The economic effects of Medicaid expansion in Montana: A review

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Across multiple reports over five years, I've told the same story.

"Medicaid expansion increases health insurance coverage and healthcare access, improving individuals' health and households' financial health while creating thousands of jobs and millions in income for Montanans throughout the economy. Medicaid expansion also reduces state spending and boosts state revenues. Combined, these savings and revenues likely more than offset the "sticker price" of expansion (10 percent of costs). As such, Medicaid expansion generates health, well-being, and economic opportunity for Montanans at minimal (or no) cost to the state budget."

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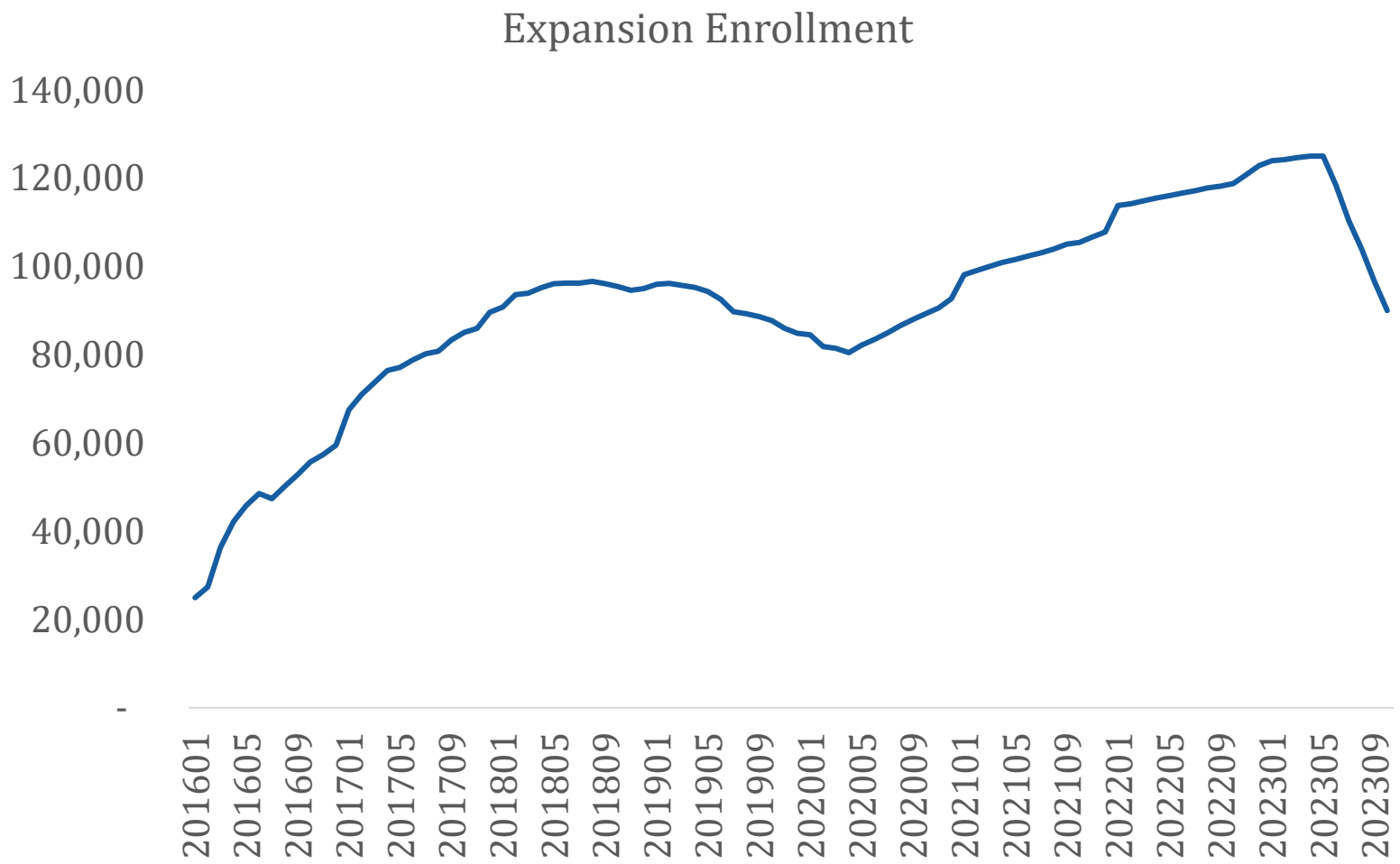
Medicaid expansion covers a substantial proportion of Montana's population.

While the effects of redetermination are still shaking out, expansion covers roughly 100,000 Montanans (or 10 percent of the population).

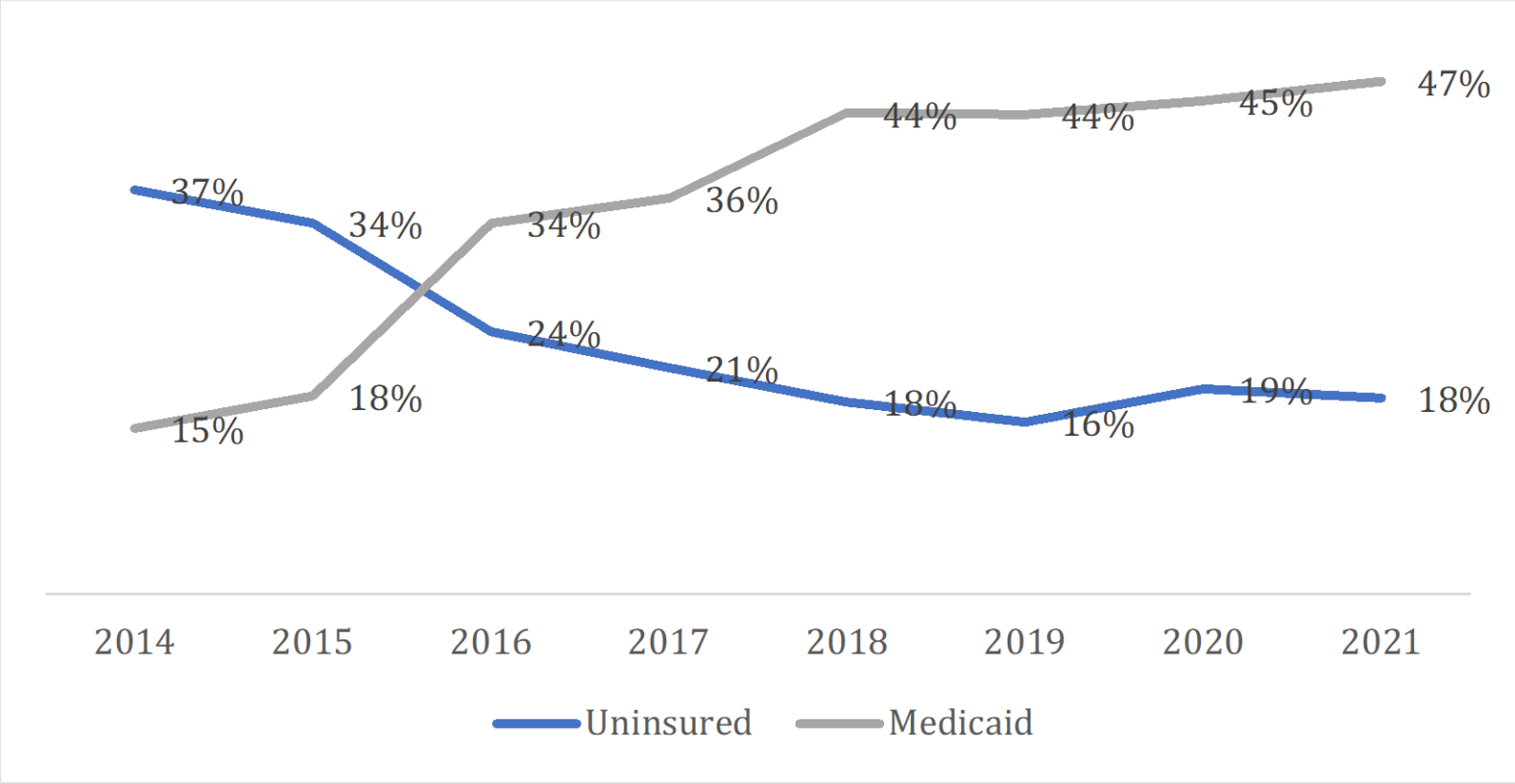


In the absence of Medicaid expansion, most expansion beneficiaries (approx. 50%) would be uninsured. The remainder would have been covered by:

Traditional Medicaid (approx. 20%);

Private insurance (approx. 30%, mostly on exchange).

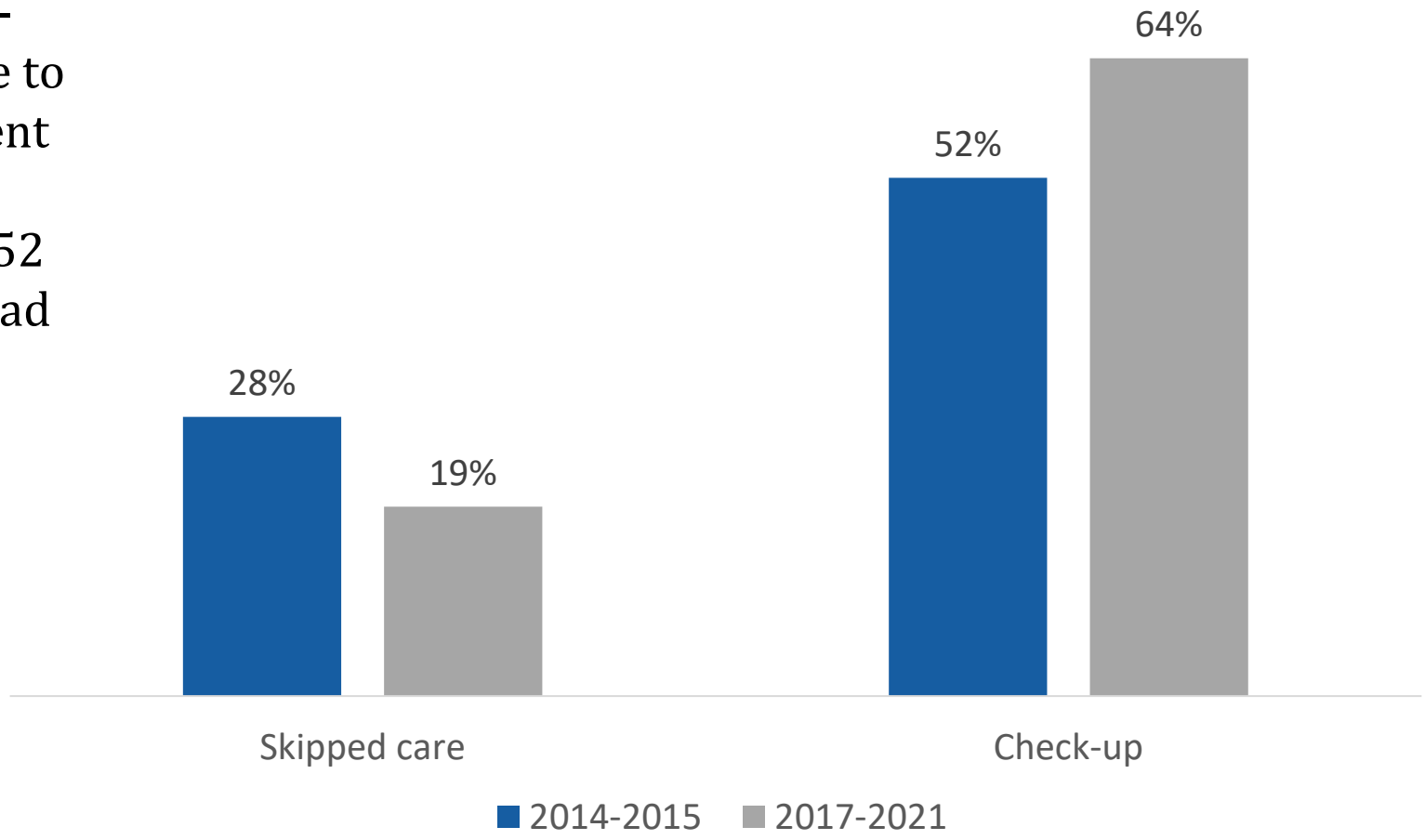
Figure 1: Share of low-income (<139% FPL) Montanans ages 19-64 with no SSI income with no health insurance or with Medicaid, 2014-2021.



