A little bit about me

• I’m an associate professor of economics at KU, with an appointment in population health at KUMC
• I research in several areas, including reproductive care; health insurance; fertility; and health care broadly
• I teach everyone from first year undergraduate students to doctoral students
• For several years I have taught a first year seminar on the Affordable Care Act, which has included visits from Kathleen Sebelius, Sandy Prager, and Lee Norman
Today I’ll cover both background and recent studies

• How we got here on Medicaid expansion
• Biden administration’s Medicaid expansion incentives
• Impact of Medicaid expansion on
  – Mortality
  – State expenditures
• Overall multiplier of federal spending on state economies
Original ACA incentives were unconstitutional

- ACA made all federal Medicaid funding conditional on the new expansion
- The Supreme Court in 2012 ruled that coercive and only the new funds (90%) could be conditional
- Even at 90% several states including KS still won’t expand

American Rescue Plan incentivizes Medicaid expansion

• The recently signed American Rescue Plan tried a carrot instead of a stick
• Federal government pays 50-85% (which is called the FMAP) of traditional Medicaid (Kansas at 66%)
• Biden plan raises this by 5 percentage points as incentive for ACA expansion

This would net Kansas at least ~$240 million/year

<table>
<thead>
<tr>
<th></th>
<th>Increased Federal Funds from FMAP Increase on Traditional Populations</th>
<th>New State Cost Due to ACA Medicaid Expansion</th>
<th>Net Effect for State Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong>*</td>
<td>$16,410</td>
<td>-$6,830</td>
<td>$9,590</td>
</tr>
<tr>
<td>Alabama</td>
<td>740</td>
<td>-200</td>
<td>540</td>
</tr>
<tr>
<td>Florida</td>
<td>3,080</td>
<td>-1,260</td>
<td>1,810</td>
</tr>
<tr>
<td>Georgia</td>
<td>1,360</td>
<td>-640</td>
<td>710</td>
</tr>
<tr>
<td>Kansas</td>
<td>450</td>
<td>-210</td>
<td>250</td>
</tr>
</tbody>
</table>

Why expand Medicaid? It lowers mortality rates

- Researchers linked survey & social security mortality data
- Want to look at low education or low income population
- Compared expansion & non expansion states
- 9.4% drop in mortality from expansion

For Kansas, this means 504 excess deaths (2014-2020)

Table 1: Excessive Deaths per Year, Non-Expansion States

<table>
<thead>
<tr>
<th>State</th>
<th>Annual Excessive Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>192</td>
</tr>
<tr>
<td>Florida</td>
<td>694</td>
</tr>
<tr>
<td>Georgia</td>
<td>334</td>
</tr>
<tr>
<td>Idaho</td>
<td>45</td>
</tr>
<tr>
<td>Kansas</td>
<td>72</td>
</tr>
<tr>
<td>Mississippi</td>
<td>135</td>
</tr>
<tr>
<td>Missouri</td>
<td>194</td>
</tr>
<tr>
<td>North Carolina</td>
<td>350</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>119</td>
</tr>
<tr>
<td>South Carolina</td>
<td>197</td>
</tr>
<tr>
<td>South Dakota</td>
<td>21</td>
</tr>
<tr>
<td>Tennessee</td>
<td>241</td>
</tr>
<tr>
<td>Texas</td>
<td>730</td>
</tr>
<tr>
<td>Utah</td>
<td>54</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>144</td>
</tr>
<tr>
<td>Wyoming</td>
<td>16</td>
</tr>
</tbody>
</table>

72 deaths/year * 7 years = 504 excess deaths

Source: [http://www-personal.umich.edu/~mille/ACAMortality_ByState.pdf](http://www-personal.umich.edu/~mille/ACAMortality_ByState.pdf)
Expansion states spend more from federal funds

- Can compare spending changes in expansion and non-expansion states each year
- Federal spending increased 12-24% on average, depending on empirical model

But expansion state don’t spend more from state funds

- In contrast, no clear change in spending from state funds
- Best estimate is a 0.4% increase, but very noisy

Also no overall change in other spending categories

- Can also look at impact of expansion on other categories of spending
- Overall, no clear increase or decrease from expansion

Source: Gruber and Sommers (2020b), https://www.nber.org/papers/w26862
Case study on Michigan shows possible fiscal benefits

- For FY 2021, the authors project the state deficit will:
  - +$399 million for the state’s 10% of expansion costs
  - -$235 million from programs for community mental health, adult benefits waiver, and corrections health care
  - -$178 million from taxes on hospitals and long-term care
  - Overall a minimal direct impact on the state deficit (-$14 MM)

- The authors also project the expansion’s indirect positive economic effects on population growth and tax revenue
- They estimate a net $43 million increase in revenue

Federal spending has a positive economic multiplier

• 2009 American Recovery and Reinvestment Act
• Allocated $800 billion in using existing funding formulas
• These may not have been correlated with that recession
• If it were any effect may be just mean reversion
• Can use those prior formulas to isolate causal effect of $$
• Multiplier for Gross State Product is 1.53
• Multiplier for job-years per $100K spent is 2.01 (so each $49,750 spent created one job for one year)

Expanding Medicaid will save lives and raise revenue

- Kansas has ~72 excess deaths/year from not expanding
- This adds up to 504 excess deaths from 2014-2020
- Biden administration will send Kansas an extra $450 million/year for traditional Medicaid for expanding
- This is more than 2x the direct 10% cost of expansion
- Many researchers believe Kansas won’t even have to pay the 10% cost due to indirect benefits of expansion
- These federal dollars will also help the state economy