

# The Combined Effect of Not Expanding Medicaid and Losing Marketplace Assistance

Matthew Buettgens, Linda J. Blumberg, and John Holahan

Timely Analysis of Immediate Health Policy Issues

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## In-Brief

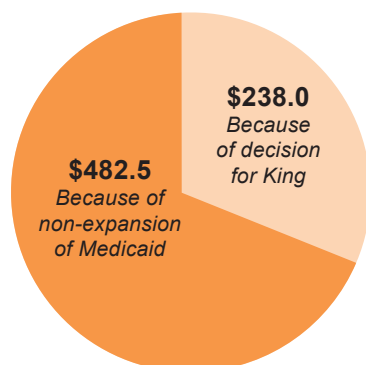
Following a 2012 Supreme Court decision, states can decide whether or not to expand Medicaid eligibility under the Affordable Care Act. As of April 2015, 21 states have not done so. All but one of those states have also chosen not to run their health insurance marketplaces themselves, leaving the federal government some or all of the associated responsibilities. If the Supreme Court finds for the plaintiffs in *King v. Burwell*, residents in those states would lose access to premium tax credits and cost-sharing reductions.

The combined effect of not expanding Medicaid and losing federal support for marketplace coverage for the low-income population would be dramatic for the 20 states affected by both decisions:

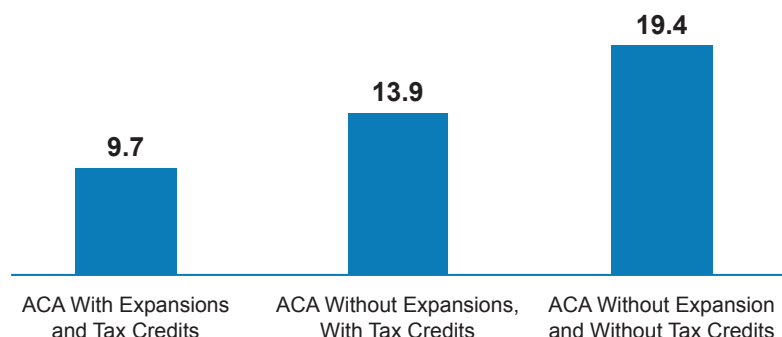
- If all expanded Medicaid and the tax credits were in place, there would be 9.7 million people uninsured in these 20 states in 2016. Without the Medicaid expansion, 13.9 million people (4.2 million more) will be uninsured. If the Supreme Court finds for the plaintiffs in the *King* case, the number uninsured in these states will rise to 19.4 million, in total an additional 9.8 million uninsured.
- By not expanding Medicaid, those states forgo \$41 billion in federal health care spending in 2016. Loss of marketplace financial assistance because of *King v. Burwell* would lead to a further loss of \$21 billion for that year, totaling a loss of \$61 billion in federal funds in 2016.
- Assuming that marketplace financial assistance is lost without a replacement in the next 10 years and assuming those states do not choose to expand Medicaid during that time frame, the loss in federal spending from 2016 to 2025 caused by *King v. Burwell* would be \$238 billion in addition to \$483 billion in federal spending lost from the states not expanding Medicaid, a total of \$721 billion.

## \$721 Billion in Federal Spending Lost from 2016 to 2025 and 9.8 Million Additional Uninsured in 2016 in 20 Medicaid Nonexpansion States if the Supreme Court Finds for the Plaintiffs in *King v. Burwell*

Federal Spending Lost (Billions)  
2016 to 2025



Uninsured (Millions)  
2016



## Introduction

A central goal of the Patient Protection and Affordable Care Act (ACA) is to significantly reduce the number of uninsured by providing affordable coverage options through Medicaid and the new health insurance marketplaces. In 20 states that hold 39 percent of the U.S. population, the intended gains from both of these sources of coverage are in jeopardy.

