

POTENTIAL BUDGET SAVINGS AND REVENUE GAINS FROM MEDICAID EXPANSION IN FLORIDA

OVERVIEW

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SECTION 1:

The Takeaway



THE TAKEAWAY: OUTCOMES

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

- 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:

Buettgens, M., *The Implications of Medicaid Expansion in the Remaining States: 2018 Update*, Urban Institute, May 2018.

<https://www.urban.org/research/publication/implications-medicaid-expansion-remaining-states-2018-update>

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. March 2018.

<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>

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



THE TAKEAWAY: NET SAVINGS

TOTAL NET ESTIMATED SAVINGS OF MEDICAID EXPANSION IN FLORIDA FOR FY 2022-2023:

\$198,995,000

Notes:

This report focuses on specifically identified state programs where budget savings could be realized with Medicaid expansion. However, it is important to note that there are additional state funded programs, not analyzed in this report, where millions more in savings could be generated. This includes multiple public health programs delivered through county health departments and disease prevention and treatment programs, such as those focused on HIV/AIDS, STDs and TB.

Also not considered in this estimate is new revenue likely to be generated for state and local governments from overall increased economic activity due to the infusion of billions of new federal dollars.

Additional state costs that would be imposed are based on Office of Economic & Demographic Research (EDR) projections for FY 2022-23. Medically Needy gross savings are based on EDR's projected savings for FY 2022-23. We chose FY 2022-2023 assuming that expansion enrollment would be close to fully ramped up at this time.

Other Medicaid program estimated savings are based on the most recently available Agency for Health Care Administration (AHCA) enrollment and cost data, typically 2018-19 data. However, these costs are likely to rise in the future, meaning that potentially there are even greater savings that could be gained through expansion.

The report also considers the experience of other Medicaid expansion states.



THE TAKEAWAY: LONG-TERM SAVINGS

- Even with the lower enhanced federal match, the state will experience long term savings.
- Other states that have already expanded Medicaid have experienced state budget gains since expansion.

Sources:

Buettgens, M., *The Implications of Medicaid Expansion in the Remaining States: 2018 Update*, Urban Institute, May 2018.

<https://www.urban.org/research/publication/implications-medicaid-expansion-remaining-states-2018-update>

Antonisse, L. et al., *The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review*, Kaiser Family Foundation, 2018.

<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>

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>

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SECTION 2:

The Context



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 2019, this is \$17,236 for an individual and \$29,435 for a family of three.
- A June 2012 U.S. Supreme Court ruling made expansion of Medicaid optional for states.
- Florida is one of 14 states that have opted not to expand Medicaid.
- For Medicaid expansion states, the federal government covered 100 percent of the Medicaid costs for newly eligible enrollees in 2016, and covered 94 percent of costs starting in FY 2018. The federal share phases down to 90 percent in 2020 and thereafter.

Sources:

Dorn, S. et al., *The Cost of Not Expanding Medicaid: An Updated Analysis*. Urban Institute. 2017.

https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid

Kaiser Family Foundation, *Status of State Action on Medicaid Expansion*, May 13, 2019. <https://www.kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/?currentTimeframe=0&sortModel=%7B%22colld%3A%22%3A%22Location%22%2C%22sort%3A%22%3A%22asc%22%7D>

U.S. Dept. of Health & Human Services. *2019 Federal Poverty Guidelines*. <https://aspe.hhs.gov/2019-poverty-guidelines>



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

Sources:

Dorn, S. et al., *The Cost of Not Expanding Medicaid: An Updated Analysis*. Urban Institute. 2017.

https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid

Kaiser Family Foundation, *Status of State Action on Medicaid Expansion*, May 13, 2019. <https://www.kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>

U.S. Dept. of Health & Human Services. *2019 Federal Poverty Guidelines*. <https://aspe.hhs.gov/2019-poverty-guidelines>



THE CONTEXT: WHO QUALIFIES NOW?

- To qualify for Medicaid in Florida, a family of three with dependent children must not earn more than 32 percent of the FPL, or \$6,825 per year.
- To qualify for marketplace health insurance assistance, a family of three with dependent children must earn at least \$21,330 per year. Families between \$6,825 and \$21,330 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.

