant increase in personal cost, debt, or increase in uncompensated care

Switch within Medicaid =>

- Essentially no change

Switch to private insurance =>

- Must pay their share of premiums and cost sharing
- Moderate reduction in healthcare consumed
- Moderate increase in debt/uncompensated care

What does this the loss of expansion mean for beneficiaries?

Losing Medicaid => worse healthcare, health, and financial health.

Figure from: Rubin et al (2021). "Medicaid Expansion: Frequently Asked Questions.

<https://www.cbpp.org/sites/default/files/6-16-21health.pdf>

See also: Borgschulte, M. and J. Vogler. 2020. "Did the ACA Medicaid Expansion Save Lives?" *Journal of Health Economics*, 72: 102333; Miller, S., N. Johnson, and L. Wherry. 2021.

"Medicaid and Mortality: New Evidence from Linked Survey and Administrative Data." NBER Working Paper 26081. Cambridge, MA: National Bureau of Economic Research; Sommers, B., B.

Maylone, R. Blendon, E.J. Orav, and A. Epstein. 2017. "Three-Year Impacts of the Affordable Care Act: Improved Medical Care and Health Among Low-Income Adults." *Health Affairs*, 36, no. 6: 1119–28; Winkleman, T and V. Chang. 2018. "Medicaid

Expansion, Mental Health, and Access to Care Among Childless Adults with and without Chronic Conditions." *Journal of General Internal Medicine*, 33, no. 3: 376–83. Kuroki, M. 2020. "The

Effect of Health Insurance Coverage on Personal Bankruptcy: Evidence from the Medicaid Expansion." *Review of Economics of the Household*, 19: 429–51. Brevoort, K., D. Groadzicki, and

M. Hackmann. 2020. "The Credit Consequences of Unpaid Medical Bills." *Journal of Public Economics*, 187: 104203.

FIGURE 4

ACA Medicaid Expansion Improving Access to Care, Health, and Financial Security, Research Finds



Access to care: More low-income adults with a **personal physician**, getting **check-ups and other preventive care**, and getting **regular care for chronic conditions**; increases in number of people getting **medication-assisted treatment** for opioid use disorders; greater access to **mental health care**.



Health outcomes: Fewer **premature deaths** among older adults, with **at least 19,000 lives saved**; improvements in overall **self-reported health**; reductions in share of low-income adults screening positive for **depression**; improved **diabetes and hypertension** control; increases in **early-stage cancer diagnoses**; decreases in share of patients receiving **surgical care inconsistent with medical guidelines**.



Financial security: Reductions in share of low-income adults **struggling to pay medical bills**; \$1,140 reduction in **medical debt per person** gaining coverage through expansion; reductions in **evictions** among low-income renters.



Economic mobility: Better access to **credit**, including **lower-interest mortgages, auto, and other loans**, with annual interest savings amounting to \$280 per adult gaining coverage; majorities of adults gaining coverage through expansion in Michigan and Ohio report coverage makes it **easier for them to work or look for work**.

Worse health and worse financial health for expansion beneficiaries creates spillover costs for the community.

Medicaid expansion has been shown to significantly reduce crime and reduce recidivism (likely by providing for mental health and substance abuse treatment).

See: Aslim, E. G., Mungan, M. C., Navarro, C. I., & Yu, H. (2022). The effect of public health insurance on criminal recidivism. *Journal of Policy Analysis and Management*, 41(1), 45-91; Fry, C. E., McGuire, T. G., & Frank, R. G. (2020). Medicaid expansion's spillover to the criminal justice system: evidence from six urban counties. *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 6(2), 244-263. He, Q., & Barkowski, S. (2020). The effect of health insurance on crime: Evidence from the Affordable Care Act Medicaid expansion. *Health economics*, 29(3), 261-277. Vogler, J. (2020). Access to healthcare and criminal behavior: Evidence from the ACA Medicaid expansions. *Journal of Policy Analysis and Management*, 39(4), 1166-1213. Wen, H., Hockenberry, J. M., & Cummings, J. R. (2017). The effect of Medicaid expansion on crime reduction: Evidence from HIFA-waiver expansions. *Journal of Public Economics*, 154, 67-94. Jácome, E. (2022). Mental health and criminal involvement: Evidence from losing Medicaid eligibility.

What does this the loss of expansion mean for healthcare providers?

- Less healthcare spending + more uncompensated care (approximately \$400-\$500M change)
- Worse provider financial health and potential loss of providers (particularly rural/tribal providers)
- Less investment in expanded capacity (This is a loss for everyone, not just expansion beneficiaries)
- Loss of healthcare jobs and income. Expansion boosts total healthcare earnings by approximately \$300 million per year.

