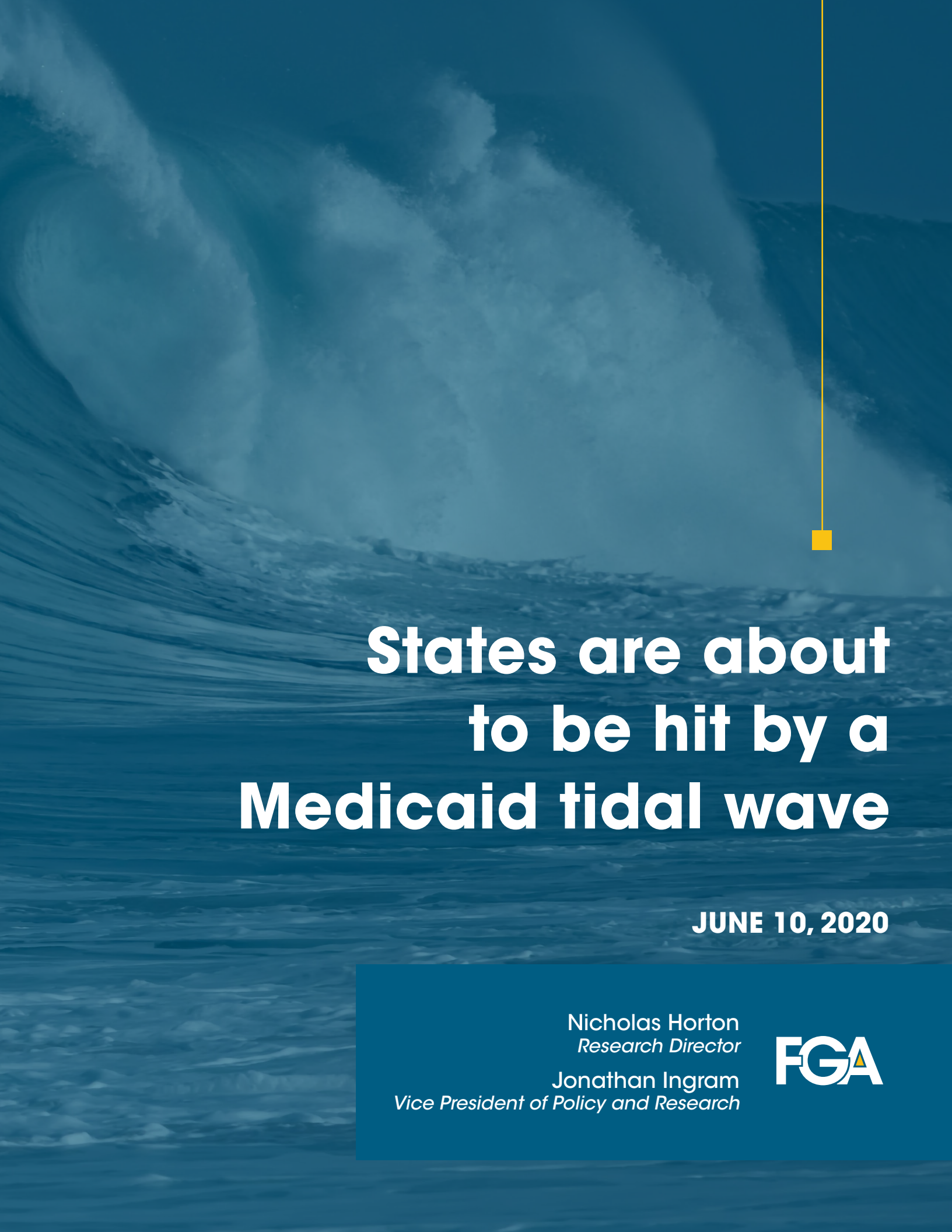

States are about to be hit by a Medicaid tidal wave

JUNE 10, 2020

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KEY FINDINGS

1.

STATE BUDGETS ARE UNDER IMMENSE PRESSURE DUE TO THE COVID-19 PANDEMIC, WITH GENERAL REVENUES EXPECTED TO DROP BY 20 PERCENT.

2.

MEDICAID SPENDING HAS REACHED RECORD LEVELS IN RECENT YEARS—BUT STATES SHOULD BE BRACING FOR A MUCH BIGGER SPIKE.

3.

MEDICAID SPENDING IS PROJECTED TO REACH NEW RECORD HIGHS, INCREASING BY NEARLY HALF A TRILLION DOLLARS.

4.

ENROLLMENT COULD SOAR BY NEARLY 55 MILLION, A 73 PERCENT INCREASE NATIONWIDE.

5.