Sources:

U.S. Dept. of Health & Human Services. *2019 Federal Poverty Guidelines*. <https://aspe.hhs.gov/2019-poverty-guidelines>
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. edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentation_ImpactAnalysisAsFiled.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 - \$17,236 for an individual and \$29,435 for a family of three in 2019.
- Expansion would guarantee healthcare coverage to:
 - Floridians who are currently in the coverage gap.
 - Floridians who are struggling to afford marketplace health insurance.
- If Florida were to expand Medicaid, EDR projects that for FY 2022-23, 964,056 Floridians would gain access to affordable health care. This includes adults in the coverage gap and those with incomes up to 138% of poverty.

Notes:

This report assumes enrollment based on EDR's FY 2022-2023 enrollment projections. We selected FY 2022-2023 because we expect enrollment will be close to fully ramped up by this time.

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 1, 2015. <http://edr.state.fl.us/Content/presentations/affordable-care-act/SB2-AHousePresentationImpactAnalysisAsFiled.pdf>; U.S. Dept. of Health & Human Services, 2019 Poverty Guidelines. <https://aspe.hhs.gov/2019-poverty-guidelines>; 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.
- For the current federal fiscal year, Florida's regular FMAP is 61.47 and the state share is 38.53. 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.
- However, with expansion the state would get an enhanced federal match for newly-eligible people. In 2020 the enhanced match is 90 percent.

Sources:

Office of Economic and Demographic Research, SSEC Official FMAP, Feb. 28, 2019. <http://edr.state.fl.us/Content/conferences/fmap/index.cfm>; Rudowitz, R., et al., *10 things to Know About Medicaid*, Kaiser Family Foundation, March 6, 2019. <https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>



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 include:
 - Medically Needy program
 - Pregnant Women
 - Adults with Disabilities
 - Adults with Breast and Cervical Cancer
 - Adults with AIDS

Notes: The ACA definition of “newly eligible” or income-based Medicaid beneficiaries under expansion includes some groups currently covered by Medicaid with full or limited benefits (e.g., “Medically Needy” or pregnant women). With expansion some individuals who would have otherwise been covered under these existing Medicaid coverage categories would now be covered in the expansion group. For these individuals, the state will be able to access the enhanced federal match, thereby replacing state dollars with federal dollars.

Sources:

Bachrach et al., *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data Shows Consistent Economic Benefits Across Expansion States*, State Health Assistance Reform Network, April 2015. <https://www.shvs.org/resource/states-expanding-medicaid-see-significant-budget-savings-and-revenue-gains/>

Antonisse, L., et al., *The Effects of Medicaid Expansion Under the ACA: Updated Findings from a Literature Review*, Kaiser Family Foundation, March 28, 2018. <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>



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 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



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 address potential state revenue gains from increased economic activity throughout the state with Medicaid expansion. A 2013 economic analysis found that over a 10 year period the infusion of additional federal dollars into Florida's economy would generate more than \$400 million annually in additional state and local taxes. An updated analysis is expected to be released shortly.

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; 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>; Hodges, A. and Rahmani, M. Economic Impacts of Extending Health Care Coverage in Florida, May 2013, p. 10. <http://www.fha.org/reports-and-resources/show-details/Economic-Impacts-of-Extending-Health-Care-Coverage-in-Florida/75>



THE CONTEXT: OTHER STATES' SAVINGS

Virginia

FY 2019 FY 2020 FY 2021

	FY 2019	FY 2020	FY 2021
Total Cost of New Enrollees	\$81	\$226	No data available
Savings from Enhanced Federal Match	\$121	\$221	No data available
Savings from Replacing State General Fund Revenues with Medicaid Funds	\$34	\$52	No data available
Total Estimated Savings Related to Medicaid Expansion (millions)	\$74	\$47	

Michigan

FY 2019 FY 2020 FY 2021

	FY 2019	FY 2020	FY 2021
Total Cost of New Enrollees	\$408	\$448	\$456
Savings from Replacing State General Fund Revenues with Medicaid Funds	\$235	\$235	\$235
Estimated Revenue Gains from the Provider Taxes	\$164	\$168	\$171
Revenue Increase from State Tax Benefits	\$153	\$150	\$148
Total Estimated Savings Related to Medicaid Expansion (millions)	\$141	\$101	\$95

Sources:

Overview of the Governor's Introduced Budget, January 8, 2018.

http://sfc.virginia.gov/pdf/health/2018/010818_No1_Jones_DMAS%20Budget%20Briefing.pdf

Ayanian, John Z. ,et al., Economic Effects of Medicaid Expansion in Michigan, New England Journal of Medicine 2017, 376:407-410, Feb. 2017.

<https://www.nejm.org/doi/full/10.1056/NEJMp1613981>

Koorstra, K., Healthy Michigan Plan Savings and Cost Estimates, Fiscal Brief, House Fiscal Agency, October 30, 2018.

https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Briefing_HMP_Savings_and_Cost_Estimates.pdf



THE CONTEXT: OTHER STATES' SAVINGS

Louisiana	FY 2019	FY 2020	FY 2021
Total Cost of New Enrollees	\$210	no data available	no data available
Savings from Replacing State General Fund Revenues with Medicaid Funds	\$313	no data available	no data available
Estimated Revenue Gains from the Hospital and Managed Care Fee	\$260	no data available	no data available
Total Estimated Savings Related to Medicaid Expansion (millions)	\$363		

Arkansas	FY 2019	FY 2020	FY 2021
Total Cost of New Enrollees	\$125	\$173	\$215
Savings from Enhanced Federal Match	\$124	\$131	\$137
Savings from Reduction in State Spending on Uncompensated Care	\$41	\$43	\$45
Increase in Premium Tax Revenues	\$25	\$26	\$27
Revenue Increase from State Tax Benefits	\$72	\$74	\$77
Total Estimated Savings Related to Medicaid Expansion (millions)	\$137	\$101	\$71

Sources:

Medicaid expansion not diverting resources from traditional Medicaid, Louisiana Budget Project, Sept. 2018. <https://www.labudget.org/wp-content/uploads/2018/09/Medicaid-HCBS.pdf>
<https://www.labudget.org/wp-content/uploads/2018/09/Medicaid-HCBS.pdf>
Final Report (Draft), Arkansas Health Reform Legislative Task Force, December 2016. Access via: <http://www.arkleg.state.ar.us/assembly/Meeting%20Attachments/836/114804/TF%20FinalDraftReport.12-14-2016.pdf>



THE CONTEXT: OTHER STATES' SAVINGS

Virginia

Expansion will lead to \$422 million in state budget savings in FY 2019-20.

- Virginia has already forgone more than \$10.5 billion in federal funding for failing to expand prior to FY 2019.
- Expansion will create \$342 million in state budget savings over the next biennium as newly covered populations will receive the enhanced federal matching rate.
- By replacing general fund dollars currently being spent on inpatient healthcare for inmates and substance abuse and mental health care services for low income Virginians, the state will save another \$86 million.
- All told, even after the required state matching funds, Virginia will cover more than 400,000 new people and save more than \$121 million over the next biennium.

Sources:

Office of Economic and Demographic Research, SSEC Official FMAP, Feb. 28, 2019. <http://edr.state.fl.us/Content/conferences/fmap/index.cfm>; Rudowitz, R., et al., *10 things to Know About Medicaid*, Kaiser Family Foundation, March 6, 2019. <https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>



THE CONTEXT: OTHER STATES' SAVINGS

Michigan

State costs of expansion continue to be fully covered by savings and new revenue.

- Michigan has already received more than \$18 billion in federal funding to provide coverage for more than 630,000 people.
- MI has saved nearly \$1.3 billion in state spending on mental health and other programs, while generating more than \$1.6 billion in new state revenue through contributions from hospitals, health plans, and new economic activity.
- The state has cumulatively saved nearly \$2.3 billion since it expanded Medicaid.
- In FY 2020 and FY 2021, the state will save \$235 million each year by replacing previous state spending on mental health and other programs and generate \$318 million and \$319 million in revenue gains from hospitals, health plans, and from new economic activity, resulting in net savings for the state for the next two years of \$101 million and \$95 million, respectively.

Source

Ayanian, John Z., et al. *Economic Effects of Medicaid Expansion in Michigan*, New England Journal of Medicine, 376:407-410, Feb. 2017

<https://www.nejm.org/doi/full/10.1056/NEJMp1613981>

Koorstra, K., Healthy Michigan Plan Savings and Cost Estimates, House fiscal Agency, Oct. 30, 2018.

https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Briefing_HMP_Savings_and_Cost_Estimates.pdf



THE CONTEXT: OTHER STATES' SAVINGS

Louisiana

Expansion will lead to net savings of \$361 million in FY 2018-19.

- With a higher federal match rate for Medicaid populations previously funded at the regular matching percentage and additional revenue from a premium tax on managed care organizations, Louisiana recognized state savings in FY 2016-17 of \$199 million due to expansion.
- This is expected to continue as fees from hospitals and insurance providers are projected to generate \$260 million and savings from replacing general fund spending on the uninsured and the incarcerated populations will total \$313 million. Combined, these sources will exceed the state share by more than \$361 million.

Source:

Medicaid expansion not diverting resources from traditional Medicaid, Louisiana Budget Project, Sept. 2018. <https://www.labudget.org/wp-content/uploads/2018/09/Medicaid-HCBS.pdf><https://www.labudget.org/wp-content/uploads/2018/09/Medicaid-HCBS.pdf>



THE CONTEXT: OTHER STATES' SAVINGS

Arkansas

State savings and new revenues continue to more than cover the cost of expansion.

- In FY 2020 and FY 2021, Arkansas expects to save \$131 million and \$137 million, respectively, through enhanced federal matching dollars by shifting populations from traditional Medicaid to expansion coverage, and another \$43 and \$45 million, respectively, by reducing state spending on uncompensated care.
- Further, it expects to generate new premium tax revenues of \$26 million and \$27 million and another \$74 million and \$77 million in new revenue due to increased state economic activity.
- Between the new revenues and state savings in FY 2020 and FY 2021, the state will continue to cover 320,000 more Arkansans and even with the state share of the expenses, come out ahead by \$101 million in FY 2020 and \$71 million in FY 2021.

Source:

Final Report (Draft), Arkansas Health Reform Legislative Task Force, December 2016. Access via:
<http://www.arkleg.state.ar.us/assembly/Meeting%20Attachments/836/I14804/TF%20FinalDraftReport.12-14-2016.pdf>

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SECTION 3:

By the Numbers



BY THE NUMBERS: FY 2018-19

Average Monthly Caseload	3,845,450
Per Member, Per Year (PMPY) Cost	\$7,210
Total Costs (Federal and State)	\$27.7 billion
FMAP	60.87%
Total State Appropriations	\$10.5 billion

Notes:

The current FMAP for federal FY 2019-2020 is 61.47%.

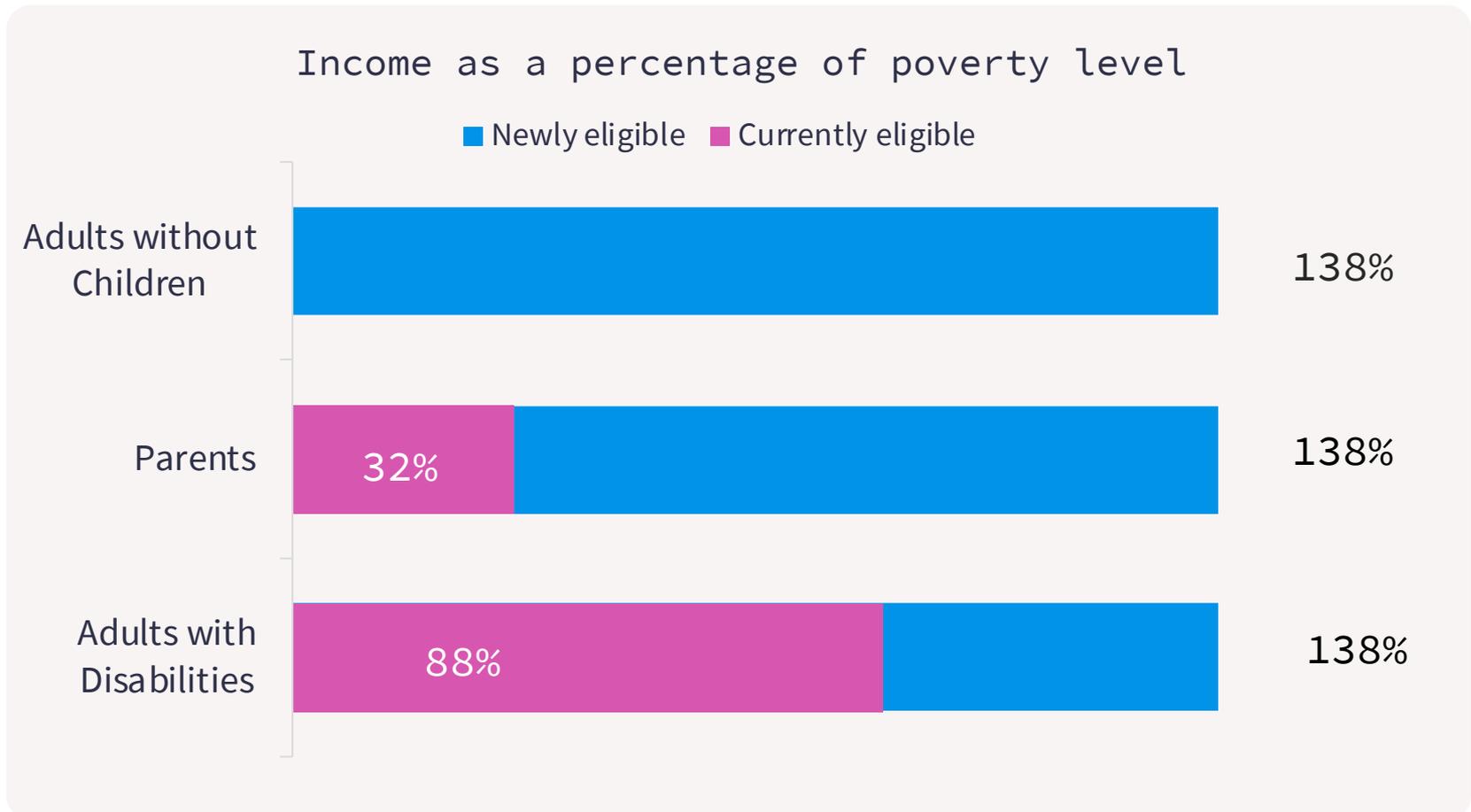
Sources:

AHCA, Medicaid Eligibility Groups for 2018-19, estimated costs, average monthly caseload & PMPM), based on March 2019 EDR Social Services Estimating Conference. (Copy provided by AHCA to FPI). <http://edr.state.fl.us/Content/conferences/medicaid/index.cfm>
EDR, Medicaid Federal Share of Matching Funds, Feb. 28, 2019. <http://edr.state.fl.us/Content/conferences/fmap/fmap.pdf>



BY THE NUMBERS: WHO GETS BENEFITS?

New coverage groups would be added and income eligibility would increase up to 138% of the Federal Poverty Level for most adults.





BY THE NUMBERS: POTENTIAL SAVINGS WITH EXPANSION OUTWEIGH COSTS

Medicaid expansion could result in a substantial net savings to Florida’s budget.

Potential Budget Impacts of Medicaid Expansion in Florida, FY 2022-2023

Estimated Costs of Expansion	\$441,900,000
Estimated Savings from Accessing Enhanced Federal Matching Funds	\$266,385,000
Estimated Savings from Replacing State General Revenue funds with Medicaid Funds	\$355,400,000
Estimated Revenue Gains	\$19,110,000
Net Estimated Savings of Medicaid Expansion in Florida	\$198,995,000

Note: Based on available data, estimates from the Office of Economic and Demographic Research (EDR) and Agency for Health Care Administration .
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>



BY THE NUMBERS: EXPANSION CASELOAD

Fiscal Year	Expansion Caseload	State Cost of Expansion
2022-23	964,056	\$441.9 million

It's important to note that for the same fiscal year, \$4.1 billion of new federal funding would flow to Florida. As state costs grow, so would federal dollars.

New federal dollars are also projected to stimulate substantial increased economic activity throughout the state.

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 is 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.
- The state cost of expansion reflects the specific cost for new uninsured presenters and the crowd-out population.
- Hodges, A. and Rahmani, M. *Economic Impacts of Extending Health Care Coverage in Florida*, May 2013, p. 10. <http://www.fha.org/reports-and-resources/show-details/Economic-Impacts-of-Extending-Health-Care-Coverage-in-Florida/75>. An updated study will be issued shortly.

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

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SECTION 4:

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
 - Adults with Disabilities
 - Adults with AIDS
 - Adults with Breast and Cervical Cancer
 - Pregnant Women



POTENTIAL SAVINGS: AMOUNTS FROM ENHANCED FEDERAL MATCHING FUNDS

Potential Budget Impacts of Medicaid Expansion in Florida, FY 2022-2023

Medically Needy Program	\$172,300,000
Adults with Disabilities	\$36,437,000
Adults with AIDS	\$3,876,000
Adults with Breast and Cervical Cancer	\$1,291,000
Pregnant Women	\$52,481,000
Total	\$266,385,000



POTENTIAL SAVINGS: MEDICALLY NEEDY

STATE BUDGETARY SAVINGS FROM THE MEDICALLY NEEDY PROGRAM:

\$172,300,000

Notes and Key Assumptions:

- EDR projects that the state will save \$172.3 million from the Medically Needy program due to a higher FMAP in FY 2022-2023.
- 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..."
- Other expansion states have realized savings in their medically needy programs.

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
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



POTENTIAL SAVINGS: ADULTS WITH DISABILITIES (SSI & MEDS-AD PROGRAMS)

STATE BUDGETARY SAVINGS FROM SSI & MEDS-AD PROGRAMS:

\$36,437,000

Notes and Key Assumptions:

- Savings from enrollees in these programs assume that some 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.
- AHCA April 2019 enrollment data show a total of 318,012 adults ages 19-64 enrolled in the SSI and MEDS-AD programs. We assume 4% annual attrition in program enrollment-12,720. The 2018-19 annual PMPM for these groups is \$10,450.68. Applying the regular state match for FY 2022-23 (37.41%) and comparing it to the enhanced match with expansion, the state is projected to save \$36,437,000. Savings would be cumulative over time.
- 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. Additionally, other expansion states have realized savings in these coverage categories.

Sources:

AHCA Medicaid Eligibles Report, Age by Program, April 30, 2019. http://ahca.myflorida.com/medicaid/Finance/data_analytics/eligibles_report/index.shtml
AHCA Medicaid Eligibility Groups for 2018-19. (provided to FPI by AHCA).
Manatt, *Alabama Medicaid Expansion, Summary of Estimated Costs and Savings, SFYs 2020-2023*, Alabama Hospital Association, February 2019. <https://www.manatt.com/Insights/White-Papers/2019/Alabama-Medicaid-Expansion-Summary-of-Estimated-Co>
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
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



POTENTIAL SAVINGS: ADULTS WITH AIDS

STATE BUDGETARY SAVINGS FROM ADULTS WITH AIDS:

\$3,876,000

Notes and Key Assumptions:

- The 2017 Florida Legislature amended section 409.904, Florida Statutes to allow certain individuals diagnosed with AIDS to qualify for Medicaid coverage. They must meet the following eligibility criteria: Have income at or below 222% of the federal poverty level (or 300% of the federal benefit rate), and meet hospital level of care, as determined by the Department of Elder Affairs, Comprehensive Assessment and Review for Long-term Care Services (CARES). We assume that individuals at or below 138% of poverty who previously would have had to pursue an assessment by CARES to qualify for Medicaid would instead opt to enroll in the new adult expansion group based on income alone. Accordingly, there should be a reduction in the number of individuals seeking assessments from CARES and reduced corresponding administrative costs.
- For 2018-19, the average monthly caseload was 18,028. We assume that 62% of the caseload had income at or below 138% of poverty (138/222) –or 11,177 eligible for Medicaid expansion. As with other adult disability coverage groups, we assume a 4% annual attrition rate from this program which would be 447 individuals. Based on a PMPM cost of \$2,636.19 and a regular match rate of 37.41, state savings are projected to be \$3,876,000 for one year. Savings would be cumulative over time.
- Since this eligibility group was created through a federal waiver AHCA could opt to amend it if expansion was implemented. Then this coverage group could be limited to persons with income 139-222% of poverty. All individuals with income at or below 138% of poverty could instead qualify through expansion coverage. It is projected that this change could save the state \$98.5 million.

Sources:

AHCA Medicaid Eligibles Report, Age by Program, April 30, 2019. http://ahca.myflorida.com/medicaid/Finance/data_analytics/eligibles_report/index.shtml
AHCA Medicaid Eligibility Groups for 2018-19, provided to FPI by AHCA.



POTENTIAL SAVINGS: BREAST AND CERVICAL CANCER PROGRAM

STATE BUDGETARY SAVINGS FROM THE BREAST AND CERVICAL CANCER PROGRAM:

\$1,291,000

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. Using the 2022-2023 FMAP of 37.41 percent, the state share would be \$2,552,678 based on the state's 2022-2023 FMAP of 37.41%.
- Cost savings are achieved by transitioning women below 138% FPL to Medicaid.
- 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. ($138\%/200\%=69\%$ of enrollees). With expansion the state share would be reduced to just 10 percent resulting in estimated net savings of \$1,291,000.
- Other expansion states have realized savings from their Breast and Cervical Cancer programs.

Sources:

AHCA Medicaid Eligibility Groups for 2016-17. (provided to FPI by AHCA).

