

Smart, Affordable and Fair: Why Texas Should Extend Medicaid Coverage to Low-Income Adults

*A report by **Billy Hamilton Consulting** analyzing state and local impacts of extending Medicaid under the Affordable Care Act*

This new report provides the most comprehensive analysis to date of the costs and benefits to local taxing authorities (including counties, cities and hospital districts) and state government if the Legislature chooses to extend Medicaid benefits to low-income adults under the Affordable Care Act.

The report shows conclusively that extending Medicaid to low-income adults is the smart, affordable and fair choice for the state, and that failing to do so will place low-income individuals, local cities and counties, and the entire state health care system at a significant disadvantage going forward.

The funding estimates in this report are based on Medicaid enrollment scenarios that rely on population and caseload projections from *Estimates of the Impact of the Affordable Care Act on Counties in Texas*, by Michael E. Cline and Steve Murdock and cost estimates from the Texas Health and Human Services Commission. The report provides three scenarios—"limited" (based on minimal enrollment), "moderate," and "enhanced" (based on extremely high enrollment levels). All major findings are based on the "moderate" scenario. The report compares these federal funding estimates with spending data from local jurisdictions and charity cost data from mandated, uniform hospital reports. The report explains the interaction between existing spending on low-income health care at the local level, state and local fiscal impacts of extending Medicaid under the ACA including impacts on enrollment by children who are currently eligible for Medicaid or CHIP but are not enrolled. The report also uses econometric modeling to estimate employment and economic impacts of expanding Medicaid.

The report includes tables detailing regional breakouts of caseload, spending and fiscal impacts for each of the state's 20 Regional Health Partnerships (RHPs). The RHPs are multi-county regions coordinating health care spending and delivery under Texas' new federal Medicaid Transformation waiver. County-level and legislative-district level data are available on request; legislative district-level data will be available on Texas Impact's website next week.

Key Findings:

- The state match required for the Medicaid expansion could be met many times over with funds that the state, local jurisdictions and hospitals already spend on non-Medicaid health care for low-income adults.
- The \$1.8 billion in new state revenue generated by the expansion could offset about half of the state match required from 2014 through 2017.
- The economic activity from the infusion of federal funds would boost Texas economic output by \$67.9 billion and add \$2.5 billion to local revenues during fiscal 2014-17, as well as generate an estimated 231,000 jobs by 2016.
- All regions and all counties in the state would benefit from the additional federal funds.
- The new coverage would reduce Texas' uninsured rate by about 25% and insure up to 2 million people.
- The new coverage would increase efficiency in state and local health programs by moving currently uninsured adults to managed care.
- The new coverage would save the lives of an estimated 5,700 adults and 2,700 children every year.
- Failing to extend Medicaid would not improve the state's likelihood of getting a block grant and would likely decrease the amount of funding the state would receive if a block grant were ever to occur.
- Failing to extend Medicaid would leave adults below the poverty level without access to subsidized insurance under ACA and no alternative but to use expensive emergency room treatment for routine care.
- Other states are also finding that current spending and new revenue would cover their state match requirements and provide savings.

Overall Fiscal Impact

For the 2014-15 biennium, Texas would receive \$7.7 billion in federal funds for adults and \$1.4 billion for children for a state match of \$297 million for adults and \$889 million for children--a total of \$9.1 billion in federal funds for \$1.2 billion in state match. For the 2016-17 biennium, Texas would receive \$15.2 billion in federal funds for adults and \$3.1 billion for children for a state match of \$989 million for adults and \$1.6 billion for children--a total of \$18.3 billion in federal funds for \$2.6 billion in state match.