Notes: Analysis of American Community Survey microdata obtained from IPUMS-USA.

Medicaid expansion improves healthcare access and utilization.

Before expansion, 28 percent of low-income Montanans skipped care due to cost. Since expansion, only 19 percent of low-income Montanans skipped care due to cost. Before expansion, 52 percent of low-income Montanans had visited a physician for a routine checkup within the past year. After expansion, this share rose to 64 percent



Relative to people with no insurance (or coverage on the exchanges), Medicaid recipients receive significantly more health care.

Table A3: Average health care spending for low-income individuals ages 18-64 by type of health insurance, 2016

	<150	Difference with Medicaid
Uninsured	$1,681	$4,886
Private insurance	$5,613	$948
Group (e.g., employer)	$6,210	$345
Exchange	$4,240	$2,341
Medicaid	$6,411	$0

Notes: Authors' analysis of Medical Expenditure Panel Survey data. For each category, we limit the sample to individuals enrolled in this type of coverage for the full year. The Medicaid category includes both traditional Medicaid and Medicaid expansion.

From: Ward and Bridge (2019).

Medicaid expansion allows beneficiaries to spend less for healthcare and spend more on other goods and services.

In the absence of Medicaid expansion, beneficiaries still receive some healthcare. They (or their employers) pay for this care out-of-pocket or via insurance premiums, or providers and governments pay (via other programs or uncompensated care).

With Medicaid expansion, this spending shifts to Medicaid. As a result, what beneficiaries used to spend out-of-pocket or on premiums can be spent elsewhere.

All told, 25-30 percent of Medicaid expansion is healthcare spending that shifts from Montana households to Medicaid. This means that means Montana households have approximately $250-$300 million more to spend in other parts of Montana's economy.

Medicaid recipients enjoy better physical and financial health.

Figure from: Rubin et al (2021). "Medicaid Expansion: Frequently Asked Questions. https://www.cbpp.org/sites/default/files/6-16-21health.pdf

See also: Borgschulte, M. and J. Vogler. 2020. "Did the ACA Medicaid Expansion Save Lives?" Journal of Health Economics, 72: 102333; Miller, S., N. Johnson, and L. Wherry. 2021. "Medicaid and Mortality: New Evidence from Linked Survey and Administrative Data." NBER Working Paper 26081. Cambridge, MA: National Bureau of Economic Research; Sommers, B., B. Maylone, R. Blendon, E.J. Orav, and A. Epstein. 2017. "Three-Year Impacts of the Affordable Care Act: Improved Medical Care and Health Among Low-Income Adults." Health Affairs, 36, no. 6: 1119–28; Winkleman, T and V. Chang. 2018. "Medicaid Expansion, Mental Health, and Access to Care Among Childless Adults with and without Chronic Conditions." Journal of General Internal Medicine, 33, no. 3: 376–83. Kuroki, M. 2020. "The Effect of Health Insurance Coverage on Personal Bankruptcy: Evidence from the Medicaid Expansion." Review of Economics of the Household, 19: 429–51. Brevoort, K., D. Groadzicki, and M. Hackmann. 2020. "The Credit Consequences of Unpaid Medical Bills." Journal of Public Economics, 187: 104203.

FIGURE 4

ACA Medicaid Expansion Improving Access to Care, Health, and Financial Security, Research Finds

Access to care: More low-income adults with a **personal physician**, getting **check-ups and other preventive care**, and getting regular **care for chronic conditions**; increases in number of people getting **medication-assisted treatment** for opioid use disorders; greater access to **mental health care**.