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



POTENTIAL SAVINGS: PREGNANT WOMEN

STATE BUDGETARY SAVINGS FROM PREGNANT WOMEN PROGRAM:

\$52,481,000

Notes and Key Assumptions:

- The pregnant women program covers women up to 196% of the poverty level. AHCA's April 2019 Medicaid eligibles report only shows enrollment for pregnant women who are at or below poverty level (87,505). To account for the lack of data for women earning 100-138% we constructed a ratio based on 2016-2017 AHCA data for women in both categories. We estimate the current total for both groups to be 104,433. Based on the PMPMs for both groups included in AHCA's 2016-17 data and applying the 2022-2023 state match of 37.41%, the state could realize total savings exceeding \$130 million, if all pregnant women converted to the expansion group. However, a conservative estimate is that 45% of these women would shift to the expansion group in FY 2022-2023 amounting to \$52,481,000 in state savings.
- 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:

ACHA 2016-2017 Eligibility Groups for 2016-17, Total Estimate, Avg Monthly Caseload, PMPM, obtained by FPI from AHCA.

AHCA Medicaid Eligibility Groups for 2018-19, provided to FPI by AHCA

AHCA Medicaid Eligibles Report, Age by Program, March 31, 2019. http://ahca.myflorida.com/medicaid/Finance/data_analytics/eligibles_report/index.shtml

Manatt, *Alabama Medicaid Expansion, Summary of Estimated Costs and Savings, SFYs 2020-2023*, Alabama Hospital Association, February 2019.

<https://www.manatt.com/Insights/White-Papers/2019/Alabama-Medicaid-Expansion-Summary-of-Estimated-Co>

Bachrach et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States*, p. 3, Robert Wood Johnson Foundation. 2016. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097

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SECTION 5:

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
 - Prisoner Hospitalization Costs
 - Uncompensated Care



POTENTIAL SAVINGS: AMOUNTS FROM ENHANCED FEDERAL MATCHING FUNDS

Potential Budget Impacts of Medicaid Expansion in Florida, FY 2022-2023

Substance Abuse and Mental Health Services	\$200,482,000
Prisoner Hospitalization Costs	\$57,524,000
Uncompensated Care (Low Income Pool)	\$97,394,000
Total	\$355,400,000



POTENTIAL SAVINGS: MENTAL HEALTH AND SUBSTANCE ABUSE

STATE BUDGETARY SAVINGS FROM MENTAL HEALTH AND SUBSTANCE ABUSE PROGRAM:

\$200,482,000

Notes and Key Assumptions:

- The Department of Children and Families estimates that there are 132,940 adults receiving general revenue funded mental health/substance abuse services and that \$412,411,814 in general revenue could be used for state Medicaid match. These numbers are from 2016 and are likely to be higher today. Savings are projected using AHCA 2018/19 MMA Capitation rates for SSI SMI Ages 14+. A weighted average across all regions of \$1,328.48 PMPM was used. The cost of converting these adults into coverage under Medicaid expansion has been deducted from the savings.
- 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.”
- The Georgetown University Center for Children and Families has estimated even higher savings- \$250 million annually- from the community substance abuse and mental health program if the state opted to expand Medicaid.

Sources:

Agency for Health Care Administration, *Behavioral Health Services Revenue Maximization Plan, Report to the Florida Legislature*, December 31, 2016.

https://ahca.myflorida.com/medicaid/recent_presentations/SB_12_Behavioral_Health_Services_Revenue_Maximization_Plan_123016.pdf

Agency for Health Care Administration, Medical Actuarial Services. http://www.fdhc.state.fl.us/medicaid/Finance/data_analytics/actuarial/index.shtml

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>

Bachrach, D. et al. *States Expanding Medicaid See Significant Budget Savings and Revenue Gains. Early Data shows consistent Economic Benefits Across Expansion States*, p. 4, Robert Wood Johnson Foundation, March 2016. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097



POTENTIAL SAVINGS: PRISONER HOSPITALIZATION COSTS

STATE BUDGETARY SAVINGS FROM HOSPITAL INPATIENT CARE FOR PRISONERS:

\$57,524,000

Notes and Key Assumptions:

- “Medicaid’s ‘inmate exclusion’ prohibits payment of care of services for any individual who is an inmate of a public institution. However, Medicaid will cover services provided to an inmate during an inpatient stay of at least 24 hours in a medical institution such as an acute care facility. To qualify, the inmate must be otherwise Medicaid-eligible. Expansion states are seeing health care related savings in their correction budgets for newly Medicaid-eligible prisoners who are treated in an inpatient medical facility outside of the state correctional system.”
- FPI presumes that nearly all state prisoners are likely to qualify for the new adult group. Applying an expansion take-up rate of 85.8 percent, we assume that the state could save \$45,903,000 of its \$53,500,000 hospital inpatient care spending based on costs for FY 2016-17 (the last year of data available to FPI). From FY 2016-17 to FY 2018-19, state appropriations for inmate health services increased 24%. Applying this increase to the 2016-17 costs, we project \$57,524,000 in savings.

