

# Expanding Medicaid in Ohio

## Analysis of likely effects

Ohio policymakers must decide whether to expand Medicaid eligibility to 138 percent of the federal poverty level (FPL). Such an expansion would be supported by unusually generous federal funding levels that have already been set aside for that purpose under the Patient Protection and Affordable Care Act (ACA).

To help lawmakers understand the advantages and disadvantages of such an expansion, we estimated expansion's cost and coverage effects using two different approaches:

- **The Urban Institute's Health Insurance Policy Simulation Model (HIPSM)** is a "microsimulation" model, like the models used by the Congressional Budget Office and the U.S. Treasury Department to project the effects of federal legislation. These models begin with the characteristics of each resident, as shown by national survey data. They then apply the health economics literature and empirical observations to show how behavior would respond to specific policy changes, such as a Medicaid expansion in Ohio.
- **Ohio State University (OSU)** developed an actuarial-type model to estimate the effects of Medicaid expansion in Ohio. This model analyzes groups of Ohio residents that share characteristics like income, age, and current eligibility for coverage. It then applies specific assumptions, such as those involving participation levels, to predict each group's responses to policy changes, such as the Medicaid expansion. In effect, this model moves from the "top down," unlike a microsimulation, which moves from the "bottom up."

Using the results from these two methods, we estimated the impact on the state's economy as a whole, employing a model of Ohio's economy developed by Regional Economic Modeling, Inc. (REMI). We found that both HIPSM and OSU's models, combined with REMI, project the same basic results from a Medicaid expansion:

1. Expanding Medicaid eligibility would **increase Ohio's Medicaid costs between \$2.4 billion and \$2.5 billion over the nine-year period** from state fiscal year (SFY) 2014 to SFY 2022.
2. Expanding Medicaid eligibility would allow **\$1.6 billion in state budget savings** during SFY 2014-2022. With an expansion, certain categories of current Medicaid spending would qualify for higher federal matching rates, letting the state reduce its spending. Also, non-Medicaid spending on health care for the poor and near-poor uninsured would be replaced by federal Medicaid dollars, allowing a reduction in state general fund spending.
3. Expanding Medicaid would **generate between \$2.7 billion and \$2.8 billion in state revenue** during FY 2014-2022. More people would enroll in Medicaid managed care, which would increase the state's managed care sales and insurance tax revenue. More people would receive Medicaid coverage of prescription drugs, which would increase the state's receipt of rebates from drug manufacturers. Finally, more federal money would buy health care from Ohio providers and insurers, who in turn would buy other goods and services, much of it from other Ohio businesses. The resulting economic activity would generate sales and income tax revenue for the state.
4. On balance, a Medicaid expansion would **create between \$1.8 and \$1.9 billion in net state budget gains** over the nine-year period covered by our estimates. These resources could be redirected to other priorities, including tax relief or education funding. For the next three and one-half biennia, a Medicaid expansion would generate significant state budget gains each year. Starting in SFY 2021, the expansion's costs and fiscal gains would roughly balance, with the state continuing to experience small, ongoing net fiscal benefits. Table ES-1 shows these effects, year by year.

**table E51. Overall impact of Medicaid expansion on the state budget, under UI and OSU estimates (millions)**

Fiscal year	Increased state costs from more Medicaid enrollment		Savings (spend-down adults, BCCP, inpatient prison costs, retroactive and other pre-MCO costs)	Revenue (taxes on managed care plans, general revenue, drug rebates)		Net state fiscal gains	
	UI	OSU		UI	OSU	UI	OSU
2014	\$13	\$22	\$53	\$59	\$82	\$99	\$113
2015	\$30	\$48	\$110	\$172	\$212	\$252	\$274
2016	\$38	\$57	\$185	\$240	\$256	\$387	\$384
2017	\$147	\$156	\$191	\$307	\$298	\$351	\$333
2018	\$284	\$278	\$196	\$345	\$317	\$257	\$235
2019	\$347	\$333	\$203	\$374	\$338	\$230	\$208
2020	\$472	\$439	\$208	\$406	\$364	\$142	\$133
2021	\$580	\$529	\$215	\$431	\$383	\$66	\$69
2022	\$617	\$559	\$226	\$458	\$404	\$67	\$71
<b>Total:</b>	<b>\$2,529</b>	<b>\$2,421</b>	<b>\$1,587</b>	<b>\$2,792</b>	<b>\$2,654</b>	<b>\$1,851</b>	<b>\$1,820</b>

**Source:** OSU 2013; Urban Institute HIPSM 2012; REMI 2013. **Note:** “UI” refers to Urban Institute estimates. Table does not include possible savings from obtaining higher federal matching funds for people with incomes below 138percent FPL who currently receive Medicaid through Transitional Medical Assistance, the family planning waiver, pregnancy-based coverage, or Medicaid Buy-In for Working People with Disabilities. It also does not include savings from existing state spending, other than on inpatient care for prisoners, that goes to provide medical services to the uninsured. Columns may not total due to rounding.

- 5. A Medicaid expansion would affect Ohio residents in other ways.** For example, during the final year we analyze, a Medicaid expansion would:
  - Reduce the number of uninsured Ohio residents by more than 450,000
  - Create more than 27,000 Ohio jobs
  - Reduce health care costs for Ohio employers and residents by \$285 million and \$1.1 billion, respectively
  - Generate significant savings and revenues for Ohio counties
- 6. Without a Medicaid expansion, the ACA would create small, net budget losses** during the SFY 2014-2022 period as a whole. Policymakers would need to add the Medicaid expansion to the remainder of the ACA for the federal legislation to yield net state budget gains.

Our results differ from those released at an earlier stage of this project, for several reasons:

- We included the effects of federally-subsidized coverage in the health insurance exchange serving Ohio residents on state tax revenue;
- We analyzed the impact of Medicaid expansion on retroactive Medicaid claims; and
- We supplemented the Urban Institute’s microsimulation estimates with estimates from OSU’s model, providing a range of projections rather than a single point estimate of many effects of Medicaid expansion.

A later stage of this project will quantify the impact of Medicaid expansion on regions within Ohio as well certain counties.

The Ohio Medicaid Expansion Study is a partnership between the following organizations:

