THE REAL IMPACT OF MEDICAID EXPANSION IN MAINE

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About the Author

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Dr. Kilbreth received the Minkoff Prize in Medical Economics from Brandeis University in 1996; the John Heinz Award for Outstanding Dissertation in Social Insurance from the National Academy of Social Insurance in 1997; and the USM Faculty Senate Award for Excellence in Public Service in 2005.

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Executive Summary

Facing Maine voters, this fall, is the question of whether to expand Medicaid eligibility to adults with incomes below 138 percent of the federal poverty level (about $16,000 per individual or $22,000 for a family of two). This expansion, authorized under the federal Affordable Care Act (ACA) would be predominately paid with federal dollars at a rate of 94 percent in the first year declining over time to a federal match rate of 90 percent by state fiscal year 2021. The federal share would remain at 90 percent thereafter. The program is projected to provide health coverage to 80,000 low-income Mainers and to generate a net new general revenue expense, by 2021, of $54 million – 5 percent above current state Medicaid expenditures.

This report reviews the experience of the 31 states that have, to date, implemented Medicaid expansions and also reviews Maine’s experience with prior Medicaid expansions undertaken between 2000 and 2012. The major findings of this report include:

- The implementation of a Medicaid expansion would inject $490 million in new federal money into Maine’s economy in fiscal year 2018 through 2019, with similar amounts, annually, going forward. This economic stimulus is expected to generate 6000 new jobs, 4000 in the health sector and 2000 elsewhere.
- The multiplier effect of the federal dollars resulting from increased jobs and increased consumer buying power is projected to generate a total of $714 million in economic activity.
- Uncompensated care burdens for hospitals fell sharply in states with Medicaid expansions resulting in improved financial margins. These effects were not observed in non-expansion states.
- States with Medicaid expansions had lower increases in the cost of premiums on their insurance exchanges compared with non-expansion states.
- Low-income residents of expansion states had less debt compared with non-expansion states. In addition, new Medicaid enrollees in expansion programs reported improved ability to find and maintain jobs.
- Uninsurance rates fell in expansion states, particularly in rural areas. Access to medical care was greatly improved for the enrolled populations.
- Maine’s earlier Medicaid expansion had similar results with regard to reduced uninsurance and improved access to care but has been criticized for being associated with steep cost increases to the state budget. An analysis of the Maine experience shows that cost increases were in line with Medicaid cost increases nationally, and that most of the cost increase was attributable to factors associated with the major recession in the early 2000s – that is, to increased enrollment in the traditional Medicaid program.
- Net impact analyses by economists show that, at least for some states, reduced state spending on prior state-only funded programs, as well as increased government revenues from the economic stimulus created by the federal dollars infusion, offset the state revenues required to expand.
Introduction

Five times, in the past five years, the Maine legislature approved an expansion of the state Medicaid program to cover more low-income individuals, but had insufficient votes to overcome a gubernatorial veto. Now, once again, the issue is under debate, this time in the form of a referendum that will be decided by Maine voters in November. Specifically, a positive referendum vote would extend Medicaid eligibility to adults with annual incomes at or below about $16,000 individually, or $22,000 for a family of two.¹

The issue has salience for policymakers and the public not just because access to affordable health care is critical to people’s lives, but also because the federal Affordable Care Act (ACA) creates an opportunity for states to expand Medicaid with substantially higher levels of federal cost sharing than under traditional Medicaid. Maine’s expansion, if started in 2018, would have 94 percent of costs covered by the federal government for most newly eligible participants. The federal share would gradually decline each year until 2020 when it hits 90 percent where it will remain into the future.² Were Maine to adopt this policy, it would become the 32nd state to expand its Medicaid program under these terms. The number of individuals in Maine estimated to benefit under the new eligibility criteria is about 80,000.³

It should be noted that individuals with incomes below the federal poverty level are not eligible for subsidies for private plans available through the Affordable Care Act. This is because at the time of enactment, Congress intended these individuals to be eligible for Medicaid, nationwide, yet this coverage became optional for states under a subsequent Supreme Court ruling.⁴ In the absence of a Medicaid expansion, these individuals can only turn to the private insurance market for health coverage. Based on current unsubsidized rates, an individual with income at poverty would pay one third of his or her income for premiums and could end up with total out-of-pocket payments taking another 20 percent of income.⁵ When needs for housing, food, and transportation are considered, this level of expenditure on health care is unrealistic for people living at poverty levels.

Despite the high level of federal cost sharing, the proposed expansion does entail a significant financial commitment on the part of the state. At issue in weighing the pros and cons of undertaking such a commitment is whether the program would be effective, whether it is the best model for expanding access to care to the target population, and what the net impact will be on the state’s budget and economy once cost offsets and new revenues as experienced in other states are considered. Fortunately, there is substantial data, both from Maine’s prior Medicaid expansions and from the experience of other states to answer these questions. More than one hundred studies have examined the impact of the state expansions authorized by the Affordable Care Act. These studies include peer-reviewed, published research reports as well as government reports and free-standing reports and white papers published by research and policy organizations.⁶
This report uses this extensive literature as well as Maine-specific reports and analyses to assess the likely experience of the proposed Medicaid expansion. The following questions are specifically discussed:

- Will the expansion improve health insurance coverage rates in the state?
- Will the enrolled population see improvements in their ability to access the health care they need?
- Will the enrolled population see improvements in their health status?
- What will be the impact of the expansion on the state budget?
- What will be the impact of the expansion on hospitals' budgets?
- What other economic impacts can be expected from the expansion?
The Impact of Medicaid Expansion on Population Coverage Rates

National Experience

Beginning in 2014, the Affordable Care Act offered states the opportunity to provide health insurance coverage through the Medicaid program to low-income persons with incomes up to 138 percent of the federal poverty level. To date, 32 states, including the District of Columbia, have implemented these expansion programs. Analyses based on national data consistently show that the expansions had a significant impact on rates of health insurance coverage among low-income individuals. For example, a National Center for Health Statistics (CDC) study compared National Health Interview Survey data from 2013 and 2014 – the first year of implementation of state expansion programs. The study found that, in one year alone, the proportion of adults under age 65 living in poverty who were uninsured dropped from more than 39 percent to 32 percent.7 Given that close to 40 percent of states chose not to implement Medicaid expansions during that time period, this level of change across the country’s population as a whole is particularly notable.

Another analysis compared states that expanded Medicaid with states that did not, using American Community Survey data from 2011 through 2015. This study found that Medicaid expansions significantly increased the probability that low-income individuals would have insurance. Of particular interest to Maine is that the impact of the expansions was more pronounced in rural areas, with higher proportions of low-income rural residents gaining coverage. The study also noted that, in rural areas, Medicaid expansion was associated with a slight drop in individually purchased private insurance coverage in the Medicaid-eligible population, but the study made no mention of changes in small group coverage.8

Maine Experience

These successes largely mirror Maine’s own experience as one of the first states to experiment with providing Medicaid to previously uncovered people with low incomes. Maine extended eligibility to parents with incomes below 150 percent of the federal poverty level in April, 2000. Shortly after that, in October of 2002 under the auspices of a federal waiver, Maine began offering coverage to non-disabled adults between the ages of 21 and 64 with incomes below the federal poverty level. Finally, in May of 2005, Maine extended coverage to an additional group of low-income working parents with incomes up to 200 percent of the federal poverty level.

These Maine expansions, however, were terminated in 2014 just as other states began to expand their Medicaid programs under the Affordable Care Act.
The Maine initiatives had a dramatic effect on coverage rates in the general population. The non-elderly adult uninsured population, 14.3 percent in 1999, dropped to 11.7 percent in 2007 after all the expansions had been implemented – a reduction of 18 percent. Throughout the period between 2000 and 2012, Maine’s uninsured rate declined substantially relative to other states. In 1999, Maine ranked 19th in the nation, but by 2006 we had the sixth lowest rate of uninsurance.9

Similarly, the uninsurance rate for childless adults living below poverty dropped substantially while the Maine expansion was in place. The proportion of this population without coverage was 40 percent prior to implementation and dropped to 26 percent at full implementation – a decline of 35 percent.10 While uninsured rates in this population varied throughout the waiver period as program enrollment was opened and closed, regression analysis indicated that 95 percent of the variance in rates of uninsurance among poor childless adults throughout this period could be explained by changes in Medicaid expansion enrollment.11
The Impact of Medicaid Expansion on Access to Care and Health Outcomes