Following a 2012 Supreme Court decision, states can choose whether or not to expand Medicaid eligibility under the ACA to those with income below 138 percent of the federal poverty level. As of April 2015, 21 states have not done so. The most recent state to adopt the Medicaid expansion was Montana, whose expansion will require federal waiver approval to be implemented. Of the states that have not expanded Medicaid, all but Idaho have also chosen not to take full responsibility to run the health insurance marketplaces in their states. Consequently, the federal government takes partial or full responsibility for these marketplaces which are generally called federally facilitated marketplaces (FFMs). This puts the availability of premium tax credits and cost-sharing reductions for marketplace coverage at risk if the Supreme Court finds for the plaintiffs in *King v. Burwell*. The plaintiffs argue that wording in the text of the law prohibits the federal government from providing financial assistance to moderate-income individuals if the state in which those individuals live does not establish its own marketplace.

In this brief, we look at the 20 states that have chosen not to expand Medicaid eligibility and would be affected by a court finding for the plaintiffs. We estimate the combined effect of (1) not expanding Medicaid and (2) losing financial assistance for marketplace coverage. We estimate the resulting combined increase in the number of uninsured people and the loss of federal spending on health care in each state. The Medicaid expansion results are taken from our recent report that treats the issue in greater detail.<sup>1</sup> The effect of *King v. Burwell* is taken from a brief we published in January that was cited in the US Solicitor

General's brief on the case and at least a dozen amicus briefs.<sup>2</sup>

## Results

In 2016, we estimate that 4.2 million people in 20 states will be uninsured because those states did not expand Medicaid (Figure 1 and Table 1). An additional 5.6 million people in those states would become uninsured if marketplace financial assistance were eliminated and the states' private nongroup health insurance markets were destabilized as a result. The combined effect of these two circumstances is 9.8 million more uninsured people in 2016 than would otherwise be the case. Of this 9.8 million additional uninsured, 2.5 million people live in Texas and 1.8 million live in Florida (Table 1), the most populous of the states affected. Georgia and North Carolina would have 824,000 and 719,000 additional uninsured people, respectively; Missouri and Virginia would have over 400,000 additional uninsured people, and Alabama, Louisiana, and South Carolina would have over 300,000. Even in states with small populations, such as Wyoming and Alaska, the lack of a Medicaid expansion and a finding for the plaintiffs would

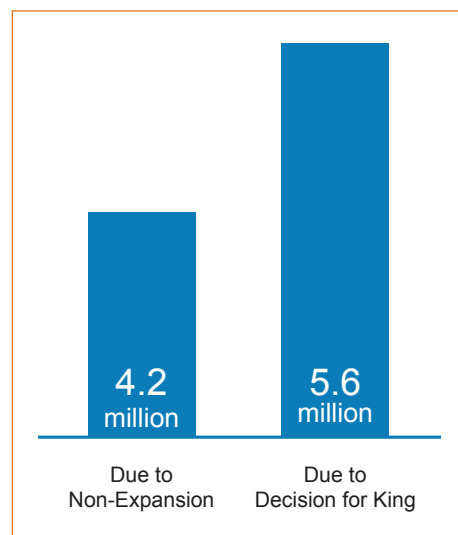
mean more than 50,000 additional uninsured people.

To put these estimates in the context of all uninsured people, we estimate that without the ACA, 21.9 million people in the 20 states would have been uninsured in 2016 (Figure 2). This represents 20.7 percent of the total nonelderly population in those states. Were these states to expand Medicaid along with the other financial assistance and other reforms currently provided under the ACA, the number of uninsured would be cut by more than half to 9.7 million, and the uninsured would constitute only 9.1 percent of the population. Even without the Medicaid expansion, the ACA is still estimated to reduce the number of uninsured to 13.9 million, or 13.1 percent of the population, in 2016. This reduction occurs largely because of the introduction of health insurance marketplaces with financial assistance to moderate-income families, as well as the individual mandate and an array of insurance market reforms. Without Medicaid expansion or marketplace financial assistance, however, the number of uninsured would rise to 19.4 million people in 2016, or 18.3 percent of the population.

