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MEMO

ObamaCare's Medicaid Expansion in Mississippi: A Critical Look at the Flawed Mississippi Institutions of Higher Learning Study

To: FGA Partners

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Despite the rosy picture painted by the Mississippi Institutions of Higher Learning (MSHL), the promises of Medicaid expansion proponents have proven time and time again to be based on incorrect enrollment estimates, wildly off-base cost projections, and imaginary savings that are rarely—if ever—realized. Contrary to the estimates of MSHL, if Mississippi expands Medicaid under ObamaCare it can expect to:

- Enroll 424,000 able-bodied, working-age adults onto Medicaid.
- Incur a state-only cost of $333 million annually on Medicaid expansion.
- Realize new hospital Medicaid shortfalls that exceed any uncompensated care savings.
- Leave new federal resources on the table.

Expansion Enrollment

Section Summary: MSHL understates traditional Medicaid enrollment in Mississippi by nearly 200,000 and relies on bad data to underestimate expansion enrollment by the same amount.

MSHL estimates the total Medicaid expansion enrollment population in Mississippi to be 233,489.1 In reality, this is a gross underestimate based on flawed projections of both the total potential eligible population and the assumed take-up rate.

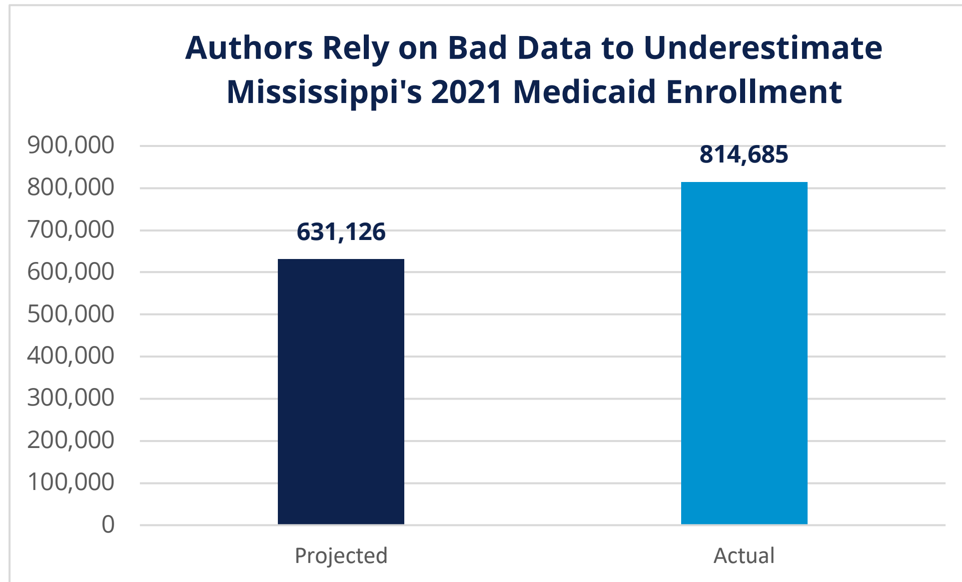
The authors' base of traditional Medicaid enrollment is significantly underestimated. The authors note that *"the average total monthly enrollment...was 642,395 [in 2020] ...We assume the 2020 enrollment number gradually declines as the pandemic fades and the economy recovers. In 2021, average monthly Medicaid enrollment in the state is assumed to decrease to 631,126, which is half the rate of increase in 2020."*[2]

This estimate is incorrect. The authors rely on inaccurate data from the Census Bureau that differs significantly from actual enrollment numbers from the Mississippi Division of Medicaid—which indicate an average total monthly enrollment of 748,587 for 2020.[3] This is 16.5 percent greater than the authors' figures.[4]

Indeed, relying on inaccurate Census data is a key factor that has led states to underestimate expansion enrollment.[5] The U.S. Treasury and Office of Tax Analysis (OTA) have both indicated that Census estimates are routinely incorrect predictions of actual enrollment, since they severely undercount the number of individuals below 138 percent of the federal poverty level.[6] In fact, the actual expansion-eligible population

is as much as 72 percent higher than the Census data according to recent OTA reports.[7] In other words, the authors' total potential population is methodologically flawed from the start.

