

# Potential Budget Savings and Revenue Gains from Medicaid Expansion in Florida: A Snapshot Based on FY 2016-17 Data

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# Overview

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- Summary Savings and Revenue Gains

# The Takeaway: Outcomes

Based on the experience of other states, legislative projections and our own analysis, Medicaid expansion would:

- Significantly reduce the number of uninsured Floridians.
- Reduce state costs for uncompensated health care.
- Result in significant budget savings and increased state revenues.
- Free up state general revenue funds for other priorities.

Sources:

Dorn, S. et al., *The Cost of Not Expanding Medicaid: An Updated Analysis*. Robert Wood Johnson Foundation. April 2017.

<https://www.rwjf.org/en/library/research/2017/04/the-cost-of-not-expanding-medicaid.html>

Antonisse, Larisa et al. , *The Effects of Medicaid Expansion Under the ACA: Updated Findings from a Literature Review*. Kaiser Family Foundation. September 2017.

<http://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review/>

Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States*.

Robert Wood Johnson Foundation. March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# The Takeaway: Net Savings

- This report is a snapshot of the budgetary savings and revenue gains Florida could generate with Medicaid expansion. While the gross savings figures are based on Florida's Medicaid Program as of FY 2016-17, the additional costs that would be imposed are based on FY 2018-19. Savings in future years would be comparable and grow over time.
- The estimate is based on available data and estimates from the state Office of Economic and Demographic Research (EDR), the Georgetown University Center for Children and Families and state spending in specific program areas. The report also considers the experience of other Medicaid expansion states.

## Net Budget Savings based on Medicaid Expansion in Florida FY 2016-17\*

Total Net Estimated Savings of Medicaid Expansion in Florida

**\$501,950,000**

# The Takeaway: Savings in the Long Term

- The level of state savings may change over time, but savings would continue even with lower enhanced federal matching rates.
- Other states that have already expanded Medicaid have experienced state budget gains since expansion.

## Sources:

Dorn, S. et al., *The Cost of Not Expanding Medicaid: An Updated Analysis*, Urban Institute. 2017. <https://www.rwjf.org/en/library/research/2017/04/the-cost-of-not-expanding-medicaid.html>

Dorn, S. et al., *The Cost to States of Not Expanding Medicaid*. 2016. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000886-The-Cost-to-States-of-Not-Expanding-Medicaid.pdf>

Antonisse, L. et al., *The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review*, Kaiser Family Foundation, 2017.

<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-september-2017/>

# The Context: What is Expansion?

- Medicaid expansion under the Affordable Care Act (ACA) includes adults under the age of 65 with incomes up to 138 percent of the Federal Poverty Level (FPL). For 2017, this is \$16,643 for an individual and \$33,948 for a family of four.
- A June 2012 U.S. Supreme Court ruling made expansion of Medicaid optional for states.
- Florida is one of 19 states that have not expanded Medicaid.
- For Medicaid expansion states, the federal government covered 100 percent of the Medicaid costs for newly eligible enrollees in 2016, and will cover 94 percent of costs in FY 2018. The federal share phases down to 90 percent in 2020 and thereafter.

Source:

Dorn, S. et al., *The Cost of Not Expanding Medicaid: An Updated Analysis*. Urban Institute. 2017. <https://www.rwjf.org/en/library/research/2017/04/the-cost-of-not-expanding-medicaid.htm>

# The Context: When Can States Expand?

- There is no deadline for states to expand Medicaid.
- The current Medicaid expansion Federal Medical Assistance Percentage (FMAP) would apply:

FMAP for New Enrollees				
Fiscal Year	2017	2018	2019	2020
FMAP	95	94	93	90

Source:

Office of Economic and Demographic Research. *Social Services Estimating Conference, Estimates Related to Federal Affordable Care Act: Title XIX (Medicaid) & Title XXI (CHIP) Programs*. March 7, 2013. <http://edr.state.fl.us/Content/conferences/medicaid/FederalAffordableHealthCareActEstimates.pdf>

# The Context: Who Qualifies Now?

- To qualify for Medicaid in Florida, a family of four with dependent children must not earn more than 30 percent of the FPL, or \$7,380 per year.
- To qualify for marketplace health insurance assistance, a family of four with dependent children must earn at least \$24,600 per year. Families between \$7,380 and \$24,600 annual income are not eligible for any coverage, representing the coverage gap.
- Adults without dependent children are currently ineligible for Medicaid unless they have severe, long-term disabilities.
- If Florida were to expand Medicaid, the 500,000+ Floridians currently in the coverage gap would have access to affordable health care.