National Experience

Nationally, the impact of Medicaid expansions on access to care and health care utilization of new enrollees has been studied extensively.12 Almost universally, these analyses have been positive – whether comparing new enrollee utilization to traditional Medicaid enrollees, to similar populations in non-expansion states, to their own prior utilization, or national standards for quality care such as HEDIS measures.13 When surveyed, new Medicaid enrollees self-report high levels of satisfaction and dramatically improved access to care. In a survey conducted by the Commonwealth Fund, 88 percent of those with expanded Medicaid coverage reported satisfaction with their coverage. When asked if they could afford medical care prior to enrollment, 77 percent said they could not and 93 percent said their ability to get health care had improved since enrollment.14

Another study that looked at expansions from the perspective of impact on physician practices found, overall, that primary care practices increased the number of Medicaid patient visits. In expansion states the proportion of practice visits delivered to Medicaid patients, prior to implementation, was around 15 percent. After implementation, the rate stabilized at around 21 percent. This study also found that patients diagnosed with one or more chronic conditions in a first visit were far more likely to receive a second visit, suggesting increased medical management of patients with chronic disease.15

There are also research findings that suggest that low-income individuals with serious illness are getting care sooner and better under expansion programs. For example, low-income individuals newly diagnosed with cancer were more likely to be insured and had their cancers detected at an earlier stage in expansion states compared to non-expansion states. The proportion of low-income new cancer patients without insurance dropped from 9.6 percent to 3.6 percent following expansion implementation. By contrast in non-expansion states, the rates in the comparable time periods were 14.7 and 13.3 percent uninsured.16

Another finding indicative of appropriate access and utilization was that Medicaid-paid prescription use increased 19 percent in states that expanded Medicaid compared to states that did not.17 The greatest increase was for diabetic medications, which increased by 24 percent. Other notable increases were for contraceptives and cardiovascular drugs.

These studies, in aggregate, suggest both a general reduction in barriers to care and promising developments in the identification and treatment of chronic diseases and serious illnesses for these previously medically underserved populations.
Maine Experience

In Maine, the earlier waiver program expansion of Medicaid to low-income childless adults also resulted in positive outcomes with regard to increased access to health care. In a multi-year study conducted for the Maine Department of Health and Human Services by independent analysts, 84 percent of waiver program enrollees between the ages of 45 and 64 were found to have at least one preventive health care visit, exceeding the national benchmark for this type of care in this age group. The visit rate was 76 percent among younger adults ages 20 to 44, meeting, but not exceeding the national standard. The percent of diabetic patients receiving HbA1c testing (an important monitoring test for diabetes) was also higher than the national average with 82 percent receiving such testing. While the results on some other HEDIS measures fell short of national guidelines, these results, nevertheless, demonstrate that waiver program enrollees were successful in accessing care and that there were promising efforts to build an appropriate care management system for patients with chronic illnesses such as diabetes.18

Impact of Medicaid Expansions on Health Outcomes

It is difficult to measure changes in health outcomes because measures of interest, such as mortality other than accidental death or suicide, are rare in populations under age 65. Therefore, one needs a very large population to measure differences that can be attributed to factors other than chance or baseline differences health status in the populations of interest.

Thus a 2012 study from the Harvard School of Public Health is of particular interest. In this study, researchers looked across three states, Maine, New York, and Arizona, that had expanded access to Medicaid, and compared these states with three control neighboring states that had not. The results showed that these early expansions were associated with a significant reduction in mortality of 6.1 percent. The researchers also found improved rates of self-reported health status in the expansion states. 19

Medicaid Expansion Potential Impact on the Opioid Epidemic

Nationally, opioid overdose-related deaths have more than doubled in the last 15 years. This epidemic now claims more lives each year than car accidents or than AIDS did at the height of the epidemic.20 Maine is one of the states that has been particularly hard hit, with an average of a death a day in 2016 and the first half of 2017.21

Medicaid programs are an important source of coverage for treatment of drug addiction. Medicaid covers detoxification, outpatient treatment, treatment of addiction with medications,
and treatment for underlying conditions, such as pain and mental health issues which may have caused the addiction in the first place.\textsuperscript{22}

The White House Office of National Drug Control Policy, the Office of the Surgeon General of the United States, the Centers for Disease Control and Prevention, the Substance Abuse and Mental Health Services Administration, the Veterans Health Administration, and the National Institutes of Health all support medication treatment for addiction.\textsuperscript{23}

Expansion of Medicaid in Maine would make these treatment options more widely available to combat the current epidemic. It has been suggested that Medicaid expansions caused or exacerbated the epidemic because overdose death rates are higher in expansion states than in non-expansion states. This theory does not hold up under scrutiny. The epidemic started 15 years ago, long before Medicaid programs expanded. And differential rates of overdoses between expansion states and non-expansion states were observable years before the expansions occurred.

Over time, an expansion of Medicaid could be an important resource in Maine for combatting addiction and reducing deaths.
Budgetary Impact of Medicaid Expansion

Historically, states have periodically experienced challenges in maintaining an adequate level of state funding to cover important education and health needs, particularly during periods of economic downturn. Demand for services like Medicaid is counter-cyclical and rises just at the point when state revenues fall. During economic downturns, people lose jobs, lose employer benefits, lose income, and may need assistance from programs like Medicaid. Conversely, business downsizing or closures, declines in personal income, and reductions in tourist spending can all dramatically affect state revenues. These frequently unpredictable and uncontrollable counter-cyclical shifts in revenues and need for service can be greatly smoothed out through high levels of federal cost-sharing. Federal funding reduces the negative impact of regional economic shifts and can help states meet the demand for services during challenging times.

Thus, the high level of federal cost sharing associated with the current Medicaid expansions dramatically changes the calculus for states relative to prior expansion efforts. Not only does the higher federal match rate lead to a lower initial budgetary commitment, but also the prospect for program sustainability over time is measurably improved. In addition, the flow of federal dollars into the state, largely in the form of payments for medical services to health care providers and hospitals, encourages new employment and boosts state economies.

Discussed below, are estimates of the budgetary impact of the proposed Medicaid expansion in Maine, an assessment of Maine’s budgetary experience with its earlier Medicaid expansion, and an assessment of the impact of the proposed expansion on the overall economy in the state.

Budget Estimates for the Proposed Expansion

Maine’s Office of Fiscal and Program Review (OFPR) has prepared a fiscal note estimating costs associated with the proposed expansion through fiscal year 2021 and the State and federal share of those costs.

<table>
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<th>OFPR Funding Estimates for Medicaid Expansion</th>
<th>SFY 201824 (partial)</th>
<th>SFY 2019</th>
<th>SFY 2020</th>
<th>SFY 2021</th>
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<td>Federal Contribution</td>
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*Other Special Revenue funds used for Medicaid expansion are federal funds shared among multiple programs and used for program administration.
OFPR estimates that approximately 80,000 Mainers, including 64,000 childless adults and 16,000 parents will gain coverage through the expansion. Also included in the cost estimates is coverage for 5,000 parents and 5,000 children who are, in fact, already eligible for Medicaid coverage but who may enroll due to the additional publicity and education surrounding the expansion. The costs of these additional 10,000 individuals, it should be noted, are costs the state is already obligated to cover, not costs associated with expanded eligibility. The OFPR cost estimates take into account the fact that newly eligible parents will be matched by the federal government at traditional Medicaid match rates, which currently picks up about two thirds of the costs, rather than the initial 94 percent match rate of childless adults.

There are general fund savings estimated by the OFPR that derive from lower state spending on programs currently funded 100 percent with state dollars which will now be matched at a high rate with federal dollars. For example, state-only expenditures for hospital care for prison inmates and state funded only treatment of uninsured persons with mental illness or other services such as substance use disorders will be reduced. These state budgetary savings are estimated at $27 million per year.

The net cost to the general fund, four years out when the federal match rate has reached its steady state rate of 90 percent, is $54,495,007, or a 5 percent increase over current state Medicaid spending. The relatively low spending increase associated with the estimated increase in enrollment can be explained by two factors. One is the enhanced federal match rate. The second is the demographic composition of the new enrollees compared to currently eligible and enrolled populations. A disproportionate share of Medicaid cost is generated by individuals with disabilities and the elderly (as is the case in other insurance plans and other state Medicaid programs). These individuals are already eligible for Medicaid and their levels of enrollment will not be affected by the proposed expansion. The newly eligible population, low-income adults below the age of 65, will include some with chronic illnesses but will also include many with only routine health care needs. Thus, average costs are expected to be lower than for some Medicaid enrolled groups.

