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## Oklahoma Policy Institute

### MEDICAID EXPANSION'S TRACK RECORD SHOWS IT'S A GOOD DEAL FOR OKLAHOMA

by Carly Putnam

In 2012, Governor Mary Fallin announced that Oklahoma would reject federal funds to expand the state's Medicaid program to include residents earning up to 138 percent of the federal poverty level.<sup>1</sup> Accepting the funds would have extended insurance coverage for roughly 150,000 people – approximately 1 in 5 of the state's uninsured.<sup>2</sup>

Two years after the Governor's announcement, the consequences of rejecting expansion clearly show it was the wrong decision. In this brief, we will examine the impact of the Governor's



decision in three areas: insurance coverage and health outcomes; economic impact; and effect on state budgets. While other states have lowered their uninsured rate and allowed more residents to access needed care, Oklahoma's uninsured rate remains high, leaving too many without access to health care. Despite frequent claims by state leaders that Oklahoma is "open for business," the state is missing out on the economic opportunities expansion would afford. Finally, at a time when other state coffers are reaping benefits from an infusion of federal Medicaid expansion funds, Oklahoma is cutting vital health services and putting lives at risk.

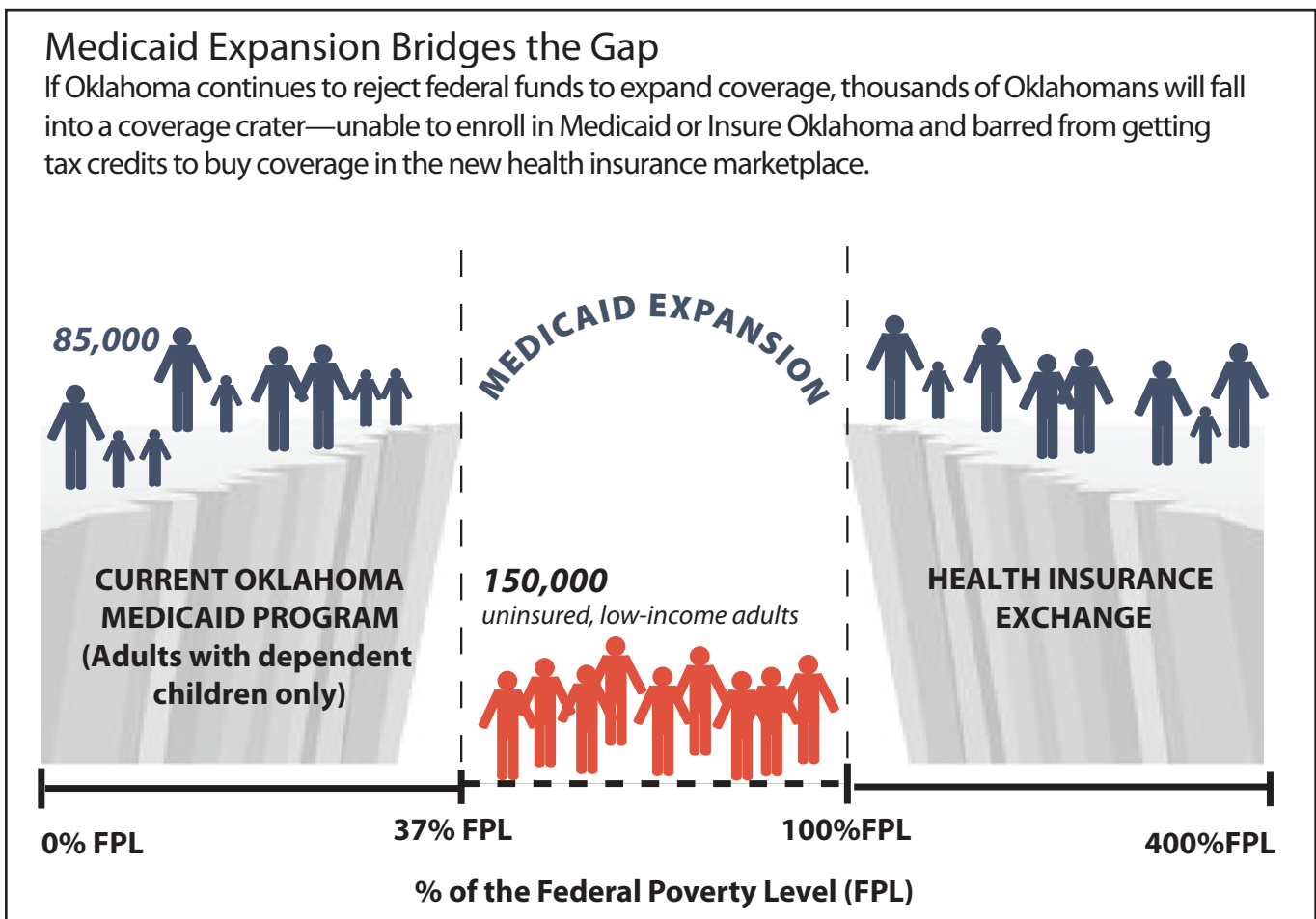
To see how accepting the Medicaid funds affects states, we can compare Oklahoma with states that have made a different choice. Arkansas, Kentucky and New Jersey are three of the 28 states that have expanded their Medicaid programs. Like Oklahoma, Arkansas and Kentucky have high poverty rates and high levels of public health problems associated with poverty, such as obesity, heart disease, and diabetes. Like Oklahoma, New Jersey has a Republican governor, and Governor Christie is a close ally of Governor Fallin. All three states chose to accept federal funds to expand health coverage and have used this funding in innovative and successful ways. It is our hope that Oklahoma takes inspiration from these states and leverages this opportunity to improve the health of our citizens, our economy, and the state budget.