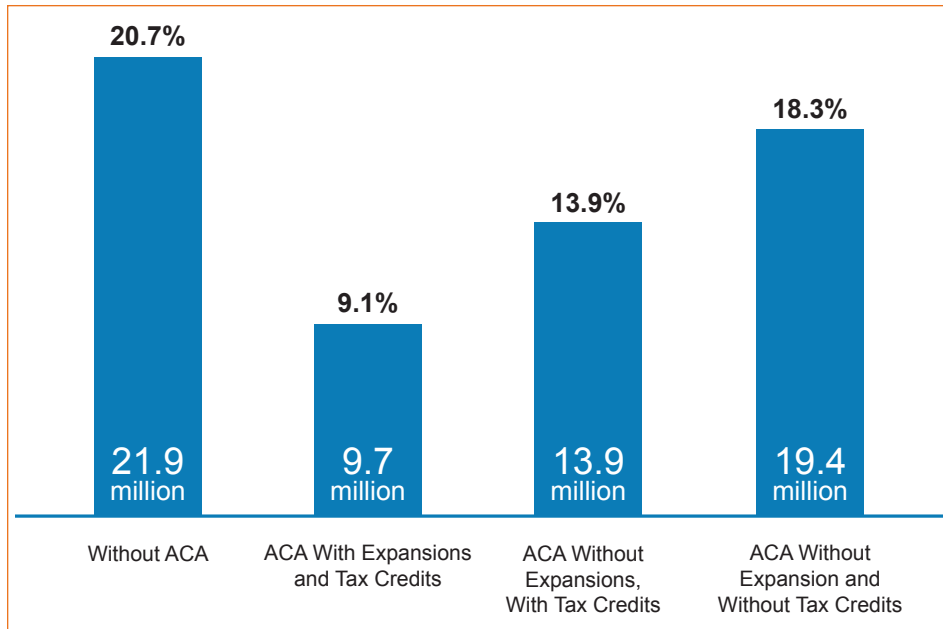
We estimate that the 20 states will forgo a total of about \$41 billion in federal spending in 2016 because they did not expand Medicaid (Table 2). This is the amount that the federal government would spend on those who would newly enroll in Medicaid if their state were to expand eligibility. In addition, there would be \$21 billion in lost federal spending on premium tax credits and cost-sharing reductions for residents of these same states if the Supreme Court finds in favor of the plaintiffs.

Over 10 years, from 2016 to 2025, not expanding Medicaid would cost these states \$483 billion in federal spending (Figure 3 and Table 3). If the Supreme Court finds for the plaintiffs in *King v. Burwell* and the marketplace financial assistance is not restored by Congressional or state action, it would lead to additional losses of \$238 billion over those 10 years, a total of \$721 billion in lost federal spending in those states.

**Figure 1. Additional Uninsured as a Result of not Expanding Medicaid and Loss of Marketplace Financial Assistance, 2016**



**Figure 2. Rate and Number of Uninsured in 20 FFM States Not Expanding Medicaid, 2016**



These losses range from \$5 billion in Maine to \$127 billion in Florida to \$185 billion in Texas.

## Conclusion

Lower rates of insurance coverage and reduced federal funding for health care have significant implications for the states analyzed. In projections of the effect of Medicaid expansion published in 2013, we concluded that “the economic case for Medicaid expansion for state officials is extremely strong.”<sup>3</sup> There is growing evidence that the benefits of Medicaid expansion that we and others projected were realized in 2014:

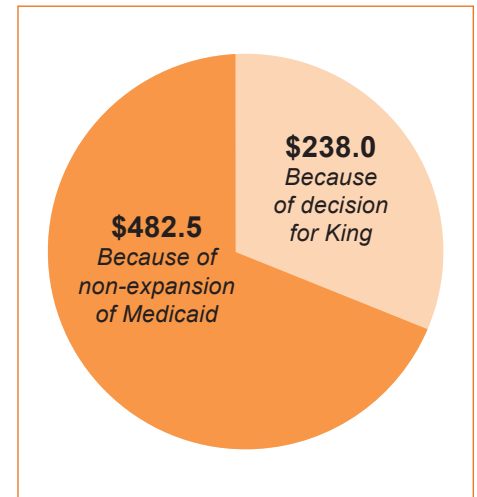
- **Increased health coverage.** Several surveys have shown notable decreases in the number of uninsured, particularly in states that have expanded Medicaid.<sup>4</sup>
- **Lower hospital uncompensated care spending.** A study by the Colorado Hospital Association finds that hospitals in Medicaid expansion states saw overall declines in self-pay and charity care and hospitals in nonexpansion states saw no change beyond normal variation.<sup>5</sup> The U.S. Department of Health and Human Services estimates that uncompensated care was \$7.4

million lower in 2014 than it would have been without the ACA, with \$5.0 million of that reduction going to Medicaid expansion states.<sup>6</sup>