Early Expansion Budgetary Experience in Maine

During the years that coincided with Maine's early expansion programs, the state's Medicaid budget rose steeply by just over $1 billion. However, an examination of national economic context, state economic context and state policy changes shows that the expansions played only a small part in this overall increase. First, despite being one of a small number of states that expanded eligibility to new populations in this time period, Maine's Medicaid spending growth rate was lower than the national average. Between 2000 and 2012, the national compound annual growth rate for total Medicaid spending was 4.1 percent and Maine's comparable rate came just below this, at 4.0 percent. Thus, despite expansion, Maine's Medicaid spending growth was squarely within the national trend rate between the years 2000 and 2012.
Moreover, the period between 2002 and 2011 included the worst recession since the Great Depression. Maine’s unemployment rate increased from 4.7 percent to 8.3 percent, representing 23,800 workers who lost their jobs. During this same period of national economic recession, Maine's poverty rate increased from 11 percent to 14 percent, an increase of 27 percent. Job loss results in health insurance loss for the many individuals who obtain health benefits through their place of work. Between 2000 and 2010, employer-based coverage in Maine decreased by 8.5 percentage points with nearly 85,000 individuals under age 65 losing coverage. Thus, Maine was faced with an increase in enrollment of nearly 50 percent in its traditional program between 2002 and 2011. Traditional Medicaid provides coverage to very low-income children and parents, pregnant women, low-income seniors, and people with disabilities.

In keeping with the pattern for recessions, Maine revenues also decreased during this period. The collapse on Wall Street in 2002 led to a significant decline in net capital gains realizations, which contributed to a drop of individual income tax collections of 8.3 percent between fiscal year 2001 and 2002. Revenues from income tax, as a share of total state revenues, continued to decline through fiscal year 2006. Another factor affecting Medicaid budgetary outlays during the prior expansion period was growth in the population of older people and persons with disabilities. Maine has the second highest proportion of individuals age 65 and older in the country (16.3 percent of the total population). Between 2000 and 2011, this population in Maine grew by 17.5 percent. Maine also ranks high among states in the proportion of the population with disabilities (sixth highest in 2012). Between 2000 and 2011, the share of nonelderly Mainers receiving Supplemental Security Income (SSI) went from 2.5 percent to 3.8 percent compared to national averages of 1.8 percent at the beginning of this time period to 3.0 percent in 2011. The percent of the population self-reporting disability remained at around 16 percent throughout this period. Of those with a disability, 22.5 percent had incomes below the federal poverty level. Elderly and disabled Medicaid enrollees, while a minority of total program participants, generate a majority of the program’s costs. For example, in 2014, aged and disabled enrollees made up slightly less than 40 percent of Maine’s Medicaid enrollees but generated just under 70 percent of Medicaid medical care costs.
The Impact of a Medicaid Expansion on Maine’s Economy Going Forward

Both the experience of states that have expanded Medicaid and analyses by economists, in Maine and nationally, support the assessment that a Medicaid expansion would be a net gain to Maine’s economy. Analyses have examined both the direct and indirect effects of an expansion. Among the direct effects are labor market impact of increased health care spending, the impact on hospital revenues, and changes in state outlays for existing state-funded health care programs. Among the indirect effects are the multiplier effect on the larger economy, and impact on insurance premiums in the private market.

Impact on Hospital Revenues

In an observational study reported in JAMA, Medicaid expansion was associated with significant declines in uncompensated care costs and increases in Medicaid revenue in 2014 among hospitals in the 19 states that had, to date, expanded Medicaid compared with the hospitals in the 25 states that had not. Hospitals in expansion states also had better financial margins. Corroborating this finding, a 2017 study found that uncompensated care burdens fell sharply in expansion states between 2013 and 2015, from 3.9 percent to 2.3 percent of operating costs. Estimated savings across all hospitals in Medicaid expansion states totaled $6.2 billion. The largest reductions in uncompensated care were found for hospitals in expansion states that care for the highest proportion of low-income and uninsured patients.