## The Mechanics of Expansion

When the Affordable Care Act was drafted, Congress assumed that all states would expand their Medicaid programs to residents making less than 138 percent of the poverty level. In order to keep expansion affordable for states, the federal government agreed to fund 100 percent of the costs through 2016, before scaling down to 90 percent by 2020. The Leavitt Report, which was commissioned by Governor Fallin, estimated this infusion of federal funds would bring \$13.6 billion to \$17 billion into Oklahoma over a 10-year period.<sup>3</sup>

The Affordable Care Act originally required states to accept the expansion or lose all Medicaid funding. However, a 2012 US Supreme Court decision invalidated that part of the law, giving states the ability to refuse the expansion without losing other federal Medicaid funds.

As of September 2014, 28 states have moved forward with expansion. However, 22 states – including Oklahoma – have not. Oklahomans making above 100 percent of the poverty level are eligible for subsidies in the online marketplace (unless a lawsuit by Oklahoma Attorney General Scott Pruitt succeeds in taking away those subsidies).<sup>4</sup> Nevertheless, rejecting the Medicaid expansion leaves approximately 150,000 Oklahomans in a “coverage crater,” ineligible both for traditional Medicaid and for subsidies on the online marketplaces.



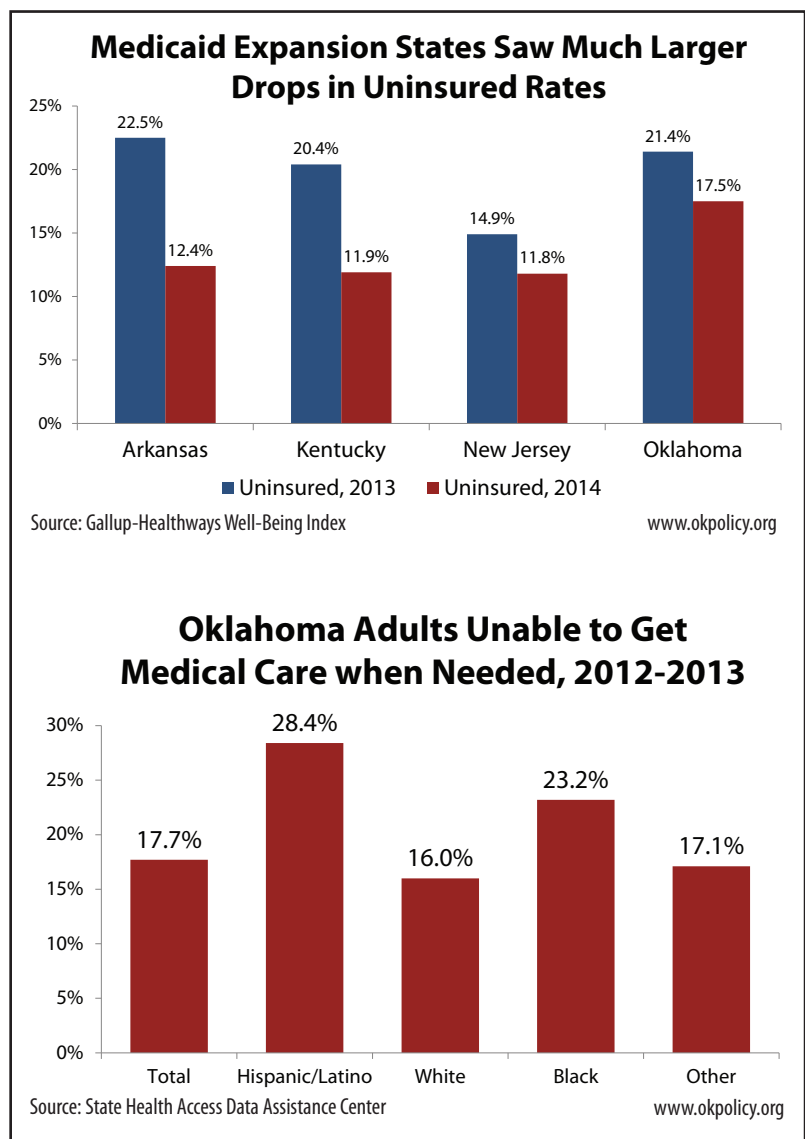
## States that expanded Medicaid are lowering their uninsured rate and improving health outcomes.