## Sources:

U.S. Dept. of Health & Human Services. *2017 Federal Poverty Levels*. <https://aspe.hhs.gov/poverty-guidelines>

Florida Policy Institute. *How Medicaid Expansion Would Benefit Florida. A Guide for Understanding Florida's Medicaid Program and The Opportunity to Improve It*. 2016. <http://www.fpi.institute/wp-content/uploads/2016/05/Florida-Chartbook-Website.pdf>

Dadi, E. *Florida's Coverage Gap*. 2016. <http://www.fpi.institute/wp-content/uploads/2016/01/MedicaidCoverageFlorida.pdf>



# The Context: Who Would Benefit?

- With Medicaid expansion, families with incomes up to 138 percent of the FPL would be eligible for Medicaid coverage - \$16,643 for an individual and \$33,948 for a family of four in 2017.
- Expansion would guarantee healthcare coverage to:
  - Floridians who are currently in the coverage gap.
  - Floridians who are struggling to afford marketplace health insurance, such as families whose annual income falls between \$24,600 and \$33,948.

Source:

U.S. Centers for Medicaid and Medicare Services, <https://www.healthcare.gov/medicaid-chip/medicaid-expansion-and-you/>

# The Context: FMAP

- The Federal Medical Assistance Percentage (FMAP) is a formula through which the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average and smaller portion for states with higher per capita incomes.
- Currently FMAP ranges from 50 to 83 percent, but exceptions to the regular FMAP rate have been made in specific circumstances. For example, Medicaid expansion states under the ACA receive initial (2014-2016) federal matching rates of up to 100 percent for certain income-eligible individuals.
- For the current federal FY, 2017-18, Florida's regular FMAP is 61.79 and the state share is 38.21. This means for every \$1 Florida spends on Medicaid, it receives \$0.61 from the federal government while only \$0.38 comes from Florida funds.

## Sources:

Office of Economic and Demographic Research. *Medicaid Federal Share of Matching Funds*. 2016. <http://edr.state.fl.us/content/conferences/medicaid/fmap.pdf>  
Mitchell, A. *Medicaid's Federal Medicaid Assistance Percentage (FMAP)*. Congressional Research Service. 2016. <https://www.fas.org/sgp/crs/misc/R43847.pdf>

# The Context: Benefits to States

- States that expand Medicaid benefit financially by:
  - Accessing enhanced federal matching funds for income-based Medicaid beneficiaries under expansion
    - If Florida were to expand Medicaid, at least 90 cents of every dollar spent could come from the federal government for newly eligible low-income adults, and other services would qualify for this higher reimbursement.
    - The current Medicaid coverage groups that would benefit from higher FMAP includes:
      - Medically Needy program
      - Pregnant Women
      - Disabled Adults
      - Breast and Cervical Cancer Program

Notes: The ACA definition of “newly eligible” or income-based Medicaid beneficiaries under expansion includes some groups currently covered by Medicaid with limited benefits (e.g., “Medically Needy” or pregnant women) or those subject to capped enrollment who are made eligible via demonstration waivers (e.g., individuals with disabilities). By transitioning these current Medicaid beneficiaries into the ACA’s “newly eligible” category, states will be able to access the enhanced federal match, thereby replacing state dollars with federal dollars. For states that choose to expand Medicaid, these dollars can be counted as cost savings.