Sources: Ward (2023), Ward and Bridge (2019). Fredric Blavin and Christal Ramos, "Medicaid Expansion: Effects On Hospital Finances And Implications For Hospitals Facing COVID-19 Challenges," *Health Affairs* 40 no. 1 (January 2021): 82-90; Ali Moghtaderi, Jesse Pines, Mark Zocchi, and Bernard Black, "The Effect of Affordable Care Act Medicaid Expansion on Hospital Revenue," *Health Economics* 29 no. 12 (December 2020): 1682-1704; Tyler L. Malone, George H. Pink, and George M. Holmes, "Decline in Inpatient Volume at Rural Hospitals," *The Journal of Rural Health* Epub ahead of print (December 2020); David J. Wallace et al., "Association Between State Medicaid Expansion and Emergency Access to Acute Care Hospitals in the United States," *JAMA Network Open* 3 no. 11 (November 2020). Lindrooth, R. C., Perrailon, M. C., Hardy, R. Y., & Tung, G. J. (2018). Understanding the relationship between Medicaid expansions and hospital closures. *Health Affairs*, 37(1), 111-120.

What does this the loss of expansion mean for economic activity in Montana?

Roughly 75-80 percent of Medicaid expansion spending (\$600-\$800 million) represents new spending in Montana's economy. Without Medicaid expansion these dollars would not have been spent in Montana.

In the absence of Medicaid expansion, the federal government does not offer Montanans grants or tax breaks equal to expansion spending. As such, in the absence of expansion, net federal spending in Montana simply falls.

As a general rule of thumb, each million dollars of new spending attributable to Medicaid expansion supports 10 jobs and between \$625K-\$700K in personal income.

Thus, at recent levels, Medicaid expansion supports roughly 6,000-8,000 jobs and approx. \$400-\$600 million in personal income.

Slightly more than half of these impacts are in the healthcare sector. The rest are distributed throughout the local sector of the economy (e.g., real estate, restaurants, retail).

Roughly 17% of these impacts occur in Missoula.

What does this the loss of expansion mean for the state budget?

Direct cost (state pays 0% of costs at tribal facilities, 10% elsewhere = 9% + 1% for administration): \$80-\$100M

Other spending effects:

- Approximately 20% of spending transfers from traditional Medicaid. State pays 25% more if delivered by traditional Medicaid: -\$40-\$50M
- Re-introduction of healthcare programs for low-income, increased spending for inmate care: -\$14M
- State-funded offsets for increased uncompensated care???

Net change in spending: \$26-\$36M

What does this the loss of expansion mean for the state budget?

Medicaid expansion allows the state to increase revenues:

HB658 – what share is revenue that state would not have collected without expansion?

- Assume no HB658 revenues without expansion, revenues attributable to expansion = -\$50-\$60M
- Assume HB658 regardless of expansion (change only from increased healthcare use), revenues attributable to expansions = -\$6M