It shouldn't be a surprise that extending health coverage to the previously uninsured lowers states' overall uninsured rates. Extending coverage has been shown to increase access to preventive care, which is much more cost-effective than waiting until health issues become an emergency.<sup>5</sup> Gaining coverage also boosts financial security, since families with health insurance are much less likely to see their savings wiped out or go into debt due to a medical emergency.<sup>6</sup>

States that expanded Medicaid under the Affordable Care Act are seeing much larger drops in their uninsured rates than states that did not expand. When the Medicaid expansion and online health insurance marketplace provisions of the Affordable Care Act went into effect in 2014, Arkansas and Kentucky both reported record drops in their uninsured rate: from 22.5 percent to 10.1 percent uninsured in Arkansas, and from 20.4 percent to 11.9 percent uninsured in Kentucky.<sup>7</sup> By contrast, Oklahoma's uninsured rate dropped by only 3.9 percentage points, from 21.4 percent to 17.5 percent.

A Gallup Healthways survey found that nationwide, states that accepted Medicaid expansion and created a state-based or partnership health care marketplace saw nearly twice the decrease in uninsured rates as states that did one or neither (4.0 percentage point decrease versus a 2.2 percent decrease)<sup>8</sup>. Expansion states saw greater reductions even though they already had lower uninsured rates before the law came into effect.

The need for better access to health care in Oklahoma remains very large. On average, one in five Oklahomans say that they can't access needed medical care when necessary – and for non-white Oklahomans, the numbers are worse.<sup>9</sup> Without access to a doctor or a hospital, minor health issues can turn into a health emergency or death. Conversely, extending health coverage has been shown to dramatically improve access to preventive health care such as vaccinations and cancer screenings.<sup>10,11</sup>



The most rigorous study available on the effects of a Medicaid expansion, conducted in Oregon, found an enormous rise in preventive care for the newly enrolled, including a 100 percent increase in breast cancer screenings, and the virtual eradication of catastrophic health costs.<sup>12,13</sup>

Medicaid expansions under the Affordable Care Act have shown similar benefits. The Kentucky state Insurance Commissioner reported in July 2014 that utilization of preventive services for adults rose by nearly 40 percent within a year of the state expanding its Medicaid program.<sup>14</sup> Breast cancer screenings rose by 20.6 percent and colorectal cancer screenings by 16.1 percent.<sup>15</sup> Kentucky Governor Steve Beshear cited his state's poor health status when advocating for expansion, most notably in a New York Times editorial titled "My State Needs Obamacare. Now."<sup>16</sup> The increased utilization of preventive care in Kentucky following expansion indicates that expansion has done precisely what it was supposed to.

Expansion via the "private option" in Arkansas, which uses Medicaid expansion dollars to purchase private health insurance for low-income Arkansans, has also been effective. By May, just a few months after expansion took effect, hospitals in the state reported a 25 percent decline in uninsured admissions<sup>17</sup>. In August, one hospital chain announced that uninsured admissions were down by over 40 percent.<sup>18</sup>

## States that expanded Medicaid are boosting their economies.

The huge infusion of federal money that comes with Medicaid expansion grows local economies. Studies have found that Medicaid spending has a strong multiplier effect — dollars entering the private economy through Medicaid spur further economic activity far beyond the initial investment.<sup>19</sup> Access to affordable health coverage also allows low-wage workers and their families to spend more of their income on consumer goods. A healthier workforce, increased consumer demand, and the infusion of federal funds together drive job creation and grow the whole economy.

***In bang for the buck, accepting expansion funds is vastly more efficient than what Oklahoma already spends on economic development.***

An analysis by Families USA forecasts that Medicaid expansion will create 14,500 jobs in New Jersey by 2016, across a range of fields and occupations.<sup>20</sup> The analysis noted that a workforce made healthier due to Medicaid expansion would also be more productive and more likely to purchase non-essential consumer goods. A healthier workforce attracts new businesses to the state.<sup>21</sup>

In Kentucky, Families USA estimates that Medicaid expansion will create 14,700 jobs in 2016, due in large part to the additional \$600 million of health care spending generated by expansion.<sup>22</sup> By 2021, Medicaid expansion will spur the creation of more than 16,700 jobs annually, with an average salary of \$43,000. From 2014 to 2022, the report predicts \$4.9 billion in new salaries for jobs created by expansion alone, with a total economic impact of \$15.6 billion. The analysis noted that these jobs would generate substantial tax revenue for the state.<sup>23</sup>