Further, contrary to the authors' assumption that Medicaid enrollment in Mississippi would decrease in 2021, it has actually increased. Through September 2021, the average monthly enrollment was 814,685—and the most recent monthly enrollment was an even higher 830,380.[8] This stands in stark contrast to the authors' estimates of just 631,126 for 2021.[9] And rather than declining as the authors suggest, Medicaid and CHIP enrollment in Mississippi has increased every single month so far in 2021.[10]



Sources: MSHL Study, Mississippi Division of Medicaid

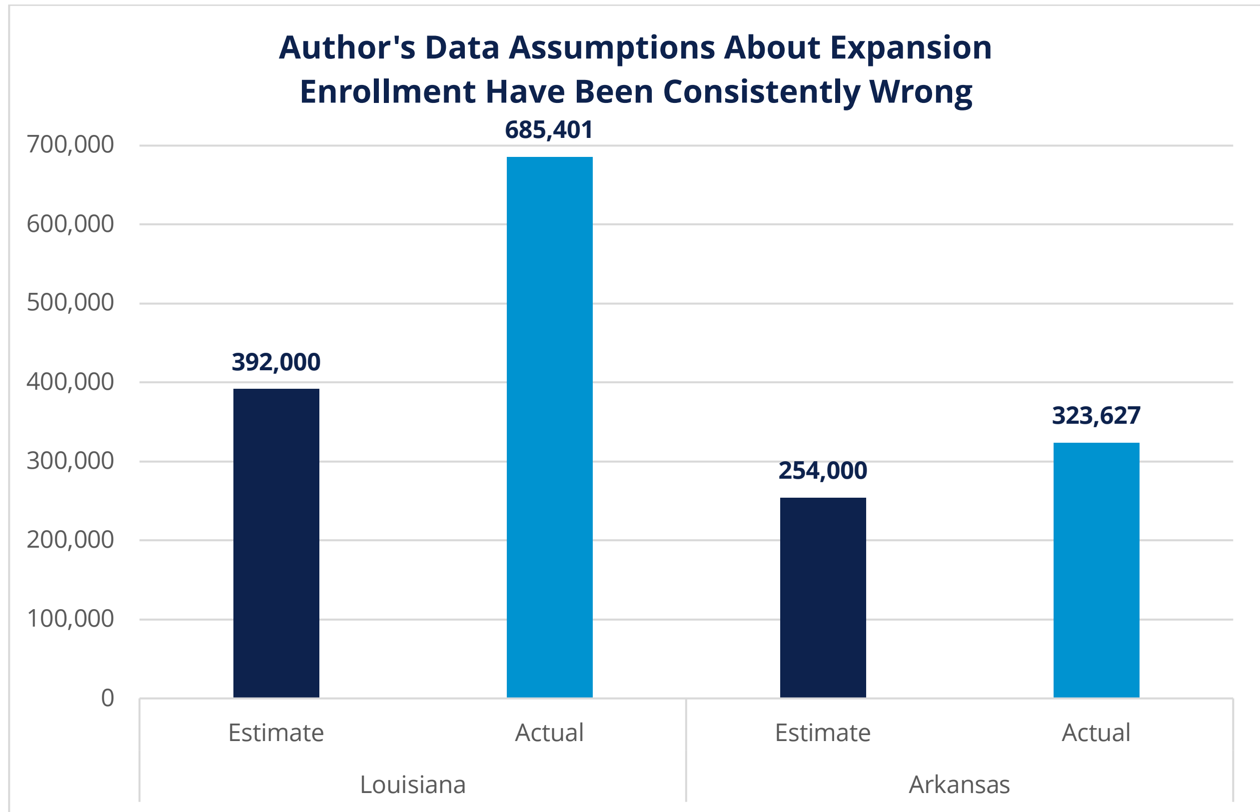
Put simply, from the very beginning, the authors' opening assumptions of traditional enrollment are off by several hundred thousand enrollees. This is a critical error, since the authors assume that individuals enrolled in traditional Medicaid will comprise nearly half of their expected expansion enrollment.[11] By understating traditional enrollment—coupled with their reliance on inaccurate Census data to project the total expansion population—the authors are severely underestimating overall enrollment.

The authors also rely on Urban Institute data to calculate take-up percentages among different groups of potentially expansion-eligible enrollees.[12] However, these Urban figures have repeatedly been found to be incorrect.

Previously-issued reports based on actual enrollment data in expansion states identified the Urban estimates as being, on average, off by 60 percent—an error rate that has now risen to an average of 88 percent based on the most recent available data.[13-14]

One need only look at the actual experiences of expansion states compared to Urban estimates. For example, for neighboring Louisiana, Urban estimated that there would be 392,000 total-eligible individuals who could enroll via Medicaid.[15] However, as of September 2021, there are 685,401 individuals enrolled on Medicaid in Louisiana—75 percent more than Urban's original estimate of newly eligible individuals.[16]

Similarly, in neighboring Arkansas, Urban estimated that 254,000 total-eligible adults would qualify for Medicaid expansion.[17] By July 2021, Arkansas had enrolled 323,627 individuals in its Medicaid expansion program—nearly 30 percent more than originally estimated.[18]



Sources: MSHL study, Urban Institute, Louisiana Department of Health, Arkansas Department of Human Services

Time and again, the Urban estimates—on which the authors of the MSHL study base their own projections—have been wrong.

Based on the actual experience of other expansion states, Mississippi should expect to enroll 424,000 able-bodied, working-age adults if it adopts Medicaid expansion under ObamaCare.[19] This figure is in line with the unfortunate reality that expansion states face.

Expansion Cost

Section Summary: MSHL vastly underestimates per-person expansion costs and incorrectly project total recurring state expansion costs by nearly $150 million.

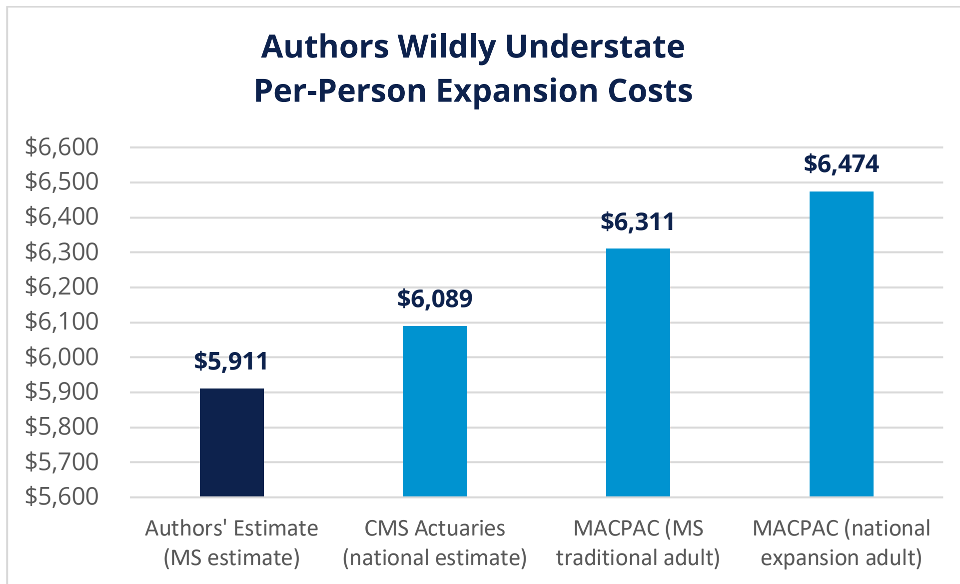
Not only are authors' enrollment figures inaccurate, but their cost estimates are also incorrect.

Unsurprisingly, estimates of the cost of Medicaid expansion are frequently underestimated.