#### Sources:

Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States.* Robert Wood Johnson Foundation. March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

The State Health Access Data Assistance Center et al. *Estimated Financial Effects of Expanding Oregon’s Medicaid Program Under the Affordable Care Act (2014-2020).* 2013. [https://www.manatt.com/uploadedFiles/Content/5\\_Insights/White\\_Papers/OR\\_Effect%20of%20ACA%20Medicaid%20Expansion\\_Feb2013\\_Final.pdf](https://www.manatt.com/uploadedFiles/Content/5_Insights/White_Papers/OR_Effect%20of%20ACA%20Medicaid%20Expansion_Feb2013_Final.pdf)

# The Context: Benefits to States

- States that expand Medicaid benefit financially by:
  - Replacing state health care funding with federal funds.
    - Many states have supported programs and services for the uninsured — mental and behavioral health programs, public health programs, health care services for prisoners etc. — with state general fund dollars.
    - With expansion, many of the beneficiaries of these programs and services are able to secure Medicaid coverage in the new adult category, which means states can fund these services with enhanced federal — not state — dollars.
    - If Florida were to expand Medicaid the services that would be newly covered by federal funds include:
      - State mental health and substance abuse services
      - Hospital inpatient care services for prisoners
      - Uncompensated care services for the uninsured and underinsured Floridians

Source:

Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States.* Robert Wood Johnson Foundation. March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# The Context: Benefits to States

- States that expanded Medicaid have benefited financially by:
  - Increasing revenue
    - States raise revenue through individual income taxes or sales taxes. Many also have corporate income taxes, property taxes and other revenue sources. When economic activity increases, these revenue sources yield more funds.
    - Medicaid expansion increases economic activity within a state. The additional federal dollars buy more health care services. A “multiplier effect” ensues when health care providers use their increased revenue to employ more personnel and buy more goods and services within the state.
  - Increasing revenue generated from existing taxes on health plans and health care providers.
    - Many states raise revenue through assessments or fees on providers and health plans. Provider and health plan revenues increase with expansion, the fees generate additional revenue.
    - Florida would gain additional tax revenue from provider assessments.

Note: This report does not include the potential state revenue gains from economic activity in the state due to Medicaid expansion.

Sources: Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States.* Robert Wood Johnson Foundation. March 2016 . [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097); Dorn, S. et al. *The Cost to States of Not Expanding Medicaid.* Urban Institute. August 2016. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000886-The-Cost-to-States-of-Not-Expanding-Medicaid.pdf>

# The Context: Other States' Savings

## State Savings in FY 2015

<b>Arkansas</b>	<b>SFY 2015</b>
Total Cost of Newly Eligible Enrollees	\$0
State Savings from Enhanced Federal Matching Funds	\$67,970,000
Savings from Replacing State General Revenue funds with Medicaid Funds	\$33,400,000
Estimated Revenue Gains from Provider Taxes/Insurer Assessments	\$29,700,000
<b>Total Estimated Savings and Revenue Gains Related to Medicaid Expansion</b>	<b>\$131,070,000</b>
<b>Washington State</b>	
Total Cost of Newly Eligible Enrollees	\$0
State Savings from Enhanced Federal Matching Funds	\$250,500,000
State Savings from Replacing State General Revenue funds with Medicaid Funds	\$68,100,000
Estimated Revenue Gains from Provider Taxes/Insurer Assessments	\$33,900,000
<b>Total Estimated Savings and Revenue Gains Related to Medicaid Expansion</b>	<b>\$352,500,000</b>
<b>Kentucky</b>	
Total Cost of Newly Eligible Enrollees	\$0
State Savings from Enhanced Federal Matching Funds	\$33,300,000
Savings from Replacing State General Revenue funds with Medicaid Funds	\$49,800,000
<b>Total Estimated Savings Related to Medicaid Expansion</b>	<b>\$83,100,000</b>

Note: The costs of newly eligible enrollees are paid *entirely* by the federal government in FY 2014 and 2015. Savings and revenue gains, on the other hand, accrued to state budgets.

Source: Bachrach, D. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains*. Robert Wood Johnson Foundation. March 2016.

[http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# Additional States' Savings

- Louisiana- FY 2016-2017
  - State savings of \$199 million; projected to surpass \$350 million for FY 2018. Savings are due to:
    - Higher federal match rate for Medicaid populations previously funded at the regular rate;
    - Additional revenue from a premium tax on managed care organizations;
    - Less hospital disproportionate share payments as the uninsured population decreased;
    - Inpatient hospital savings because newly released state prisoners are now Medicaid eligible.