Health outcomes: Fewer **premature deaths** among older adults, with **at least 19,000 lives saved**; improvements in overall **self-reported health**; reductions in share of low-income adults screening positive for **depression**; improved **diabetes and hypertension** control; increases in **early-stage cancer diagnoses**; decreases in share of patients receiving **surgical care inconsistent with medical guidelines**.

Financial security: Reductions in share of low-income adults **struggling to pay medical bills**; $1,140 reduction in **medical debt per person** gaining coverage through expansion; reductions in **evictions** among low-income renters.

Economic mobility: Better access to **credit**, including **lower-interest mortgages, auto, and other loans**, with annual interest savings amounting to $280 per adult gaining coverage; majorities of adults gaining coverage through expansion in Michigan and Ohio report coverage makes it **easier for them to work or look for work**.

Better health and better financial health for expansion beneficiaries creates spillover benefits for the community.

Medicaid expansion has been shown to significantly reduce crime and reduce recidivism (likely by providing for mental health and substance abuse treatment).

See: Aslim, E. G., Mungan, M. C., Navarro, C. I., & Yu, H. (2022). The effect of public health insurance on criminal recidivism. Journal of Policy Analysis and Management, 41(1), 45-91; Fry, C. E., McGuire, T. G., & Frank, R. G. (2020). Medicaid expansion's spillover to the criminal justice system: evidence from six urban counties. RSF: The Russell Sage Foundation Journal of the Social Sciences, 6(2), 244-263. He, Q., & Barkowski, S. (2020). The effect of health insurance on crime: Evidence from the Affordable Care Act Medicaid expansion. Health economics, 29(3), 261-277. Vogler, J. (2020). Access to healthcare and criminal behavior: Evidence from the ACA Medicaid expansions. Journal of Policy Analysis and Management, 39(4), 1166-1213. Wen, H., Hockenberry, J. M., & Cummings, J. R. (2017). The effect of Medicaid expansion on crime reduction: Evidence from HIFA-waiver expansions. Journal of Public Economics, 154, 67-94. Jácome, E. (2022). Mental health and criminal involvement: Evidence from losing medicaid eligibility.

Healthcare providers benefit from more robust demand and better financial health.

- More than 50 percent of total Medicaid expansion (approximately $500 million at levels of the recent past) spending represents new healthcare spending in Montana. Additional spending means more jobs and income in healthcare. Expansion boosts total healthcare earnings by $260-$310 million per year.
- Higher spending also improves provider financial health, particularly among small rural providers. Medicaid expansion reduces uncompensated care, improves operating margins, and reduces the odds of hospital closure (rural hospitals in Medicaid expansion states are 62 percent less likely to close).

Sources: Ward (2023), Ward and Bridge (2019). Fredric Blavin and Christal Ramos, "Medicaid Expansion: Effects On Hospital Finances And Implications For Hospitals Facing COVID-19 Challenges," Health Affairs 40 no. 1 (January 2021): 82-90; Ali Moghtaderi, Jesse Pines, Mark Zocchi, and Bernard Black, "The Effect of Affordable Care Act Medicaid Expansion on Hospital Revenue," Health Economics 29 no. 12 (December 2020): 1682-1704; Tyler L. Malone, George H. Pink, and George M. Holmes, "Decline in Inpatient Volume at Rural Hospitals," The Journal of Rural Health Epub ahead of print (December 2020); David J. Wallace et al., "Association Between State Medicaid Expansion and Emergency Access to Acute Care Hospitals in the United States," JAMA Network Open 3 no. 11 (November 2020). Lindrooth, R. C., Perraillon, M. C., Hardy, R. Y., & Tung, G. J. (2018). Understanding the relationship between Medicaid expansions and hospital closures. Health Affairs, 37(1), 111-120.

Montanans benefit from a more robust healthcare system and from increased economic activity/opportunity.