- **Reduced state spending on the uninsured.** Recent analysis of eight Medicaid expansion states finds that all of them were able to reduce state spending on the uninsured.<sup>7</sup>
- **Other state savings.** States that have expanded Medicaid have already begun to realize savings that offset the additional costs due to increased enrollment. Kentucky and Arkansas report net savings to the state through at least 2021.<sup>8</sup> Washington also reports net savings, but projections are not available that far in the future.<sup>9</sup>

The overall economic effect of Medicaid expansion is harder to measure directly and will take longer than a year to develop. Economic impact studies are available for many of the states that have not expanded eligibility.<sup>10</sup> For example, it was projected that Medicaid expansion in North Carolina would create 23,000 new jobs, increase annual gross domestic product by \$1.4 billion, and increase real disposable personal income by \$1 billion. We estimate that in the event of a

**Figure 3. \$721 Billion in Federal Spending Lost in 20 FFM States Not Expanding Medicaid, 2016 to 2025**



Supreme Court finding for the plaintiffs in *King v. Burwell*, the amount states would lose in spending on marketplace assistance over the next 10 years would be nearly half of the amount that the states will forgo by not expanding Medicaid. Thus the loss of marketplace financial assistance would mean a further loss of jobs and lower state gross domestic product. In addition, states with insurer or provider taxes could see additional declines in revenue as enrollment in private nongroup coverage drops both inside and outside the marketplaces.

The 20 states in our analysis represent almost three-quarters of all 2015 enrollment through [healthcare.gov](http://healthcare.gov).<sup>11</sup> They also include the top five states in enrollment relative to our projections among states using [healthcare.gov](http://healthcare.gov): Florida, North Carolina, Maine, Virginia and Georgia. There were gains in health coverage in 2014 even among states that did not expand Medicaid, and the marketplaces played an important role in those gains.<sup>12</sup> We estimate that the number of people who would become uninsured if marketplace financial assistance ceased would be higher than even the number of uninsured people who would gain coverage if their state were to expand Medicaid (5.6 million versus 4.2 million). Those losing

coverage under a decision for the plaintiffs in *King v. Burwell* would include many people losing private coverage who did not receive tax credits as well as those who were eligible for tax credits that partially subsidized their premiums. By contrast, those gaining Medicaid coverage would have all or nearly all of their health care paid for through Medicaid. Thus, Medicaid expansion would lead to a larger change in federal spending than a decision for the plaintiffs in *King v. Burwell*, even though the number of uninsured attributable to not expanding Medicaid is smaller than the increase in uninsured due to a finding for *King*.

That increase in the number of uninsured and consequent rise in uncompensated care is of particular concern to hospitals because the ACA reduces Medicare fee-for-service hospital payments and reimbursement for disproportionate share hospitals. The original intent of the ACA was that these reductions would be offset by increased spending for the care of people gaining insurance coverage through Medicaid or Marketplace coverage with tax credits. By increasing the number of uninsured people, a decision for the plaintiffs would reduce this offset or even cut reimbursement

further in affected states that have not expanded Medicaid eligibility.<sup>13</sup>

States that have not expanded Medicaid have the most to lose in the *King v. Burwell* decision if they are not already running their own marketplaces, because people with incomes between 100 and 138 percent of the FPL would not get any assistance in affording health care. The adverse effects of both not expanding Medicaid and losing access to financial assistance for marketplace coverage would affect state residents, health care providers, insurers and state governments.