Source:

Louisiana Department of Health, Medicaid Expansion 2016/17 (Baton Rouge, Louisiana Department of Health, June 2017)

[http://dhh.louisiana.gov/assets/HealthyLa/Resources/MdcdExpnAnnIRprt\\_2017\\_WEB.pdf](http://dhh.louisiana.gov/assets/HealthyLa/Resources/MdcdExpnAnnIRprt_2017_WEB.pdf)

# Additional States' Savings

## Montana – FY 2016-2017

- State savings exceeding \$22 million as adults previously covered with limited benefits at a reduced federal match were transferred to Medicaid expansion;
- Millions of dollars in additional state savings from federal dollars replacing state funding for targeted services to uninsured populations, including SUD treatment, mental health services and inpatient medical treatment for incarcerated individuals.

## New Jersey-2014-2016

- State savings of \$1 billion due in part to a higher federal match for uninsured adults previously covered in a Medicaid waiver program; new federal funding for adults previously covered under a state program; reductions in charity care payments; and increased revenue from insurer assessments.
- Projected to save nearly half a billion dollars annually in the future.

### Sources:

Bachrach D, et al. Repealing the Medicaid Expansion: Implications for Montana. Manatt. 2017. [http://mthcf.org/wp-content/uploads/2017/03/Repealing-the-Medicaid-Expansion-Implications-for-Montana\\_March-2017.pdf](http://mthcf.org/wp-content/uploads/2017/03/Repealing-the-Medicaid-Expansion-Implications-for-Montana_March-2017.pdf)

Castro R. Repealing the Medicaid Expansion Would Reverse Health Coverage Gains and Deepen New Jersey's Financial Crisis. Trenton: New Jersey Policy Perspective; 2016. <https://www.njpp.org/healthcare/repealing-the-medicaid-expansion-would-reverse-health-coverage-gains-deepen-new-jerseys-financial-crisis>



# Medicaid in Florida: By the Numbers

# By the Numbers: FY 2016-17

## FY 2016-2017

Total Enrollment	3,971,386
Per Member, Per Year (PMPY) Cost	\$6,486
Total Costs (Federal and State)	\$26 billion
FMAP	61.10%
Total State Appropriations	\$10.2 billion

### Sources:

Total Medicaid Enrollees-VIII Group Break Out Report, July 2015, Updates March 2016. Reported on the CMS-64.

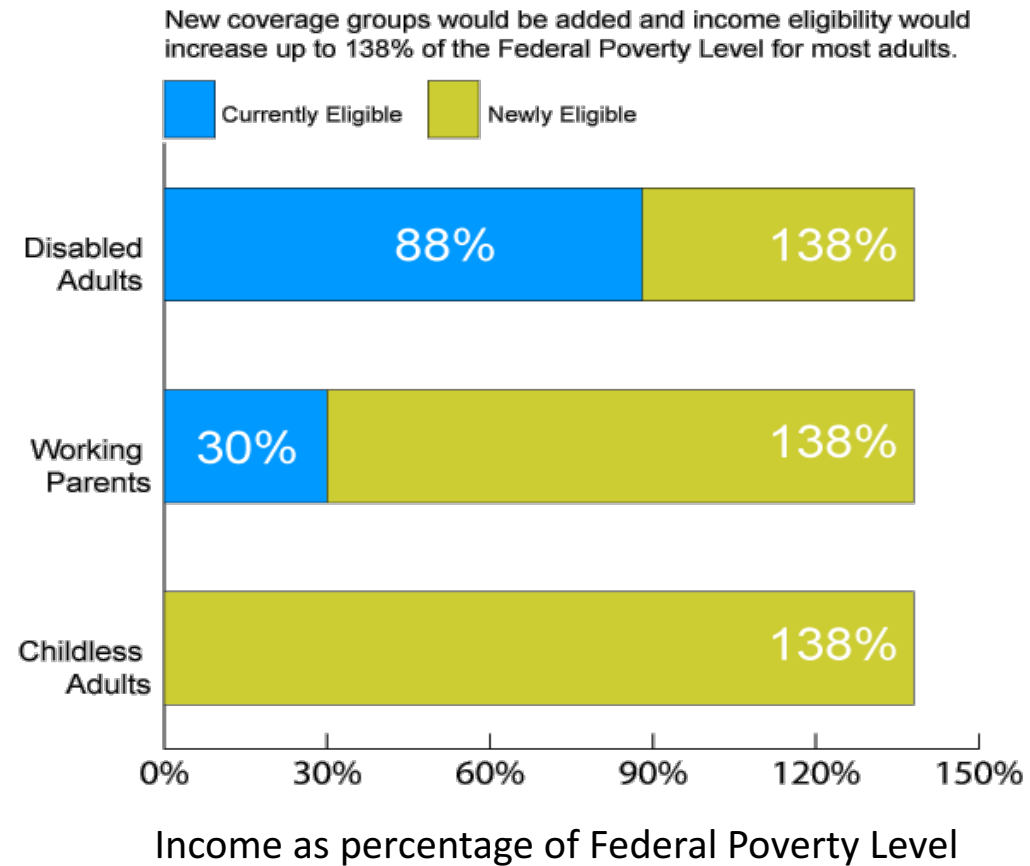
<https://www.medicaid.gov/medicaid-chip-program-information/program-information/downloads/cms-64-enrollment-report-july-sept-2015.pdf>