Roughly 75-80 percent of Medicaid expansion spending ($750-$800 million) represents new spending in Montana's economy. Without Medicaid expansion these dollars would not have been spent in Montana.

In the absence of Medicaid expansion, the federal government does not offer Montanans grants or tax breaks equal to expansion spending. As such, in the absence of expansion, net federal spending in Montana simply falls.

As a general rule of thumb, each million dollars of new spending attributable to Medicaid expansion supports 10 jobs and between $625K-$700K in personal income.

Thus, at recent levels, Medicaid expansion supports roughly 7,500 jobs and approximately $475 million in personal income.

Slightly more than half of these impacts are in the healthcare sector. The rest are distributed throughout the local sector of the economy (e.g., real estate, restaurants, retail).

The decision to expand Medicaid generates these substantial benefits at no cost to the state.

Medicaid expansion does not reduce labor force participation.

MT labor force participation (ages 18-64), 2011-2015: 80.8

MT labor force participation (ages 18-64), 2017-2021: 82.1

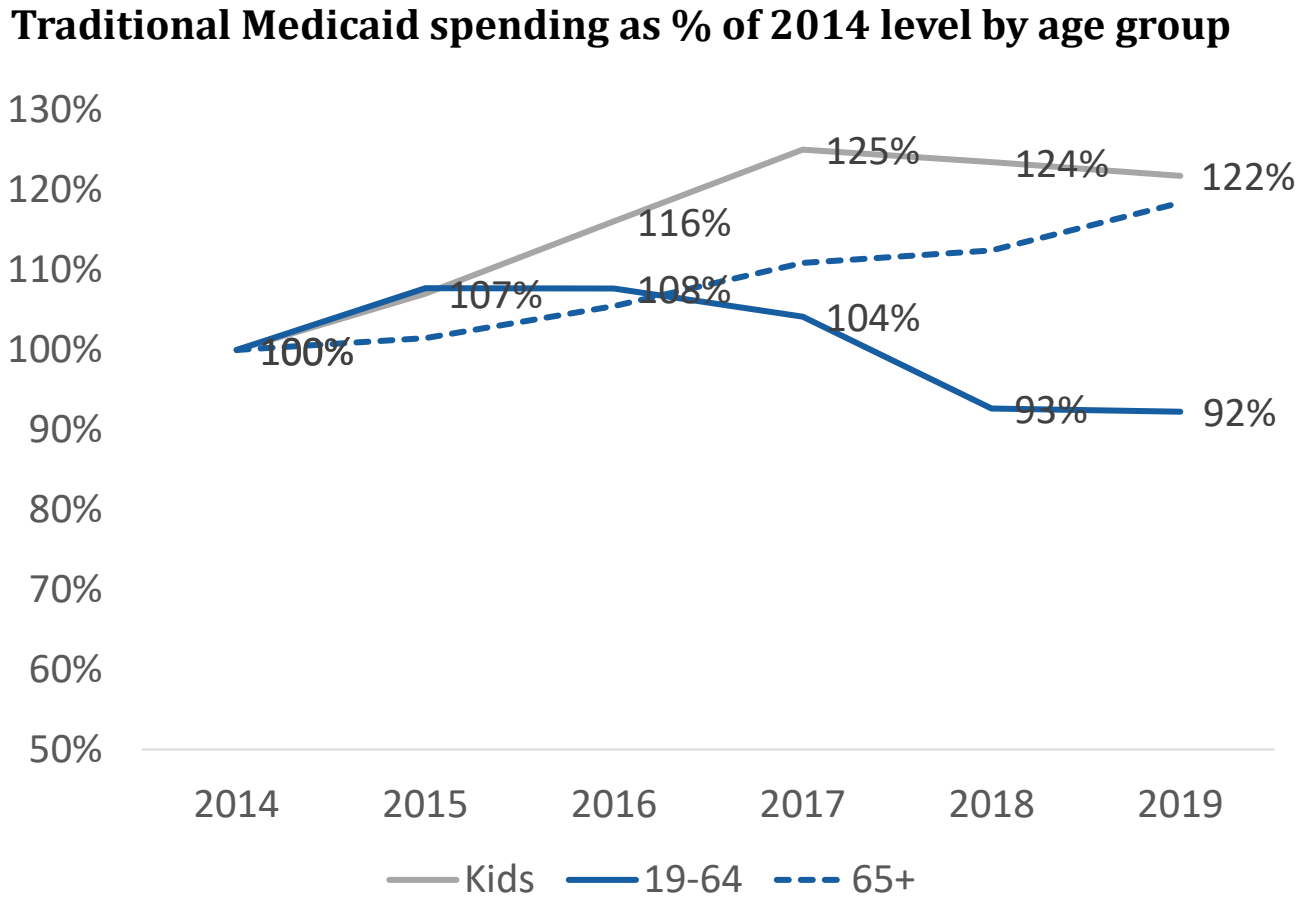
Change: + 1.3