During Maine’s earlier expansion, Maine hospitals responded by raising their eligibility limit for charity care (also known as free care) from 100 percent of poverty to 150 percent of poverty because the expansion had provided coverage eligibility for almost everyone below poverty. State law subsequently changed to require charity care be provided at this higher level. Because of the implementation of this higher threshold, Maine did not see the same dip in uncompensated care at that time as that observed in other states under ACA-related Medicaid expansions. Maine hospitals, in 2014, experienced $570 million in charity care and bad debt. The failure of Maine to participate in the ACA Medicaid expansion creates particular hardships for hospitals in the state because the federal Medicare hospital reimbursement rate was reduced in anticipation of the positive revenue impact of the Medicaid expansions. While median hospital margins across the country were 3.4 percent in 2015, in Maine, the aggregate margin was 1.1 and 16 Maine hospitals had negative margins that year.
Impact on the Labor Market

The influx of millions of new dollars in spending on health care services for previously uninsured and underserved populations can be expected to generate new jobs. Indeed, state-specific analyses have documented significant workforce expansion. A study in Colorado found that the state added 31,074 jobs due to Medicaid expansion as of FY 2015-2016. An analysis of current and future impact of expansion in Michigan found that the expansion generated 39,000 new jobs by 2016 and expects this increase to stabilize at 30,000 new jobs by 2021. A Kentucky study estimated that expansion would create over 40,000 jobs in the state through FY 2021 with an average salary of $41,000.

Many of the realized and anticipated new jobs are, of course, in the health care sector. The entry of thousands of new individuals into the health care system requires an expanded system of care and the influx of federal dollars provides a good part of the resources needed for these hires. But there is a broader impact on the job market that arises from the ‘multiplier effect.’ The new jobs in the health care system result in more workers in each community with income to spend on goods and services. This money enters the economy and generates more income for existing businesses and possible new enterprises.

If Maine approves a Medicaid expansion, the total amount of new federal money injected into the Maine economy in State Fiscal Year ‘19 will be $496 million, of which $490 million will be spent on health care (see Table 1) and $6 million on administrative cost. An economic analysis conducted by the Maine Center for Economic Policy using IMPLAN software developed by the University of Michigan for the federal government estimated the multiplier effect for this federal funding to be 1.44, which means that the total economic activity generated in Maine from the federal funds will be $714 million for that same year. The estimated growth in Maine jobs is 6,000 including 4,000 health care jobs and 2,000 elsewhere in the economy.

An additional labor market benefit observed in expansion states derives from improved health access among low-wage workers. Many of those eligible for Medicaid expansions work full or part-time in positions that do not provide employer health benefits. More than half expansion enrollees surveyed in Ohio reported that obtaining Medicaid coverage improved their ability to keep their job. Three-quarters of unemployed workers looking for work said that having Medicaid coverage improved their ability to find work. This improvement, participants explained in focus groups, came about because participants were able to seek help and get treatment for medical problems that had prevented them from working. Another study found that community-based adults with disabilities living in expansion states were significantly more likely to be employed than comparable populations in non-expansion states.

In 2003, 80 percent of Maine’s prime-age workers were employed – a rate that declined to 77 percent in the wake of the recession and which has remained depressed for the past seven years. Based on the experience of expansion states, to date, a Medicaid expansion in Maine could help these displaced workers gain access to care and return to work.
An estimated 67 percent of Maine's population eligible for the Medicaid expansion works or is looking for work. Many low-income individuals, despite being employed, aren't offered coverage through work. Those working in small businesses, part-time, or who are self-employed, as well as some employees of large employers may not have access to employer health benefits. The Medicaid expansion would make coverage available to the lowest wage workers, employed in the service sector and in seasonal jobs and help these workers maintain their health and gain or retain steady employment.

**Indirect Economic Impact**

Studies have identified two additional effects of Medicaid expansions with both a positive impact on state economies and a direct benefit to low and moderate income populations throughout the state. First, Medicaid expansions have been shown to lower private insurance premiums for individual policies sold through the insurance marketplace created by the ACA. An analysis found that premiums in expansion states were about 7 percent lower than in non-expansion states, after controlling for demographics, pre-ACA uninsurance rates, and health care costs. These differences are explained by the impact of the Medicaid expansions in improving the risk pool of participants buying insurance through the Market Exchanges.

Second, Medicaid expansions have been found to reduce debt, not just for unpaid medical bills but more generally for low-income populations. A study that used data from a major credit reporting agency compared individuals living in states that expanded Medicaid to those that did not. This study found a reduced number of unpaid bills and amount of debt sent to third-party collection agencies among people living in zip codes with the highest proportion of low-income, uninsured individuals compared with similarly situated people in states without Medicaid expansions.