Florida Legislature. Office of Economic and Demographic Research. *Long-Term Medicaid Services and Expenditures Forecast*. July 2016.

<http://edr.state.fl.us/content/conferences/medicaid/fmap.pdf>

Chapter 2016-66, Laws of Florida, the General Appropriations Act.

# By the Numbers: Who Gets Benefits?



Source: Florida Policy Institute. *How Medicaid Expansion Would Benefit Florida. A Guide for Understanding Florida's Medicaid Program and The Opportunity to Improve It.* 2016 <http://www.fpi.institute/wp-content/uploads/2016/05/Florida-Chartbook-Website.pdf>

# Expansion Brings a Mix of Costs and Savings

The potential savings to Florida outweighs expansion costs, resulting in a substantial net savings to Florida's budget

## Potential Budget Impacts of Medicaid Expansion in Florida , FY 2018-19\*

Estimated Costs of Expansion	\$245,800,000
Estimated Savings from Accessing Enhanced Federal Matching Funds	\$364,010,000
Estimated Savings from Replacing State General Revenue funds with Medicaid Funds	\$364,630,000
Estimated Revenue Gains	\$19,110,000
Net Estimated Savings of Medicaid Expansion in Florida	\$501,950,000

Note: \*Based on available data, estimates from the Office of Economic and Demographic Research (EDR), the Georgetown University Center for Children and Families, and state spending for specific program areas. Source: Dorn, S., et al. *The Cost to States of Not Expanding Medicaid*. Urban Institute. 2016. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000886-The-Cost-to-States-of-Not-Expanding-Medicaid.pdf>

# Expansion Caseload: New Costs

Fiscal Year	Expansion Caseload	Per Capita Cost	Total Cost of Expansion (Federal and State)	State Cost of Expansion
2016-17	902,036	\$4,017	\$3,710.5 million	\$87.3 million
2017-18	912,679	\$4,201	\$3,834.1 million	\$199.9 million
2018-19	923,270	\$4,305	\$3,974.6 million	\$245.8 million
<b>Total</b>	<b>2,737,985</b>		<b>\$11,519.2 million</b>	<b>\$533 million</b>

## Notes:

- The newly eligible caseload projection (which includes the crowd-out, new uninsured presenters and the conversion of the Medically Needy into the expansion program based on 2011-2013 ACS Public Use Microdata Sample). The total and state cost of expansion based on the Office of Economic and Demographic Research (EDR) projection. However, the caseload projection does not include Floridians who are currently eligible, but not enrolled in Medicaid.
- The currently eligible, but not enrolled population might be already realized. With economic recovery, more people can benefit from health insurance marketplace subsidies. Also, they may get coverage because of the individual coverage mandate of the ACA.
- The eligible population will increase each year by the annual growth rate in the total population of Florida for the Medicaid and CHIP eligible, but not enrolled populations and the newly eligible population.
- The PMPY (per capita) estimate for the newly eligible is significantly lower under Medicaid expansion because expansion covers childless adults aged 18-64. This cost of care is almost five times lower than elderly and disabled adult Medicaid enrollees.
- The PMPY (per capita) estimate for the newly eligible population is based on expenditure and caseload projections made by EDR.
- The state cost of expansion reflects the specific cost for new uninsured presenters and the crowd-out population.
- Total cost of expansion considered the offsetting savings from the Medically Needy program, where it is assumed that all the medically needy program would be converted into the expansion program.

