myths vs. reality

Medicaid Expansion in Montana

M Myth: Montana's expansion of Medicaid to able-bodied adults under ObamaCare has contributed to lowering the number of uninsured Montanans.

R **Reality: The rate of uninsured Montanans was already on a steady and steep decline before Medicaid expansion and the rate actually declined more slowly after expansion.[1]**

> However, expansion did cause another decline—in private health care coverage as more Montanans were shifted from higher-quality private insurance to Medicaid.[2]

M Myth: Supporters of Montana's expansion of Medicaid accurately projected the cost and enrollment.

R **Reality: While supporters of expansion argued that only 25,000 able-bodied adults would initially enroll in Medicaid, 59,000 Montanans had enrolled in just 12 months.[3]**

> As time passed, enrollment continued to shatter initial projections and is now over 85,000.[4] Almost 10 percent of all able-bodied Montanans are trapped in dependency under Montana's Medicaid expansion.[5]

M Myth: Hospitals in Montana are better off financially because of Medicaid expansion.

R **Reality: During the first full year of expansion, Montana's hospitals saw a collective 40 percent decline in profits due to cost-shifting as more payments were made through Medicaid's lower reimbursement rate and fewer were made through private insurance.[6-7]**

M Myth: Medicaid expansion has strengthened Montana's health care system and increased access to critical care.

R **Reality: Medicaid expansion has made Montana's health care system more fragile.**

> Despite the costs of expansion, Montana has the equivalent number or fewer hospital beds per capita than its two non-expansion neighbor states, South Dakota and Wyoming, and fewer ICU beds per capita than both states.[8] Those most in need of care are continuing to wait in Montana at rates far greater than its neighboring non-expansion states. As of 2018, roughly 200 individuals per 100,000 residents are stuck on Medicaid waiting lists for home and community-based services in Montana—314 percent more than Wyoming and 398 percent more than South Dakota.[9-10]

M Myth: Businesses are paying less in premiums and taxes because of Montana's Medicaid expansion.

R **Reality: Some supporters of expansion argue that shifting Montanans from private coverage to Medicaid saves businesses from paying premiums and tax penalties, but this misses two critical points.**

> First, it ignores the increased federal tax liability that comes with not deducting private insurance premiums. Second, it ignores the bigger picture. Montana's public spending on Medicaid, in just 20 years, has gone from less than 16 percent of its budget to more than 25 percent. That spending surge is now crowding out other priorities in education, infrastructure, and public safety.[11]

M Myth: Montana's expansion of Medicaid to able-bodied adults under ObamaCare has created thousands of jobs and billions of dollars in economic activity.

R **Reality: In the first full year of expansion, 2016, Montana was one of only nine states with an economy that shrank and one of only five states that saw a decline in median income.[12]**

> Montana's median income remains lower than its two non-expansion neighbors, South Dakota and Wyoming.[13] Any analysis of economic impact must also factor in the decreased public spending on education and infrastructure—critical in building a skilled workforce and creating new jobs—that has occurred under Medicaid expansion.[14-15]

1. Kaiser Family Foundation, "Health Insurance Coverage of the Total Population," KFF (2018), https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.
2. Ibid.
3. Kaiser Health News, "Montana Medicaid Expansion By-The-Numbers," KHN (2016), https://khn.org/news/montana-medicaid-expansion-by-the-numbers/.
4. Montana Department of Public Health and Human Services, "Montana Medicaid Expansion Dashboard," MDPHHS (2020), https://dphhs.mt.gov/helpplan/medicaidexpansiondashboard.
5. Ibid.
6. Alia Paavola, "Montana hospitals' collective profit margin plunged 40% after Medicaid program expanded," Becker's Hospital Review (2017), https://www.beckershospitalreview.com/finance/montana-hospitals-collective-profit-margin-plunged-40-after-medicaid-program-expanded.html.
7. Ibid.
8. https://thefga.org/wp-content/uploads/2020/04/ObamaCare-expansion-pushing-hospitals-to-brink.pdf
9. Kaiser Family Foundation, "Waiting List Enrollment for Medicaid section 1915(c) Home and Community-Based Services Waivers," KFF (2018), https://www.kff.org/health-reform/state-indicator/waiting-lists-for-hcbs-waivers/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.
10. Authors' calculations based on data retrieved from Kaiser Family Foundation Medicaid Waiting List data.
11. Nicholas Horton, "The Medicaid pac-man: How Medicaid is consuming state budgets," Foundation for Government Accountability (October, 2019) https://thefga.org/research/medicaid-pac-man/
12. Authors' calculations based on data from the Federal Reserve Bank of St. Louis and the U.S. Bureau of Economic Analysis
13. Ibid.
14. Ibid
15. National Association of State Budget Officers, "State Expenditure Report: 2000," NASBO (2001), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/NASBO%20StExpRep%202000.pdf.