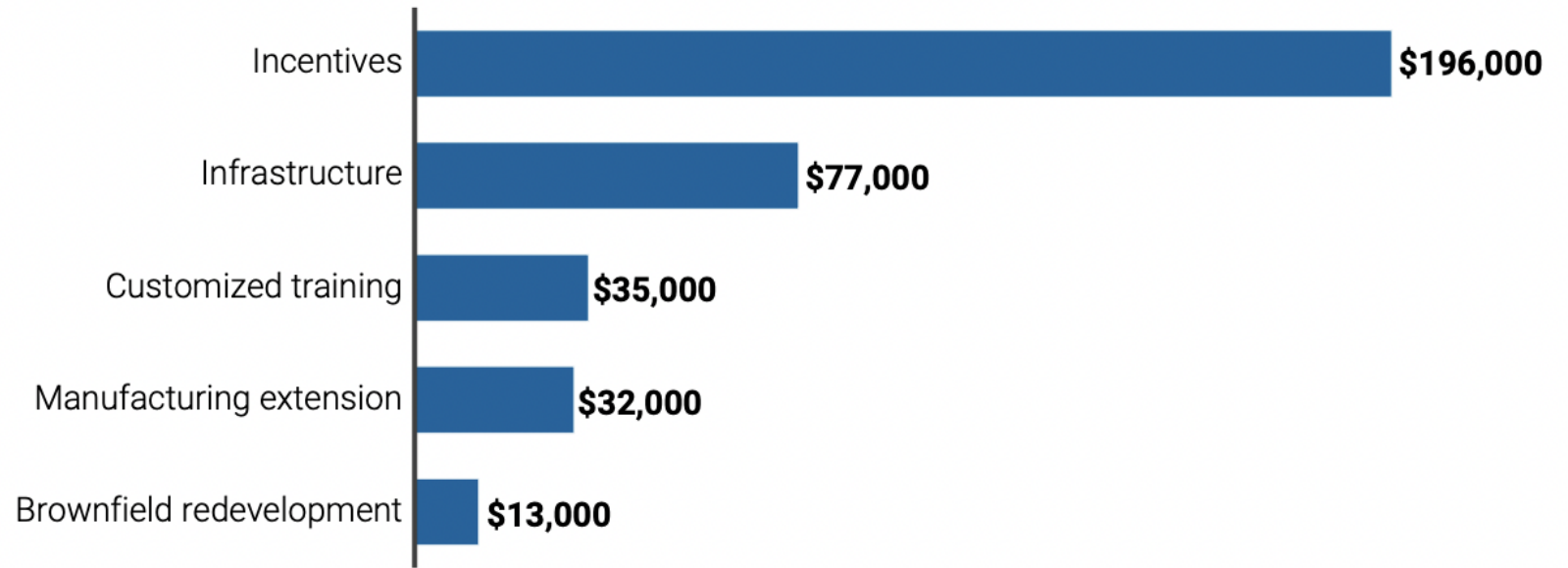
General revenue from increased economic activity. On average state revenues equal 11.3 percent of personal income => revenues attributable to increased income attributable to expansions = -\$45-68M

Net effect of ending expansion on state budget w/ revenues: Loss of \$15-\$97M

Thinking of expansion purely as a economic development program

Setting aside any revenue effects.
Medicaid expansion's cost per job = \$4,500

Figure 1. Present-value cost per job created of government growth-promotion policies



Source: Author's calculations. See: Bartik, Timothy J. 2020. "Using Place-Based Jobs Policies to Help Distressed Communities". *Journal of Economic Perspectives* (Summer): 99-127.

Eliminating Medicaid expansion is unlikely to increase labor force participation

	2012-2015	2017-2022	Change MT	Change avg. non-exp. state
Labor force participation 19-64	78.9%	80.2%	1.3%	0.7%
Labor force participation 19-64, <200% FPL	67.4%	66.1	-1.4%	-2.4%
Employment 19-64, <200% FPL	58.9%	60.3%	1.4%	0.8%
Eligibles (<139% FPL) as share of 19-64 pop.	30.2%	25.6%	-4.6%	-4.6%

Understanding Montana's adult Medicaid beneficiaries

Cumulative share	Share	
44%	44%	Working full-time regardless of potential impediment (e.g., this share includes the 3.6% of adult Medicaid beneficiaries who work full-time and attend school and the 7% who work full-time and report some form of disability).
55%	10%	Not working full-time, but attending school (regardless of other potential impediment).
60%	6%	Not working full-time (or attending school), but working part-time for economic reasons (e.g., would like a FT job) (regardless of other impediment)
64%	4%	Working part-time (for non-economic reasons) and report some form of disability or impairment (regardless of other impediment)
71%	7%	Working part-time (for non-economic reasons), no reported disability, but child in family (or other reported care responsibility)
76%	5%	Working part-time with no reported potential impediments
88%	13%	Not working, but reported some form of disability/impairment
96%	8%	Not working, no reported some form of disability/impairment, but child in family (or other reported care responsibility)
100%	4%	Not working and no reported potential impediments

Understanding Montana's adult Medicaid beneficiaries

Share of population (with no SSI income) reporting Medicaid	2017-2022
Post-secondary students	16.3%
Labor force participants	12.2%
Most lower-wage occupations (e.g., cook, housekeeper, waiters, cashiers, childcare workers)	25-30%
Parents (child <19 in HH)	18.9%
People reporting impairments/disability	33.4%
Veterans	11.5%



Across multiple reports over five years, I've told the same story.

“Medicaid expansion increases health insurance coverage and healthcare access, improving individuals’ health and households’ financial health while creating thousands of jobs and millions in income for Montanans throughout the economy. Medicaid expansion also reduces state spending and boosts state revenues. Combined, these savings and revenues likely more than offset the “sticker price” of expansion (10 percent of costs). As such, Medicaid expansion generates health, well-being, and economic opportunity for Montanans at minimal (or no) cost to the state budget.”