

Rejecting Medicaid Expansion Not an Option for Florida

On June 28, the two-year legal challenge brought by Florida and 25 other states to the Affordable Care Act (ACA), reached its dramatic conclusion with a (split) decision by the U.S. Supreme Court upholding the law in its entirety.

Most of the focus leading up to the decision rested on the ACA's "individual mandate" provision requiring that most Americans either have health insurance coverage (whether through an employer, individual purchase, or enrollment in public coverage such as Medicare or Medicaid) or pay a penalty. However, the Court's only caveat in affirming the constitutionality of the ACA pertained to the Medicaid expansion component.

Under ACA Medicaid expansion, most Floridians with incomes at or below 133 percent¹ of the federal poverty level (\$25,390 for a family of three in 2012) will be eligible for Medicaid. Under Florida's current Medicaid program, school-aged children qualify with incomes up to 100 percent of the federal poverty level (FPL), individuals with disabilities up to 75 percent FPL, parents with dependent children up to 20 percent FPL, and non-elderly adults without children do not qualify at all.²

The Supreme Court clarified, however, that states could not lose access to federal funding for their existing Medicaid programs if they refuse to implement the expansion. In other words, although the law calls for the expansion of Medicaid, the federal government cannot threaten to take away all of a state's Medicaid funding if it declines to participate.³

Nevertheless, rejecting Medicaid expansion would have far-reaching and long-lasting adverse effects on Floridians and Florida's economy. In particular, the following considerations should factor into the Governor's and Legislature's decision-making process:

- **Medicaid expansion can be expected to increase enrollment in Florida Medicaid by about one-third (1.02 million) during its first decade (through 2022-23).**⁴ All of the newly enrolled will be very low-income Floridians, and the overwhelming majority (88 percent) will be uninsured. Most of the rest will have previously been saddled with unaffordable and/or inadequate coverage.
- In addition to the children and people with disabilities who will qualify under expansion, many of the newly eligible will be low-income, non-elderly adults without children (who have never been

Medicaid-eligible in Florida at any income level) as well as working parents earning poverty-level or near-poverty-level wages. In fact, most newly eligible adults will be employed at some level,⁵ particularly in service-sector jobs, so **Medicaid expansion will benefit the employers, workers, and families that are the backbone of Florida's economy.**

- Over the course of the decade, Florida will spend an estimated average of \$214 million per year to expand Medicaid, of which less than \$130 million is expected to be general revenue (GR) that the state is directly responsible for raising⁶ (the remainder is raised by local governments and providers). Putting this in context, **Medicaid expansion can be expected to increase total state spending for Medicaid by only 1.8 percent through 2022-23.** In fact, after factoring in reductions in costs associated with delivery of uncompensated medical care to the formerly uninsured, Florida taxpayers should see a net savings as a result of expansion.⁷
- **Each dollar of expansion-related state spending over the course of the 10-year period will leverage an additional \$9.51 in federal funding,⁸** directly stimulating the economy and creating an estimated 65,000 private-sector jobs in the first six years alone.⁹
- **By 2022-23, Florida will have received an estimated \$20.3 billion in additional federal Medicaid funds** as a result of expansion.¹⁰ These are tax dollars paid by Floridians through federal income taxes that will be diverted to other states if Florida rejects expansion.
- State leaders have consistently argued that spending growth in the current Medicaid program makes *any* new spending untenable, with the Governor in particular complaining that Medicaid spending is growing more than three times faster than state GR collections. This *was* generally the case between 2008 and 2011, but that was precisely because of the counter-cyclical nature of the Medicaid program. In other words, as a result of job and income losses in the recession, Medicaid enrollment spiked while revenue plummeted. With economic recovery underway, that is not at all the case. In fact, based on state estimates, **GR collections will increase faster than Medicaid spending between 2011 and 2014.**¹¹

Putting the State's Cost in Perspective:

The \$130 million annual cost in general revenue is comparable to the annual cost of tax cuts granted to businesses in a single bill passed by the legislature earlier this year.

That measure, House Bill 7087, reduces general revenue by \$115 million next year and by even larger amounts in future years.

The state could generate even more general revenue – an estimated \$500 million per year – by closing tax loopholes that allow profitable multistate corporations to avoid paying Florida corporate income tax on some of their profits.

In short, although Florida’s elected leaders may have the political option of rejecting Medicaid expansion under the Affordable Care Act, actually doing so would cause serious harm to the state and its economy, costing Floridians \$20 billion in unused federal dollars and tens of thousands of new jobs, while denying the lowest-income workers and families much-needed coverage.

This report was researched and written by Greg Mellowe.

Endnotes

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- ¹ All income limits provided exclude income disregards used in the eligibility determination process including, in the case of Medicaid expansion, a 5 percent universal income disregard under Medicaid expansion. Factoring in this disregard, the *de facto* income limit will be 138 percent of the federal poverty level (FPL).
 - ² Income limits expressed as a percentage of FPL are based on 2012 poverty guidelines issued by the U.S. Department of Health and Human Services
 - ³ U.S. Supreme Court, [Slip Opinion](#), *National Federation of Independent Business v. Sebelius*, no. 11-393, June 28, 2012, pp. 4-5
 - ⁴ FCFEP, [Overstated Burden: Why Florida’s Claims Regarding Medicaid Expansion Are Vastly Inflated, Lacking in Merit](#), March 2012, p. 9
 - ⁵ U.S. Census Bureau, 2011 Current Population Survey (CPS), Annual Social and Economic Supplement (*user-generated query with [CPS Table Creator](#)*)
 - ⁶ FCFEP, p. 10
 - ⁷ See, e.g., Executive Office of the President, Council of Economic Advisers, [The Impact of Health Insurance Reform on State and Local Governments](#), September 2009, pp. 23-28
 - ⁸ FCFEP, p. 2
 - ⁹ FCFEP, [Unhealthy Choices: Flawed Medicaid Proposals Would Kill Florida Jobs](#), January 2011, p.6
 - ¹⁰ FCFEP, *Overstated Burden*, p.2
 - ¹¹ All growth rate calculations based on Florida Legislature, Office of Economic and Demographic Research (EDR), Social Service Estimating Conference, [Medicaid Long-Term Forecast](#), January 2012 and EDR, Revenue Estimating Conference, [Long-Term Revenue Analysis](#), November 2011