OBAMACARE EXPANSION STATES WILL BE THE HARDEST HIT.

BOTTOM LINE:

CONGRESS MUST UNTIE STATES' HANDS AND SAVE MEDICAID FOR THE TRULY NEEDY.

Overview

As the COVID-19 pandemic continues to unfold, states should be bracing for massive upticks in Medicaid dependency. This uptick will occur not only as a result of the economic downturn, but also as a result of Medicaid policy changes that have tied states' hands and further limited their ability to properly manage this important program.

Medicaid dependency and spending has been surging for years. Total spending on the program has more than tripled since 2000, surpassing an estimated $613 billion in 2019.[1] By 2019, nearly 75 million individuals were dependent on Medicaid, a record high.[2] For every three dollars states spend, one must now go to Medicaid.[3]

These cost and enrollment explosions have grown even worse since ObamaCare further opened up the program to a new class of able-bodied, childless adults. Since that time, more than 12 million of these adults have been added to the program, in addition to increases in other Medicaid categories.[4]

Now, as the national economy continues to absorb the impact of the COVID-19 outbreak and subsequent state shutdowns, Medicaid dependency—and spending—is projected to soar even higher, all at a time when state budgets are already under immense pressure. In fact, state general fund revenues are expected to drop by as much as 20 percent in the coming months, creating the perfect storm of declining revenues and increasing Medicaid costs.[5]

FOR EVERY THREE DOLLARS STATES SPEND, ONE MUST NOW GO TO MEDICAID

> **In total—as a result of the recession and the congressional hand-tying—taxpayers should brace themselves for north of $440 billion in additional Medicaid costs.**

Medicaid spending could increase by more than $440 billion

Medicaid spending always surges during economic downturns, as unemployed workers seek out welfare benefits and fewer existing enrollees return to work. This downturn will be no different and in fact, states should be bracing for one of the most massive enrollment and spending upticks in history. States' outlooks are even worse when considering recent congressional changes that further tied states' hands.

During the Great Recession and its aftermath, the number of unemployed workers grew by more than 7.1 million people.[6] At the same time, the number of able-bodied adults on Medicaid grew by 3.6 million—all before ObamaCare created a new eligibility class for able-bodied childless adults.[7] Those adults brought with them nearly five million children to add to the Medicaid rolls.[8]

Based on this past uptick and given current economic conditions, taxpayers could expect new Medicaid spending to increase by up to $295 billion per year simply due to the recession.[9]

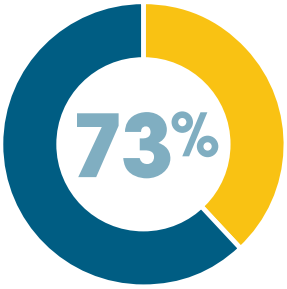
But the fiscal impact will be far more severe as Congress has taken multiple actions to tie states' hands. For example, Congress restricted states' ability to remove enrollees who no longer qualify for the program, prohibited states from making changes to eligibility or enrollment procedures, and expanded eligibility to higher income thresholds.[10-13] These requirements could add up to $145 billion more to states' Medicaid budgets.[14]

In total—as a result of the recession and the congressional hand-tying—**taxpayers should brace themselves for north of $440 billion in additional Medicaid costs.**[15] States will need to fund nearly $128 billion of those costs with state revenues, while federal taxpayers will be on the hook for the rest.[16]

This massive uptick in Medicaid spending is driven both by new enrollment in the program—caused by the economic downturn—and restrictions on moving ineligible enrollees off the program. Based on current economic conditions and new restrictions on states' ability to manage the program, **states could see a jaw-dropping 55 million new Medicaid enrollees.**[17]

This represents a staggering 73 percent spike in Medicaid dependency from 2019 levels.[18]

This all comes at a time when state budgets are as strapped as ever, with general revenues projected to dip by 20 percent in the coming months as a result of state shutdowns.[19]



MEDICAID DEPENDENCY COULD SPIKE BY 73 PERCENT FROM 2019 LEVELS

States that expanded ObamaCare will be hardest hit

States that expanded Medicaid through ObamaCare are expected to be the hardest hit by this Medicaid tidal wave. By accepting expansion, these states have made their Medicaid programs significantly more susceptible during bad economic times.

MEDICAID SPENDING IN EXPANSION STATES MAY INCREASE BY NEARLY 80 PERCENT

Although Medicaid was long reserved for the truly needy—including seniors, low-income children, and individuals with disabilities—states that adopted ObamaCare expansion created a new eligibility group for able-bodied adults. In these expansion states, able-bodied adults qualify for Medicaid coverage based solely on income.[20] As a result, able-bodied adults who are between jobs or have their hours reduced will have virtually unfettered access to Medicaid. States will be unable to remove them when they become ineligible, further straining a safety-net program intended for the truly needy.