**Table 1. Increases in the Number of Uninsured from Not Expanding Medicaid and Losing Marketplace Financial Assistance, 2016**

FFM states not expanding Medicaid	Additional uninsured as a result of not expanding Medicaid	Additional uninsured as a result of loss of marketplace tax credits <sup>a</sup>	Total additional uninsured
<b>Total</b>	<b>4,209,000</b>	<b>5,623,000</b>	<b>9,831,000</b>
Alabama	177,000	124,000	301,000
Alaska	17,000	34,000	51,000
Florida	750,000	1,073,000	1,822,000
Georgia	389,000	435,000	824,000
Kansas	77,000	135,000	212,000
Louisiana	193,000	199,000	392,000
Maine	40,000	50,000	90,000
Mississippi	139,000	137,000	277,000
Missouri	191,000	228,000	419,000
Nebraska	42,000	83,000	125,000
North Carolina	313,000	407,000	719,000
Oklahoma	127,000	153,000	280,000
South Carolina	160,000	192,000	352,000
South Dakota	25,000	42,000	67,000
Tennessee	179,000	230,000	409,000
Texas	1,107,000	1,441,000	2,548,000
Utah	68,000	97,000	165,000
Virginia	179,000	280,000	459,000
Wisconsin	21,000	247,000	268,000
Wyoming	14,000	37,000	51,000

Source: The Urban Institute's Health Insurance Policy Simulation Model, 2015.

<sup>a</sup> The consequence of a decision in favor of the plaintiffs in *King v. Burwell*

Note: FFM = federally facilitated marketplace

**Table 2. Loss of Federal Spending as a Result of Not Expanding Medicaid and Loss of Marketplace Financial Assistance, 2016 (Millions of dollars)**

FFM states not expanding Medicaid	Additional federal Medicaid spending with expansion	Federal Marketplace spending lost under decision for the plaintiffs in King v. Burwell	Total lost federal spending
<b>Total</b>	<b>\$40,501</b>	<b>\$20,764</b>	<b>\$61,265</b>
Alabama	\$809	\$547	\$1,356
Alaska	\$268	\$233	\$501
Florida	\$6,773	\$3,891	\$10,664
Georgia	\$4,159	\$1,525	\$5,684
Kansas	\$767	\$419	\$1,186
Louisiana	\$1,402	\$857	\$2,259
Maine	\$189	\$257	\$446
Mississippi	\$1,171	\$568	\$1,739
Missouri	\$1,637	\$1,007	\$2,644
Nebraska	\$508	\$282	\$791
North Carolina	\$3,647	\$1,830	\$5,477
Oklahoma	\$1,030	\$516	\$1,546
South Carolina	\$1,392	\$766	\$2,158
South Dakota	\$299	\$147	\$446
Tennessee	\$2,320	\$783	\$3,103
Texas	\$10,808	\$4,358	\$15,166
Utah	\$634	\$362	\$995
Virginia	\$2,021	\$1,071	\$3,092
Wisconsin	\$481	\$1,128	\$1,609
Wyoming	\$187	\$216	\$403

Source: The Urban Institute's Health Insurance Policy Simulation Model, 2015.

Note: FFM = federally facilitated marketplace.

**Table 3. Lost Federal Spending as a Result of Not Expanding Medicaid and Losing Marketplace Financial Assistance, 2016 to 2025 (Millions of dollars)**

FFM states not expanding Medicaid	Additional federal Medicaid spending with expansion	Federal marketplace spending lost under decision for the plaintiffs in King v. Burwell	Total lost federal spending
<b>Total</b>	<b>\$482,522</b>	<b>\$238,038</b>	<b>\$720,560</b>
Alabama	\$9,184	\$6,272	\$15,456
Alaska	\$2,990	\$2,668	\$5,658
Florida	\$82,097	\$44,611	\$126,708
Georgia	\$49,995	\$17,481	\$67,476
Kansas	\$8,645	\$4,803	\$13,448
Louisiana	\$15,763	\$9,829	\$25,591
Maine	\$2,195	\$2,946	\$5,141
Mississippi	\$13,184	\$6,512	\$19,696
Missouri	\$18,512	\$11,542	\$30,053
Nebraska	\$5,705	\$3,236	\$8,941
North Carolina	\$43,630	\$20,980	\$64,609
Oklahoma	\$11,593	\$5,916	\$17,509
South Carolina	\$15,641	\$8,785	\$24,426
South Dakota	\$3,354	\$1,686	\$5,040
Tennessee	\$25,838	\$8,973	\$34,811
Texas	\$134,957	\$49,961	\$184,919
Utah	\$7,891	\$4,146	\$12,037
Virginia	\$24,270	\$12,282	\$36,552
Wisconsin	\$4,984	\$12,930	\$17,913
Wyoming	\$2,095	\$2,480	\$4,575