## TEN YEAR PROJECTED ECONOMIC IMPACT OF MEDICAID EXPANSION IN OKLAHOMA

Source: Leavitt Partners report commissioned by Governor Fallin

ENROLLMENT	TOTAL COST (STATE + FEDERAL)	JOBS CREATED	TOTAL ECONOMIC IMPACT
Low	\$10.5 billion	12,062	\$14.2 billion
Medium	\$12.5 billion	13,762	\$16.2 billion
High	\$13.3 billion	15,196	\$17.9 billion

The Leavitt Report commissioned by Governor Fallin estimates that by 2023, Medicaid expansion would create between 12,000 and 15,000 jobs in Oklahoma, with a total economic impact of \$14.2 billion to \$17.9 billion.<sup>24</sup> In bang for the buck, accepting expansion funds is vastly more efficient than what Oklahoma already spends on economic development. In 2012 alone, the state of Oklahoma paid \$896 million in incentives to attract private businesses to the state. This is more than the ten-year total cost to the state for expanding Medicaid (\$689 million).<sup>25</sup>

Tens of thousands of Oklahoma workers are currently making below 138 percent of the poverty level and would be helped by the expansion. The top five industries with workers who fall into the newly eligible Medicaid population are those we interact with on a daily basis. They are restaurant and fast food workers, construction workers, child care workers, home health aides, and retail workers. As of 2011, more than 140,000 uninsured workers in Oklahoma fall into the income range that would be eligible for coverage under Medicaid expansion.<sup>26</sup>

Governor Fallin has said that “improving the health and wellness of Oklahoma’s workforce” is a priority of her administration.<sup>27</sup> If she wants to turn that promise into something more than words, accepting federal funds to expand health coverage is the clear path forward.

### Accepting Medicaid expansion funds is a net benefit for state budgets.

The experience in states that accepted Medicaid expansion funds show that it is a good deal for state budgets. In New Jersey, Arkansas, and Kentucky, analysts determined that expanding their states’ Medicaid programs would provide substantial savings for their states. States that have expanded Medicaid are realizing those savings. In Arkansas, the state Medicaid director placed the estimated savings to the state through 2021 at \$630 million.<sup>28</sup> In Kentucky, the state is estimated to save \$820 million.<sup>29,30</sup>

The moderate cost to states for expansion can be recouped in a variety of areas. In all states, the amount spent on health care costs of those who are uninsured and unable to pay – that is, uncompensated care – is projected to drop as more people gain health coverage via Medicaid expansion.<sup>31,32</sup> New federal money going to private health care providers will also be subject to income tax – and some of the money that previously would have been spent on health care will be spent on consumer goods subject to sales taxes.

Finally, some of the Medicaid populations that are currently covered under a lower federal matching rate will be 100 percent covered by federal funds if the state expands their program. According to the Leavitt Report, expanding Medicaid would result in estimated cost savings to the Oklahoma Department of Mental Health and Substance Abuse Services (\$340 million over 10 years), the Oklahoma Department of Corrections (\$118 million over 10 years), and the Oklahoma State Department of Health (\$24 million over 10 years). The Leavitt Report places the net savings created by expansion at between \$446 and \$485 million by 2023.<sup>33</sup> In Oklahoma, the savings provided by expansion would take some of the pressure off stressed state coffers.

Meanwhile, Oklahoma's health care safety is struggling with a significant budget hole. Due to inadequate Medicaid funding this year, Oklahoma cut provider reimbursements and hiked patient copayments to the federal maximum.<sup>34,35</sup> The state also cut uncompensated care reimbursements for community health centers to the point of non-viability and left thousands of Oklahomans with disabilities on a decade-long waiting list for support services.<sup>36,37</sup> Contrary to promises that Oklahoma would pursue a “state-based solution” to expand coverage, the state is opening new holes in the health care safety net even as we turn down billions to fill its sizeable gaps.

## The bottom line

Oklahoma is at a crossroads. If we continue on our present path, we will block coverage for roughly 150,000 Oklahomans, at the same time as we are slashing our health care safety net for low-income citizens. We will also leave thousands of jobs uncreated, turn down billions of dollars in economic activity, and reject more than \$600 million in state savings.



Accepting federal funds to expand Medicaid in Oklahoma is the fiscally and morally responsible choice. It will release pressure on the state's underfunded health budget, boost the state economy, and make health care more accessible and affordable for all. If state leaders do not wish to expand traditional Medicaid, the federal government has already shown flexibility in allowing a private option as in Arkansas.

Other states have leveraged Medicaid expansion to constructive ends in their states. Oklahoma should do the same.

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