



NEWS RELEASE

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NEW STATE-BY-STATE ANALYSIS: STATES REJECTING MEDICAID EXPANSION UNDER THE AFFORDABLE CARE ACT ARE COSTING THEIR TAXPAYERS BILLIONS

Commonwealth Fund Study Finds Texas, Florida, Georgia, and Virginia to See Biggest Losses Among States Not Expanding Medicaid

New York, NY, December 5, 2013—The 20 states choosing not to expand their Medicaid programs under the Affordable Care Act are forgoing billions of dollars in federal funds, while residents in their states are contributing to the cost of the expansions in other states, according to a new Commonwealth Fund study.

After taking into account federal taxes paid by state residents, states with the highest net losses include Texas, which will see a net loss of \$9.2 billion in 2022; Florida, which will lose \$5 billion; Georgia, which will lose \$2.9 billion, and Virginia, which will lose \$2.8 billion.

How States Stand to Gain or Lose Federal Funds by Opting In or Out of the Medicaid Expansion, by Sherry Glied and Stephanie Ma of New York University's Wagner Graduate School of Public Service, is the first study to calculate the net cost to taxpayers in states turning down the Affordable Care Act's Medicaid expansion. Using data from the Urban Institute projecting Medicaid enrollment and spending under the law in the year 2022, Glied and Ma estimate the effects of states' decisions about whether to accept the health reform law's expansion of the Medicaid program to residents with incomes at or below 138 percent of the federal poverty level (\$32,499 for a family of four). The expansion, which became voluntary for states after the Supreme Court's 2012 ruling, is mostly financed by the federal government, which pays 100 percent of the total costs through 2016. The federal contribution will decline from 100 percent to 90 percent by 2020, and stay at 90 percent after that.

Federal funds that pay for state Medicaid programs are raised through federal general revenue collection—taxes paid by residents in all states—whether or not they participate in the program. Therefore, taxpayers in states not participating in the Medicaid expansion will bear a share of the overall cost, without benefitting from the program. Glied and Ma estimated the net loss of federal funds to states that do not expand Medicaid by using projected federal Medicaid spending in each state and calculating the federal Medicaid-related taxes paid by each state.

“The Medicaid expansion presents an opportunity for states to bring in new federal dollars, in addition to providing critical health coverage for their low-income residents,” said Glied. “No state that declines to expand the program is going to be fiscally better off because of it. Their tax dollars will be used to support a program from which nobody in their state will benefit.”

The authors note that if all states expanded Medicaid under the law, as many as 21.3 million Americans would gain coverage by 2022. In addition to improving access to care and providing financial protections for those who gain coverage, health care providers in states would benefit from reduced uncompensated care costs.

“In states that elect not to expand Medicaid, millions of their most vulnerable residents will be unable to gain health insurance,” said Commonwealth Fund President David Blumenthal, M.D.” “Those same states will be forgoing billions in federal funds while paying for other areas to provide expanded coverage. In light of these facts, it seems likely that non-expanding states will face increasing pressure over time to reconsider their decisions.”

| States that are not expanding Medicaid | Net Loss of Federal Funds (\$ millions) |
|---|--|
| Alabama | -943 |
| Alaska | -229 |
| Florida | -5,038 |
| Georgia | -2,862 |
| Idaho | -297 |
| Kansas | -950 |
| Louisiana | -1,655 |
| Maine | -294 |
| Mississippi | -431 |
| Missouri | -2,249 |
| Nebraska | -738 |
| North Carolina | -2,591 |
| Oklahoma | -1,264 |
| South Carolina | -807 |
| South Dakota | -224 |
| Texas | -9,217 |
| Utah | -719 |
| Virginia | -2,839 |
| Wisconsin | -1,848 |
| Wyoming | -166 |

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.