Source: The Florida Legislature, Office of Economic and Demographic Research (EDR). *Impact Analysis of SB 2-A, As Filed (With Preliminary numbers for proposed Amendment)*. June 1, 2015. [http://edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentation\\_ImpactAnalysisAsFiled.pdf](http://edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentation_ImpactAnalysisAsFiled.pdf)

# Potential State Savings from Accessing Enhanced Federal Matching Funds

# Potential Savings: Sources

Florida could generate budgetary savings by accessing enhanced FMAP for programs serving\*:

- Medically Needy Floridians
- Disabled Adults
- Pregnant Women
- Breast and Cervical Cancer Program

\*Program areas in which expansion states generated or are expected to generate savings.

# Potential Savings Amount from Enhanced Federal Matching funds

## State Savings From Enhanced Federal Matching Funds

Medically Needy Program	\$218,900,000
Disabled Adults Program	\$12,000,000
Pregnant Women	\$131,500,000
Breast and Cervical Cancer Program	\$1,610,000
<b>Total</b>	<b>\$364,010,000</b>



# Potential Savings: Medically Needy

**FY 2016-17 STATE BUDGETARY SAVINGS AMOUNT FROM THE MEDICALLY NEEDY PROGRAM:  
\$218,900,000\***

## Notes and Key Assumptions:

- EDR projects that the state would have saved \$263 million from the Medically needy program from a higher FMAP in FY 2016-17.
- Expansion states' experience reveals that, "High-need and high-cost individuals who previously would have only qualified for Medicaid by 'spending down' their incomes to the medically needy eligibility group instead were able to enroll in the new adult group, where the federal government provides enhanced match for their services. This is a significant area of savings for states with medically needy programs, given the high per-beneficiary cost of this population. Savings occur without any reductions in medically needy eligibility levels."

## Sources:

The Florida Legislature, Office of Economic and Demographic Research (EDR). *Impact Analysis of SB 2-A, As Filed (With Preliminary numbers for proposed Amendment)*. June, 2015. p. 7 [http://edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentation\\_ImpactAnalysisAsFiled.pdf](http://edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentation_ImpactAnalysisAsFiled.pdf)

Bachrach, D. et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States*. Robert Wood Johnson Foundation. March 2016.. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# Potential Savings: Disabled Adults Program

**FY 2016-17 STATE BUDGETARY SAVINGS AMOUNT FROM DISABLED ADULTS PROGRAM:  
\$12,000,000\***

**\*Notes and Key Assumptions:**

- Savings from enrollees in the disabled adult program assumes that low-income individuals who previously would have had to pursue a disability determination to qualify for Medicaid will enroll into the new adult group based on income alone. Accordingly, there should be a reduction in the number of individuals seeking disability determinations for Medicaid eligibility and reduced corresponding administrative costs.
- For FY 2016-17, Florida budgeted \$474,131,844 in combined federal/state money on people with disabilities not receiving SSI, of which 38.9% or \$184,437,287 is state funded. The state will only save on new enrollees. This report assumes 1% of monthly costs for newly eligible. In Month 1, the state would save 1% of 1/12th of \$184.5 million; Month 2 it could save 2%; etc. The annual savings is 7% of \$184.5 million, \$12 million.
- A study commissioned by AHCA also confirms that potential budgetary savings from the Disabled Adults Program are possible if the state chooses to expand Medicaid.

**Sources:**

Agency for Health Care Administration (ACHA)-(The State Medicaid Office) *Medicaid 101, January 2016 SSEC and FY 2016-17 GAA#S Including Breast and Cervical Cancer Treatment Program.*

Navigant. *Study of Hospital Funding and Payment Methodologies for Florida Medicaid: Prepared for Agency for Health Care Administration.* p. 125. 2015.