Adding insult to injury, **temporary enhanced Medicaid funding for states does not apply to Medicaid expansion costs.**[21] So as expansion states enroll more and more able-bodied adults, they will bear more of the brunt of those costs.

In total, expansion states are expected to face an increase in Medicaid spending of nearly 80 percent, compared to less than 63 percent for states that rejected expansion.[22]

It is also likely expansion states will have a longer road out of the recession than non-expansion states as expansion has been shown to drastically discourage work and shrink the labor force.[23-24] Indeed, most expansion enrollees did not work at all even before the COVID-19 public health emergency.[25]

Without time limits or work requirements in the program, millions of able-bodied adults will now be able to indefinitely remain in a program intended for the elderly and people with disabilities, all while states are desperate to jumpstart their economies.

Congress must act to give states relief

The impact of the recession and the COVID-19 outbreak on states is bad enough. But Congress has actually worsened the outlook for states by removing their ability to properly manage their Medicaid programs. This will result in hundreds of billions of dollars in new Medicaid spending for state and federal taxpayers, while states are already feeling unprecedented budget pressures.

Instead of obsessing over bailing out state budgets, Congress should provide immediate, needed relief to states by simply untying their hands. Doing so would save state and federal taxpayers billions of dollars in new, wasteful Medicaid spending on individuals who do not qualify for the program.

In times like these, Congress should be giving states more tools to manage and preserve Medicaid for those who need it most. Unfortunately, they have done the exact opposite, but they still have time to get it right.

“Instead of obsessing over bailing out state budgets, Congress should provide immediate, needed relief to states by simply untying their hands.”

APPENDIX 1

MEDICAID SPENDING COULD SOAR BY MORE THAN $440 BILLION

Total state and federal spending increases, by state

STATE	MEDICAID INCREASES DUE TO THE RECESSION	MEDICAID INCREASES DUE TO CONGRESSIONAL CHANGES	COMBINED
Alabama	$1.8 billion	$1.3 billion	$3.1 billion
Alaska	$1.6 billion	$741 million	$2.4 billion
Arizona	$5.3 billion	$3.3 billion	$8.6 billion
Arkansas	$2.2 billion	$1.6 billion	$3.8 billion
California	$38.7 billion	$23.6 billion	$62.3 billion
Colorado	$3.7 billion	$2.5 billion	$6.3 billion
Connecticut	$4.2 billion	$2.3 billion	$6.5 billion
Delaware	$1.1 billion	$475.3 million	$1.6 billion
District of Columbia	$1.0 billion	$654.2 million	$1.6 billion
Florida	$8.4 billion	$5.5 billion	$13.9 billion
Georgia	$9.1 billion	$3.2 billion	$12.3 billion
Hawaii	$4.8 billion	$759.5 million	$5.6 billion
Idaho	$2.0 billion	$709.3 million	$2.7 billion
Illinois	$9.2 billion	$5.1 billion	$14.3 billion
Indiana	$6.9 billion	$2.7 billion	$9.6 billion
Iowa	$2.9 billion	$1.1 billion	$4.0 billion
Kansas	$1.4 billion	$712.8 million	$2.1 billion
Kentucky	$9.3 billion	$2.9 billion	$12.2 billion
Louisiana	$5.2 billion	$2.4 billion	$7.6 billion
Maine	$1.6 billion	$566.7 million	$2.2 billion
Maryland	$6.1 billion	$2.9 billion	$9.0 billion
Massachusetts	$8.9 billion	$3.9 billion	$12.9 billion
Michigan	$13.9 billion	$4.4 billion	$18.3 billion
Minnesota	$8.8 billion	$3.0 billion	$11.9 billion
Mississippi	$1.4 billion	$1.3 billion	$2.7 billion
Missouri	$3.5 billion	$2.3 billion	$5.8 billion
Montana	$1.5 billion	$655.9 million	$2.1 billion