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. (Information provided to FPI by the Department of Corrections.) General Appropriations Acts, FYS 2017-18, 2018-19. http://laws.flrules.org/files/Ch_2017-071.pdf; http://laws.flrules.org/files/Ch_2018_009.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
EDR. *Impact Analysis LIP, IGTs and SB2512*, p. 5, (take-up rate of 85.8 percent), April 2015. <http://edr.state.fl.us/Content/presentations/affordable-care-act/Expansion2015PresentationtoSenate.pdf>



POTENTIAL SAVINGS: UNCOMPENSATED CARE / LOW INCOME POOL

STATE BUDGETARY SAVINGS FROM UNCOMPENSATED CARE COSTS:

\$97,394,000

Notes and Key Assumptions:

- Medicaid expansion is projected to lower the number of uninsured by 29% with a moderate caseload enrollment. This figure is based on a 29% reduction of the state's uncompensated care costs. The FY 2017-2018 General Appropriations Act allotted \$586,762,066 for the state share to access a total pool of \$1.5 billion of combined state and federal funding. (Nearly identical amounts have been appropriated in subsequent fiscal years.) However, local entities, such as counties and hospital taxing districts, which are charged with raising the state share, raised just \$335,839,712 for FY 2017-18. The LIP savings projection is based on this reduced amount.
- Another potential source of state savings due to a reduction in the uninsured rate is the disproportionate share hospital (DSH) payments program. Through this program, the state spends millions of dollars annually for uncompensated hospital care. This analysis does not include these potential savings.

Sources:

FY 2017-18 General Appropriation Act, HB 5001. Medical Hospital Funding Programs, Fiscal Year 2016-17.

https://www.flsenate.gov/PublishedContent/Session/2016/Appropriations/Documents/2016_Medicaid_Hospital_Funding_Conference_Report.pdf

Local Funding Revenue Maximization Report for FY 2017-18, Agency for Health Care Administration. Accessed via:

ahca.myflorida.com/medicaid/recent.../IGT_Rev_Max_SF17-18.pdf

Buettgens, M. et al. *What if More States Expanded Medicaid in 2017? Changes in Eligibility, Enrollment, and the Uninsured*. Urban Institute. 2016.

<http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000866-What-if-More-States-Expanded-Medicaid-in-2017-Changes-in-Eligibility-Enrollment-and-the-Uninsured.pdf>



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 expanded 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.
- Other states have also experienced macroeconomic benefits from billions of new federal dollars flowing through their local and state economies generating more state and local revenues. Those potential fiscal gains are not addressed in this report.

Sources:

Dorn, S. et al. *The Financial Benefits to Hospitals From State Expansion of Medicaid*. Urban Institute. 2013.

<http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412770-The-Financial-Benefit-to-Hospitals-from-State-Expansion-of-Medicaid.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

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SECTION 6:

Summary of Savings and Revenue Gains



POTENTIAL FY 2022-2023 STATE BUDGET SAVINGS & REVENUE GAIN ESTIMATES IN FLORIDA

Potential FY 2022-2023 State Budget Savings And Revenue Gain Estimates In Florida

State-only Cost of Expansion	\$441,900,000
SAVINGS FROM ENHANCED FEDERAL MATCHING RATES	
Medically Needy Program	\$172,300,000
Adults with Disabilities	\$36,437,000
Adults with AIDS	\$3,876,000
Breast and Cervical Cancer Program	\$1,291,000
Pregnant Women	\$52,481,000
Total	\$266,385,000
SAVINGS FROM REPLACING STATE FUNDS WITH FEDERAL MEDICAID FUNDS	
Substance Abuse and Mental Health Services	\$200,482,000
Prisoner Hospitalization Costs	\$57,524,000
Uncompensated Care (Low Income Pool)	\$97,394,000
Total	\$355,400,000
ESTIMATED REVENUE GAINS	
Increased Hospital Taxes/Provider Tax Assessments	\$19,110,000
Total	\$19,110,000
Total Savings and Revenue Gains	\$640,895,000
Net Savings with Medicaid Expansion	\$198,995,000

FOR ADDITIONAL INFORMATION

- Antonisse, L., et al., *The Effects of Medicaid Expansion Under the ACA: Updated Findings from a Literature Review*, Kaiser Family Foundation, March 28, 2018. <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>
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The Florida Policy Institute is an independent, nonpartisan and nonprofit organization dedicated to advancing state policies and budgets that improve the economic mobility and quality of life for all Floridians.

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