For example, in 2012, the Centers for Medicare and Medicaid Services (CMS) estimated a per-member, per-month cost of $3,961 by 2018.[20] However, in 2018, CMS actuaries released a revised report indicating that

figure had risen to $6,089—a 54 percent overrun.[21] Other recent data from the Medicaid and CHIP Payment and Access Commission (MACPAC) suggests an even higher cost of $6,474.[22] When coupled with exploding enrollment, it is no surprise that expansion states experienced an average cost overrun of 157 percent by 2018.[23]

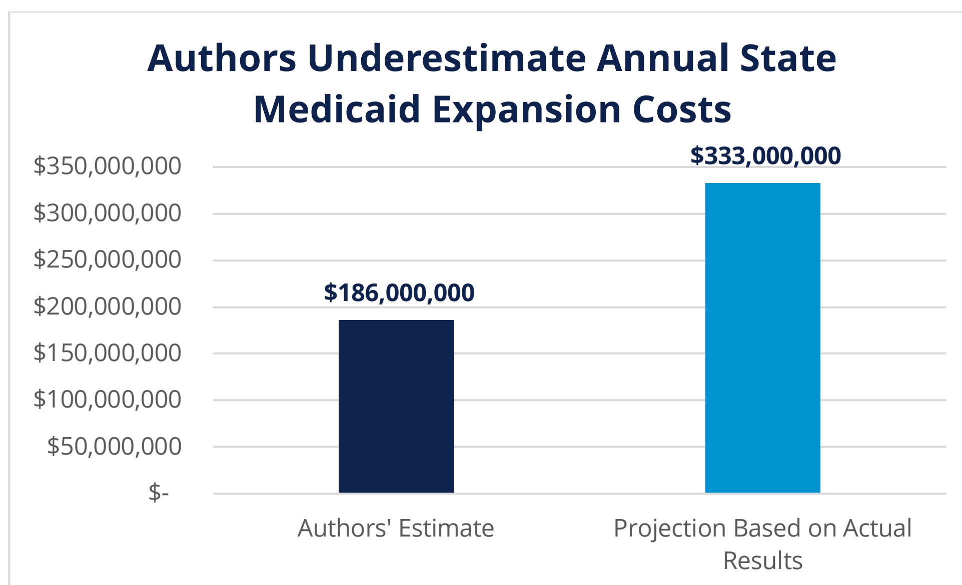
Unsurprisingly, the authors use a wildly inaccurate estimate of per-capita expenditures. Their estimate suggests expansion enrollees will cost less than the national average—even though able-bodied adults already on traditional Medicaid in Mississippi are more expensive at the state level compared to national rates. Specifically, the authors' $5,911 per capita estimate of Medicaid expansion expenditures is well below both traditional Medicaid in Mississippi (at $6,331 per person) and the national average for expansion (at $6,474 per person)." [24]



Sources: MSHL Study, CMS, MACPAC

The authors use their inaccurate per capita figures to arrive at an equally incorrect estimate of gross costs.

Again, based on the actual realities faced by states that have already expanded Medicaid, the likely state cost of Medicaid expansion in Mississippi is approximately $333 million annually—a far cry from the $186 million MSHL estimate, which relies on inaccurate enrollment projections, unrealistic take-up rates, and outdated coverage statistics.[25]



Sources: MSHL Study, FGA Calculations

Finally, the inaccurate total gross cost serves as the basis for the authors' estimate of increased economic activity. However, this ignores the decline in private care-related spending that would undoubtably occur if Mississippi expands Medicaid, as has occurred in other states.[26]

Uncompensated Care Costs

Section Summary: MSHL looks at only one side of the equation when considering uncompensated care costs by ignoring the increase in Medicaid shortfalls due to low provider reimbursement rates.

The authors project that Mississippi will experience a $159 million drop in uncompensated care costs during the first year of expansion.[27] However, this only looks at one side of the equation.

Hospitals themselves indicate that the cost to treat Medicaid patients is far greater than what Medicaid reimburses them.[28] Moreover, Medicaid pays hospitals roughly 60 percent of what private insurance reimburses them for the same procedures.[29] Since expansion would force countless Mississippians with private insurance onto the Medicaid roles, hospitals and other providers would face massive losses for every single new Medicaid enrollee who moves from private insurance to Medicaid.[30]

By the authors' own underestimated calculations, more than 100,000 Mississippians who would qualify for expansion already have private insurance through their employer or through the exchange.[31] The true figure is likely even higher.