[https://ahca.myflorida.com/medicaid/Finance/finance/LIP-DSH/LIP/docs/FL Medicaid Funding and Payment Study 2015-02-27.pdf](https://ahca.myflorida.com/medicaid/Finance/finance/LIP-DSH/LIP/docs/FL_Medicaid_Funding_and_Payment_Study_2015-02-27.pdf)

Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States.*

Robert Wood Johnson Foundation. March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# Potential Savings: Pregnant Women

**FY 2016-17 STATE BUDGETARY SAVINGS AMOUNT FROM PREGNANT  
WOMEN PROGRAM:  
\$131,500,000\***

## Notes and Key Assumptions:

- For this report, FPI assumes that pregnant women are evenly distributed by Federal Poverty Level (FPL). Current income eligibility for pregnant women goes to 196% of FPL. Thus, the proportion of costs under 138% FPL is  $138/196=70\%$ . 70% of \$187 million=\$131.5 million
- Expansion states' experience reveals that, "Many women who are enrolled in the new adult group and become pregnant will remain in the new adult group, where the states receive the enhanced federal match for their services, at least until women renew their coverage. Savings occur even if states maintain their previous Medicaid eligibility levels for pregnant women."

## Sources:

Agency for Health Care Administration (ACHA). *Medicaid 101, January 2016 SSEC and FY 2016-17 GAA#S Including Breast and Cervical Cancer Treatment Program*.  
Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States*.  
Robert Wood Johnson Foundation. 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# Potential Savings: Breast and Cervical Cancer Program

**FY 2016-17 STATE BUDGETARY SAVINGS AMOUNT ON BREAST AND CERVICAL  
CANCER PROGRAM:  
\$1,610,000\***

## Notes and Key Assumptions:

- Based on data available from the state Medicaid office, for FY 2016-17 the total budget allocated for the Breast and Cervical Cancer Program was \$6,823,518, and the state share of the budget was \$2,334,000 based on the state's FMAP of 38.9%.
- Cost savings are achieved by transitioning women below 138% FPL to Medicaid and those above 138% FPL to the health insurance exchange.
- Accordingly, FPI assumed even distribution of the current income requirement of 200% Federal Poverty Level (FPL) for all program-eligible low-income, uninsured and underinsured women with Medicaid expansion under the Affordable Care Act (ACA);  $138\%/200\%=69\%$  times \$2,334,000, which results in estimated savings of \$1,610,460.
- Medicaid expansion states have realized budget savings from the Breast and Cervical Cancer Program.

## Source:

Agency for Health Care Administration (ACHA). Medicaid 101, January 2016 SSEC and FY 2016-17 GAA#S Including Breast and Cervical Cancer Treatment Program. Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States.* Robert Wood Johnson Foundation March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

# Potential State Savings from Replacing General Revenue Funds with Federal Medicaid Funds

# Potential Savings: Sources

Florida could generate budgetary savings by replacing state General Revenue (GR) funds with Medicaid funds for:

- Mental Health and Substance Abuse Programs
- Hospital Inpatient Costs of Care for Prisoners
- Uncompensated care

# Potential Savings Amount from Replacing State General Revenue With Medicaid Funds

## Savings from Replacing State General Revenue Funds with Medicaid Funds

Substance Abuse and Mental Health Services	\$250,000,000
Prisoner Hospitalization Costs	\$45,903,000
Uncompensated Care (Low Income Pool)	\$68,727,000
<b>Total</b>	<b>\$364,630,000</b>

# GR Savings: Mental Health and Substance Abuse

**STATE ANNUAL BUDGETARY SAVINGS AMOUNT FROM STATE MENTAL HEALTH AND SUBSTANCE ABUSE PROGRAM:**  
**\$250,000,000\***

**\*Notes and Key Assumptions:**

- The Georgetown University Center for Children and Families estimates that Florida would save up to \$250 million annually from its community substance abuse and mental health services program if the state chooses to expand Medicaid.
- These savings could help mitigate critical mental health funding priorities of the state, particularly for community-based agencies providing mental health care services.
- Other states' experience reveal that, "The largest savings in this category come as individuals who previously relied on state-funded behavioral health programs and services—including mental health and substance use disorder services—are able to secure Medicaid coverage in the new adult group, which means states can fund these services with federal—not state—dollars without reducing services."