**Net Impact of Medicaid Expansion**

It is clear that Medicaid expansion requires an initial and ongoing investment from states through increased general fund revenues required to match federal dollars. It is also clear that substantial economic gains have accrued to states that have made this investment. The net benefit cost ratio has been explicitly examined by economists and shows positive results not just for recipients, employers and the larger population, but for state revenues and economies, as well. An analysis published in the New England Journal of Medicine examined the experience in Michigan. The researchers examined three economic outcomes from the expansion program and offset these against state Medicaid budget increases for the expansion. Specifically, they looked at reduced state spending for health coverage programs that had previously been funded with state-only dollars; second, they measured the macro-economic benefit associated with increased economic activity resulting both directly from the flow of federal dollars into the state and also from the multiplier effect; and third, they looked at the increased discretionary spending by
enrolled low-income residents who previously paid for health care costs out-of-pocket and now had greater resources to spend elsewhere. Both of these latter factors yielded higher tax revenues for the state through the increased economic activity. When all three factors were taken into account, plus expected increased tax revenues from health plans and hospitals, the analysis found that the state’s new Medicaid spending would be fully covered through new state revenues through 2021.50

Of course, states differ with regard to their tax structures and demographics so a state-specific analysis may not be fully applicable to Maine. However, analyses in other states (New Mexico, Colorado) have pointed to similar results.51 Economic projections for Maine estimate 6,000 new jobs and $27 million in savings on current state-funded programs (see above). At a minimum, it is important to factor in the enormous potential economic impact a Medicaid expansion would generate in addition to the improvement in quality of life for 80,000 Mainers. A disproportionate share of the increased economic activity would accrue to rural areas of the state, since these areas have higher proportions of low-income, uninsured populations. Thus, a Medicaid expansion could help serve as economic stimulus to parts of the state with high unemployment rates and help mitigate some of the state’s regional income disparities.

1 The formal criterion is income at or below 138% of the federal poverty level, an amount that adjusts annually, but does not rise with the level of inflation. Children at this income level are already eligible for Medicaid or the federal CHIP program both in Maine and nationally.

2 By contrast, the federal cost-sharing rate for Maine’s regular Medicaid program is currently 64.38 percent.

3 Maine Legislature Office of Fiscal and Program Review.


5 Based on premium quotes for a Bronze level plan for a 42-year-old male in Southern Maine, from Community Health Options. https://enroll.healthoptions.org/ehp/eapp/ebuyer?execution=e1s1 https://www.healthoptions.org/individuals-families/compare-quote-plans


Ibid.


HEDIS: Healthcare Effectiveness Data and Information Set – measures widely used both by private health plans and public programs to measure the effectiveness and quality of care in their organizations.


ACA Medicaid Expansion Tied to Early Cancer Care For The Poor. As reported in Maine Medicine Weekly Update based on a paper in the Journal of Clinical Oncology.

http://newsmanager.commpartners.com/mainemed/issues/2017-09-18/5.html


Goodman-Bacon, A and Sandoe,E. 2017. Did Medicaid Expansion Cause the Opioid Epidemic? There’s Little Evidence that It Did. Health Affairs Blog


24 Costs for Fiscal Year 2018 reflect partial year costs due to the fact that the anticipated start date occurs partly through the fiscal year.


26 Maine Department of Labor, Center for workforce Research and Information. https://www1.maine.gov/lab/cwri/lais.html


31 Data from the American Community Survey, U.S. Census Bureau. http://www.kff.org/other/state-indicator/disability-prevalence/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Disability%22%2C%22sort%22:%22desc%22%7D


33 State Health Facts, Kaiser Family Foundation http://www.kff.org/medicaid/state-indicator/distribution-of-medicaid-enrollees-by-enrollment-group/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22%2C%22sort%22:%22asc%22%7D


36 Maine Hospital Association, “Hospital Facts” http://www.themha.org/Our-Members/Hospital-Facts


42 Data from Maine Office of Fiscal and Program Review, backing up fiscal note for expansion bill. MFP11895726.
These estimates are somewhat higher than those previously produced by MECEP because previous estimates relied on lower estimated enrollment figures and, therefore, a lower estimate of federal dollars coming into the state.


US Census Bureau, American Community Survey, 2015 1-year estimate