For these reasons, states that expand Medicaid see their hospitals' bottom lines suffer from Medicaid expansion. This is driven by the simple fact that the increased Medicaid shortfalls from low reimbursement rates more than offset any savings from uncompensated care costs.

Between 2013 and 2016, nationwide Medicaid hospital shortfalls in expansion states exploded from $9.4 billion in 2013 to $14.3 billion in 2016—a 52 percent increase.[32]

And in some states, the situation is even worse. In California, a $4 billion increase in Medicaid revenues to hospitals was more than offset by a nearly $7 billion increase in Medicaid costs, causing hospital profit margins to drop by nearly 90 percent.[33] In Illinois, Medicaid shortfalls more than doubled after Medicaid expansion, rising from $576 million in 2013 to $1.2 billion in 2016.[34]

If Mississippi were to expand Medicaid, it should expect to be on the hook for millions more per year in hospital Medicaid shortfalls that would far exceed any increase in revenue. For this reason, the so-called "savings" of Medicaid expansion are nothing more than an illusion.

Leaving Federal Resources on the Table

Section Summary: MSHL ignores that a significant portion of potential Mississippi expansion enrollees are now eligible for private insurance fully paid for by the federal government.

Not only would Medicaid expansion shift Mississippians from private insurance to welfare, but it would also deprive the state the ability to benefit from a new federal provision that provides free private insurance to thousands of potential expansion enrollees.

For the first time ever, individuals earning between 100 and 150 percent of the federal poverty level (FPL) are eligible for federally funded health insurance—without having to pay a dime in premiums—through at least 2023 (and these incentives will likely be extended).[35]

Since Medicaid expansion would capture those earning between 100 and 138 percent FPL, there is significant overlap between the expansion group and those eligible for this new federal incentive.

In fact, in Mississippi, as many as 110,626 individuals with incomes between 100 and 138 percent FPL qualify for this federally paid for private care.[36] This includes more than 46,000 enrollees already on the exchange, as well as another 64,000 uninsured Mississippians.[37]

However, if Mississippi were to expand Medicaid, these individuals would lose access to these federal subsidies and be shoved onto Medicaid (since eligibility for this new incentive is eliminated if an individual is eligible for Medicaid).[38]

This leaves Mississippi policymakers with a simple choice. Option one is to allow the federal government to pay for the health insurance of more than 100,000 low-income Mississippians, who will in turn reimburse hospitals and other providers at higher rates through private insurance. Option two is to expand Medicaid—with the state spending hundreds of millions per year to do so—thereby kicking these individuals off private insurance and onto welfare that reimburses providers at lower rates. The choice is clear.

If anything, Mississippi policymakers should not be considering the imaginary "savings" gained from expanding Medicaid—they should be contemplating the loss of savings if they do expand.

Conclusion

Mississippi policymakers would be well-advised to examine the actual results of Medicaid expansion in other states, rather than consider the theoretical exercises of a flawed academic study that relies on debunked assumptions. The bottom line is that, if Mississippi expands Medicaid, taxpayers will be on the hook for hundreds of millions every year, hospitals and providers will suffer, and hundreds of thousands of able-bodied, working-age adults will be forced into the cycle of dependency.

1 J. Corey Miller and Sondra Collins, "A Fiscal and Economic Analysis of Medicaid Expansion Under the Affordable Care Act," Mississippi Institutions of Higher Learning (2021), http://www.mississippi.edu/urc/downloads/urcmedicaid2021.pdf.

2 Ibid.

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4 Author's calculations based on enrollment reports from the Mississippi Division of Medicaid. See, e.g., Mississippi Division of Medicaid, "Enrollment Reports," State of Mississippi (2021), https://medicaid.ms.gov/resources/.

5 Ingram et al, "Shattered Promises: How Bad Data Led to ObamaCare Enrollment Explosions," Foundation for Government Accountability (2019), https://thefga.org/wp-content/uploads/2019/11/Bad-Data-ObamaCare-Enrollment.pdf.

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