Source: The Urban Institute's Health Insurance Policy Simulation Model, 2015.

Note: FFM = federally facilitated marketplace.

## Notes

- 1 Buettgens M, Holahan J and Recht H. *Medicaid Expansion, Health Coverage, and Spending: An Update for the 21 States That Have Not Expanded Eligibility*. Washington: Kaiser Commission on Medicaid and the Uninsured, 2015.
- 2 Blumberg LJ, Buettgens M and Holahan J. *The Implications of a Supreme Court Finding for the Plaintiff in King v. Burwell: 8.2 Million More Uninsured and 35% Higher Premiums*. Washington: Urban Institute, 2015.
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- 4 Long SK, Karpman M, Kenney GM, Wissoker D, Anderson N and Zuckerman S. “QuickTake: Taking Stock: Health Insurance Coverage Under the ACA as of December 2014.” Washington: Urban Institute, 2015. Office of the Assistant Secretary for Planning and Evaluation. “Health Insurance Coverage and the Affordable Care Act.” Washington: U.S. Department of Health and Human Services, 2015, [http://aspe.hhs.gov/health/reports/2015/uninsured\\_change/ib\\_uninsured\\_change.pdf](http://aspe.hhs.gov/health/reports/2015/uninsured_change/ib_uninsured_change.pdf).
- 5 Colorado Hospital Association. “Impact of Medicaid Expansion on Hospital Volumes.” Greenwood Village, CO: Colorado Hospital Association.
- 6 Office of the Assistant Secretary for Planning and Evaluation. “Economic Impact of the Medicaid Expansion.” Washington: U.S. Department of Health and Human Services, 2015, [http://aspe.hhs.gov/health/reports/2015/MedicaidExpansion/ib\\_MedicaidExpansion.pdf](http://aspe.hhs.gov/health/reports/2015/MedicaidExpansion/ib_MedicaidExpansion.pdf).
- 7 Bachrach D, Boozang P and Glanz D. “States Expanding Medicaid See Significant Budget Savings and Revenue Gains.” Princeton, NJ: Robert Wood Johnson Foundation, 2015.
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- 10 Kaiser Commission on Medicaid and the Uninsured. “The Role of Medicaid in State Economies and the ACA.” Menlo Park, CA: Kaiser Family Foundation, 2013.
- 11 Currently, the only enrollment data available are the number of people who had selected a plan; the number of those who had paid the first month’s premium and effectuated their coverage is not available. See Buettgens M, Recht H and Blumberg LJ. “Marketplaces Make Significant Progress in 2015.” Washington: Urban Institute, 2015, <http://datatools.urban.org/features/marketplace-enrollment/>.
- 12 Long et al., “QuickTake: Taking Stock: Health Insurance Coverage Under the ACA as of December 2014.”
- 13 Buettgens M, Holahan J, Blumberg LJ and Recht H. “Health Care Spending by Those Becoming Uninsured if the Supreme Court Finds for the Plaintiff in King v. Burwell Would Fall by at Least 35 Percent.” Washington: Urban Institute, 2015.

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### ABOUT THE AUTHORS & ACKNOWLEDGMENTS

Matthew Buettgens is a senior research associate, John Holahan is an Institute Fellow, and Linda Blumberg is a senior fellow, all in the Urban Institute’s Health Policy Center. The authors are appreciative of comments and suggestions from Stephen Zuckerman and research assistance from Hannah Recht.

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