Change non-expansion states: +0.5

Medicaid expansion does not impose a fiscal cost on the state.

Medicaid expansion allows the state to reduce spending:

- Traditional Medicaid – a substantial proportion of expansion beneficiaries would enroll in traditional Medicaid without expansion. MT would have to pay 35% of these costs instead of 10%. These savings offsets 44-68% of state's share of expansion cost;
- Substance abuse, mental health, inmate hospitalizations (15% of state share)



Medicaid expansion does not impose a fiscal cost on the state.

Medicaid expansion allows the state to increase revenues:

- HB658 – what share is revenue that state would not have collected without expansion?
- General revenue from increased economic activity. On average state revenues equal 11.3 percent of personal income.

	Savings/ Revenues ($M)	Cumul. impact on state ($M)	Cumul. impact on state (alt.)
State cost		-100	-100
Savings to traditional Medicaid	50	-50	-50
Other savings	14	-36	-36
HB658 funding for expansion	54	18	
(Alt) HB658 increase in utilization only	6		-30
Revenues on increased economic activity	51	69	21
Total impact		**69**	**21**

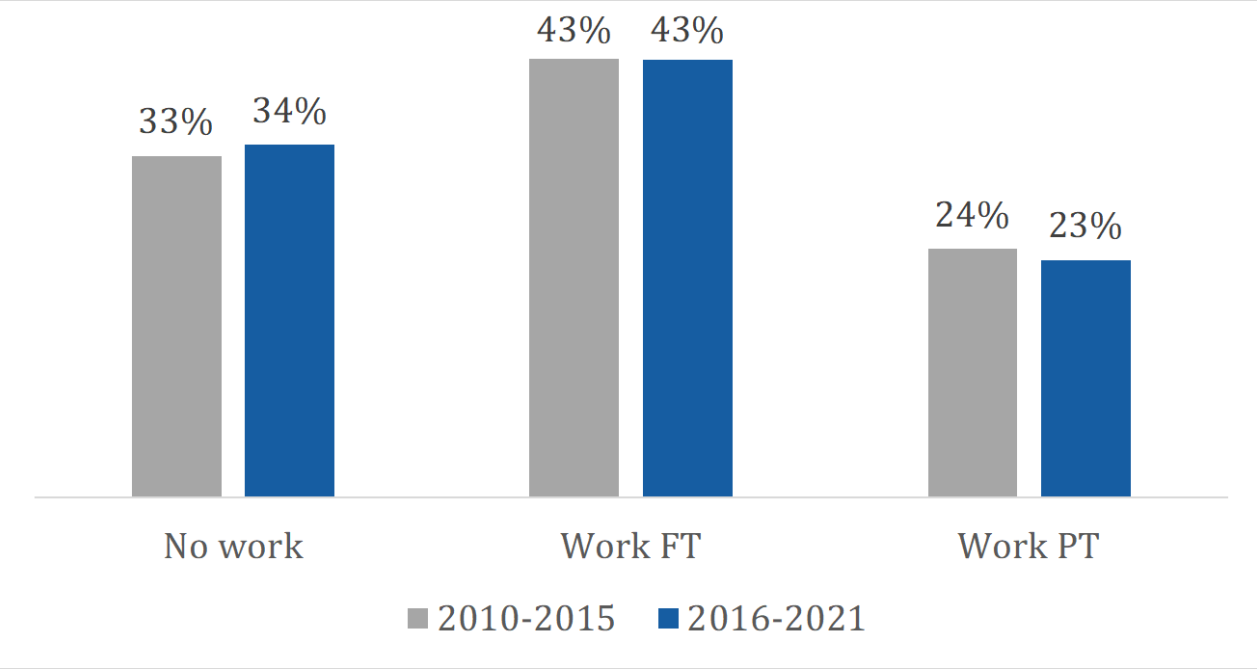
Source: Ward (2023)