**Sources:**

Alker, J. et al. *Florida's Medicaid Choice: Understanding Implications of Supreme Court Ruling on Affordable Health Care Act*. p. 7. 2012  
<http://ccf.georgetown.edu/wp-content/uploads/2012/11/florida-medicaid-choice-nov-2012.pdf>

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# GR Savings: Inmate Inpatient Costs

**FY 2016-17 STATE BUDGETARY SAVINGS AMOUNT FROM HOSPITAL INPATIENT  
COST OF CARE FOR PRISONERS:  
\$45,903,000\***

**\*Notes and Key Assumptions:**

- FPI presumes that nearly all inmates are likely to qualify for the new adult group. Applying Florida's expansion take-up rate of 85.8 percent, we conservatively assumed that the state could save \$45,903,000 of its \$53,500,000 hospital inpatient cost of care spending plan for FY 2016-17.
- Medicaid expansion states' experience reveals that, "...Expansion states are seeing health care related savings in their corrections budgets for newly Medicaid-eligible prisoners who are treated in an inpatient medical facility outside of the state correctional system. Additionally, inmates are now eligible for Medicaid upon release from jail or prison and can receive coverage for a broad range of treatments for mental illness, substance use disorders and chronic and communicable diseases..."

**Sources:**

The Florida Department of Corrections. Florida's FY 2016-17 allocated budget for inmate health care services is \$383,388,630, of which \$53,500,000 is allocated for Inpatient Cost of Care for inmates.

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# GR Savings: Uncompensated Care/Low Income Pool

**FY 2016-17 STATE SAVINGS AMOUNT FROM UNCOMPENSATED CARE COSTS:**  
**\$68,727,000\***

**\*Notes and Key Assumptions:**

- Florida has 877,000 uninsured non-elderly adults who would be eligible under Medicaid expansion, based on Urban Institute estimates. Medicaid expansion is projected to lower the number of uninsured by 29% with a moderate caseload enrollment. This figure is based on the 29% reduction of the state's uncompensated care costs. Florida's share of the LIP funding was \$236,991,144 for FY 2016-17.

**Sources:**

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# Potential Revenue Gains from Provider Taxes

**\$19,110,000\***

## \*Notes and Key Assumptions:

- Figure is based on 1.5% tax on inpatient care and 1% on outpatient, with a revenue distribution of 73% and 27%, respectively. This distribution is applied to \$2.1 billion in increased revenue if the state were to expand Medicaid in FY 2016. Also, 1/3 of Medicaid revenue gains are offset by lost marketplace revenues, resulting in net revenues of \$19.11 million.
- Other states' experience reveals increased state revenue from existing assessments on insurers and providers. These gains occurred as local insurer and provider revenues increased, resulting in higher state collections on insurer and provider assessments.

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## SUMMARY OF POTENTIAL FY 2018-19 STATE BUDGET SAVINGS AND REVENUE GAIN ESTIMATES IN FLORIDA

State-only Cost of Expansion	\$245,800,000
<b>SAVINGS FROM ENHANCED FEDERAL MATCHING RATES</b>	
Medically Needy Program	\$218,900,000
Disabled Adults Program	\$12,000,000
Breast and Cervical Cancer Program	\$1,610,000
Pregnant Women	\$131,500,000
<b>Total</b>	<b>\$364,010,000</b>
<b>SAVINGS FROM REPLACING STATE FUNDS WITH FEDERAL MEDICAID FUNDS</b>	
Substance Abuse and Mental Health Services	\$250,000,000
Prisoner Hospitalization Costs	\$45,903,000
Uncompensated Care (Low Income Pool)	\$68,727,000
<b>Total</b>	<b>\$364,630,000</b>
<b>ESTIMATED REVENUE GAINS</b>	
Increased Hospital Taxes/Provider Tax Assessments	\$19,110,000
<b>Total</b>	<b>\$19,110,000</b>
<b>Total Savings</b>	<b>\$747,750,000</b>
<b>Net Savings with Medicaid Expansion</b>	<b>\$501,950,000</b>

# For Additional Information

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# About the Florida Policy Institute

The Florida Policy Institute is an independent, nonpartisan and nonprofit organization dedicated to promoting widespread prosperity through timely, thoughtful and objective analysis of state policy issues affecting economic opportunity.

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