APPENDIX 1 CONTINUED

STATE	MEDICAID INCREASES DUE TO THE RECESSION	MEDICAID INCREASES DUE TO CONGRESSIONAL CHANGES	COMBINED
Nebraska	$1.6 billion	$581.4 million	$2.2 billion
Nevada	$4.5 billion	$1.0 billion	$5.5 billion
New Hampshire	$2.4 billion	$439.3 million	$2.9 billion
New Jersey	$11.7 billion	$3.8 billion	$15.5 billion
New Mexico	$1.7 billion	$1.8 billion	$3.5 billion
New York	$18.1 billion	$14.3 billion	$32.4 billion
North Carolina	$5.9 billion	$4.4 billion	$10.3 billion
North Dakota	$1.2 billion	$291.4 million	$1.5 billion
Ohio	$12.0 billion	$5.8 billion	$17.8 billion
Oklahoma	$2.4 billion	$1.3 billion	$3.7 billion
Oregon	$4.2 billion	$2.1 billion	$6.3 billion
Pennsylvania	$20.3 billion	$5.8 billion	$26.0 billion
Rhode Island	$1.8 billion	$640.1 million	$2.4 billion
South Carolina	$2.1 billion	$1.8 billion	$3.8 billion
South Dakota	$266.4 million	$213.3 million	$479.8 million
Tennessee	$2.6 billion	$2.7 billion	$5.2 billion
Texas	$10.4 billion	$7.7 billion	$18.0 billion
Utah	$2.1 billion	$718.7 million	$2.9 billion
Vermont	$701.9 million	$386.7 million	$1.1 billion
Virginia	$7.8 billion	$2.2 billion	$10.0 billion
Washington	$10.8 billion	$3.6 billion	$14.4 billion
West Virginia	$1.9 billion	$1.2 billion	$3.1 billion
Wisconsin	$3.7 billion	$1.9 billion	$5.6 billion
Wyoming	$222.6 million	$140.7 million	$363.3 million
TOTAL	**$295 billion**	**$145 billion**	**$440 billion**

Source: Authors' calculations

APPENDIX 2

MEDICAID ENROLLMENT COULD SOAR BY NEARLY 55 MILLION

Projected Medicaid enrollment increases by category, by state

STATE	NEW NON-EXPANSION ADULT ENROLLEES	NEW CHILD ENROLLEES	NEW EXPANSION ADULT ENROLLEES	TOTAL
Alabama	225,000	306,000	n/a	531,000
Alaska	40,000	65,000	58,000	162,000
Arizona	261,000	486,000	376,000	1,123,000
Arkansas	96,000	185,000	139,000	421,000
California	2,011,000	3,099,000	2,896,000	8,006,000
Colorado	185,000	287,000	267,000	739,000
Connecticut	150,000	207,000	216,000	573,000
Delaware	43,000	80,000	62,000	185,000
District of Columbia	41,000	56,000	59,000	155,000
Florida	891,000	1,213,000	n/a	2,104,000
Georgia	805,000	1,096,000	n/a	1,901,000
Hawaii	106,000	152,000	152,000	409,000
Idaho	63,000	126,000	91,000	280,000
Illinois	479,000	657,000	690,000	1,825,000
Indiana	308,000	565,000	443,000	1,316,000
Iowa	142,000	247,000	205,000	594,000
Kansas	115,000	157,000	n/a	271,000
Kentucky	340,000	593,000	489,000	1,421,000
Louisiana	282,000	522,000	406,000	1,210,000
Maine	63,000	87,000	91,000	241,000
Maryland	227,000	313,000	327,000	867,000
Massachusetts	394,000	554,000	567,000	1,515,000
Michigan	670,000	1,125,000	965,000	2,760,000
Minnesota	299,000	408,000	431,000	1,138,000
Mississippi	112,000	152,000	n/a	264,000
Missouri	256,000	348,000	n/a	604,000

APPENDIX 2 CONTINUED

STATE	NEW NON-EXPANSION ADULT ENROLLEES	NEW CHILD ENROLLEES	NEW EXPANSION ADULT ENROLLEES	TOTAL
Montana	48,000	88,000	69,000	204,000
Nebraska	56,000	101,000	80,000	237,000
Nevada	208,000	347,000	300,000	855,000
New Hampshire	87,000	152,000	126,000	365,000
New Jersey	493,000	820,000	711,000	2,024,000
New Mexico	66,000	111,000	95,000	272,000
New York	910,000	1,301,000	1,311,000	3,522,000
North Carolina	421,000	573,000	n/a	994,000
North Dakota	30,000	52,000	44,000	126,000
Ohio	565,000	883,000	814,000	2,262,000
Oklahoma	190,000	259,000	n/a	450,000
Oregon	166,000	291,000	239,000	697,000
Pennsylvania	863,000	1,452,000	1,243,000	3,557,000
Rhode Island	78,000	107,000	112,000	297,000
South Carolina	233,000	317,000	n/a	550,000
South Dakota	19,000	26,000	n/a	45,000
Tennessee	232,000	316,000	n/a	549,000
Texas	907,000	1,235,000	n/a	2,142,000
Utah	74,000	108,000	106,000	288,000
Vermont	30,000	41,000	44,000	115,000
Virginia	315,000	555,000	454,000	1,324,000
Washington	481,000	798,000	692,000	1,971,000
West Virginia	69,000	128,000	100,000	296,000
Wisconsin	242,000	330,000	349,000	921,000
Wyoming	17,000	23,000	n/a	39,000
TOTAL	**15,405,000**	**23,498,000**	**15,818,000**	**54,721,000**