7 key facts about who enrolls in Medicaid expansion

Finding #1: 71% of MT's adult Medicaid recipients worked during a year they receive Medicaid.

Finding #2 Medicaid expansion did not change the propensity for low-income Montanans to work.

Work status last year among lower-income (<200% FPL) Montanans, pre- and post-expansion



Key finding #3: 50 percent of employed-adult Medicaid recipients work in 20 occupations

Table 2: Working adult Medicaid recipients by occupation

	Occupation	% of occ.	% of adult Medicaid
1	Personal Care Aides	26.3%	4.6%
2	Cooks	30.5%	4.4%
3	Cashiers	26.4%	4.1%
4	Retail Salespersons	15.9%	3.4%
5	Waiters and Waitresses	23.1%	3.2%
6	Maids and Housekeepers	34.0%	3.0%
7	Laborers and Freight, Stock, and Material Movers, Hand	21.3%	2.8%
8	Janitors and Building Cleaners	16.4%	2.7%
9	Food Preparation Workers	31.5%	2.5%
10	Childcare Workers	31.8%	2.2%

Finding #4: Montana's adult Medicaid population differs from the non-Medicaid population.

Table 3: Composition of adult Medicaid and non-Medicaid population

	Share of Adult Medicaid	Share of Adult Non-Medicaid
Working part time for economic reasons	11.7%	5.6%
Attending school	14.0%	8.0%
With some reported disability	26.9%	11.2%
With children in family (or other reported care responsibilities)	54.1%	40.2%
Single adult with child	7.8%	2.3%
Female	54.5%	48.4%
Living outside of metro area	62.2%	61.9%

Notes: Analysis of 2018-2022 CPS-ASEC data.

Finding #5: Ninety-six percent of Montana's adult Medicaid population works or reports at least one plausible impediment to work.

Cumulative share	Share	
44%	44%	Working full-time regardless of potential impediment (e.g., this share includes the 3.6% of adult Medicaid beneficiaries who work full-time and attend school and the 7% who work full-time and report some form of disability).
55%	10%	Not working full-time, but attending school (regardless of other potential impediment).
60%	6%	Not working full-time (or attending school), but working part-time for economic reasons (e.g., would like a FT job) (regardless of other impediment)
64%	4%	Working part-time (for non-economic reasons) and report some form of disability or impairment (regardless of other impediment)
71%	7%	Working part-time (for non-economic reasons), no reported disability, but child in family (or other reported care responsibility)
76%	5%	Working part-time with no reported potential impediments
88%	13%	Not working, but reported some form of disability/impairment
96%	8%	Not working, no reported some form of disability/impairment, but child in family (or other reported care responsibility)
100%	4%	Not working and no reported potential impediments

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Finding #6 & 7: Over the course of four years 25 percent of adults are covered by Medicaid at some point, and those covered more persistently differ from those moving in and out.

- In a national dataset, 25 percent of adults 19-64 (with no SSI income) in expansion states report Medicaid coverage at some point over four years. Among those covered by Medicaid at any point during the four years, 36 percent reported coverage in all four years, and roughly half reported coverage for less than two years Montana's annual share of adults with Medicaid coverage equals the national Medicaid expansion share.

- Individuals with disabilities are significantly more likely to be covered for longer periods. Over the course of four years, 53 percent of people with some level of disability report Medicaid coverage at some point, and 28 percent of people with some disability report coverage in three-four years.