Source: Authors' calculations

APPENDIX 3

TOTAL IMPACT ON STATE MEDICAID SPENDING AS A RESULT OF THE RECESSION AND CONGRESSIONAL CHANGES

STATE	NEW STATE SPENDING DUE TO RECESSION	NEW STATE SPENDING DUE TO CONGRESSIONAL CHANGES	COMBINED
Alabama	$400.5 million	$285.2 million	$685.7 million
Alaska	$512.7 million	$300.9 million	$813.6 million
Arizona	$1.0 billion	$752.9 million	$1.8 billion
Arkansas	$370.4 million	$332.3 million	$702.7 million
California	$10.8 billion	$9.3 billion	$20.1 billion
Colorado	$1.2 billion	$1 billion	$2.2 billion
Connecticut	$1.2 billion	$923.0 million	$2.1 billion
Delaware	$299 million	$159.1 million	$458.1 million
District of Columbia	$175.6 million	$147.3 million	$322.9 million
Florida	$2.7 billion	$1.8 billion	$4.5 billion
Georgia	$2.4 billion	$849.5 million	$3.3 billion
Hawaii	$795.2 million	$218.4 million	$1.0 billion
Idaho	$344.3 million	$151.5 million	$495.8 million
Illinois	$2.5 billion	$2 billion	$4.5 billion
Indiana	$1.4 billion	$685.3 million	$2.1 billion
Iowa	$614.8 million	$329.3 million	$944.1 million
Kansas	$479.9 million	$246.9 million	$726.8 million
Kentucky	$1.7 billion	$596.6 million	$2.3 billion
Louisiana	$1.0 billion	$588.9 million	$1.6 billion
Maine	$343 million	$155.9 million	$498.9 million
Maryland	$1.6 billion	$1.1 billion	$2.8 billion
Massachusetts	$2.7 billion	$1.6 billion	$4.3 billion
Michigan	$3.0 billion	$1.2 billion	$4.2 billion
Minnesota	$2.5 billion	$1.2 billion	$3.7 billion
Mississippi	$238.6 million	$217.5 million	$456.1 million
Missouri	$1.0 billion	$639.9 million	$1.6 billion
Montana	$327.7 million	$177.1 million	$504.8 million

APPENDIX 3 CONTINUED

STATE	NEW STATE SPENDING DUE TO RECESSION	NEW STATE SPENDING DUE TO CONGRESSIONAL CHANGES	COMBINED
Nebraska	$418.4 million	$203.6 million	$622.1 million
Nevada	$1.0 billion	$284.0 million	$1.2 billion
New Hampshire	$695.3 million	$173.2 million	$868.4 million
New Jersey	$3.7 billion	$1.6 billion	$5.2 billion
New Mexico	$303 million	$351.5 million	$654.5 million
New York	$5.9 billion	$5.9 billion	$11.9 billion
North Carolina	$1.6 billion	$1.8 billion	$2.8 billion
North Dakota	$301.7 million	$110.3 million	$412.1 million
Ohio	$2.5 billion	$1.6 billion	$4.1 billion
Oklahoma	$676.9 million	$360.9 million	$1.0 billion
Oregon	$1.0 billion	$626.7 million	$1.6 billion
Pennsylvania	$5.7 billion	$2.2 billion	$7.9 billion
Rhode Island	$471 million	$237.5 million	$708.5 million
South Carolina	$477.8 million	$411.0 million	$888.8 million
South Dakota	$96.4 million	$77.2 million	$173.6 million
Tennessee	$737.1 million	$762.9 million	$1.5 billion
Texas	$3.4 billion	$2.5 billion	$5.9 billion
Utah	$398.4 million	$169.2 million	$567.6 million
Vermont	$188.3 million	$141.3 million	$329.5 million
Virginia	$2.3 billion	$864.1 million	$3.2 billion
Washington	$3.4 billion	$1.4 billion	$4.8 billion
West Virginia	$294.6 million	$214.1 million	$508.6 million
Wisconsin	$1.3 billion	$658.2 million	$1.9 billion
Wyoming	$97.5 million	$61.6 million	$159.1 million
TOTAL	**$78.6 billion**	**$49.2 billion**	**$127.8 billion**

Source: Authors' calculations

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