



## Medicaid Expansion Strengthens Ohio

On June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the Affordable Care Act, with one exception. The Court struck down the severe penalty for states that declined to implement the Medicaid expansion. As a result, states consider the expansion to be voluntary. Ohio must decide how to deal with the decision and whether to extend Medicaid to nearly 600,000 uninsured Ohioans.

The Medicaid expansion, funded primarily by the federal government, provides a unique opportunity for a huge investment in Ohio. Failure to implement the expansion would leave nearly 600,000 Ohioans uninsured who would otherwise be newly eligible for coverage in 2014. It would also be a missed opportunity to boost Ohio's economy and a setback to the Kasich administration's bold strategic plan to transform Ohio's Medicaid and health care into a system that provides better care, better health, and lower costs.

### **The Medicaid expansion represents a significant investment in Ohio.**

The federal government will pay 100% of costs for the newly eligible people for the years 2014-2016. Between 2017 and 2019, the federal share gradually declines to 93%, and beyond that to 90%. Thus, between 2014 and 2019, the federal government pays, on average, 95% of the costs. Using 2010 figures, Kaiser estimated that Ohio would receive **\$17,130,000,000** in federal funding and Ohio would pay \$830 million.<sup>i</sup>

### **The expansion will create jobs and stimulate Ohio's economy.**

In the past decade, economists have developed methods for modeling the impact of federal Medicaid spending on the economy. In 2009, the Kaiser Commission on Medicaid and the Uninsured reviewed the findings of 29 studies in 23 states analyzing the impact of Medicaid spending on state and local economies,<sup>ii</sup> concluding:

Medicaid spending generates economic activity including jobs, income and state tax revenues at the state level. Medicaid's economic impact is intensified because of federal matching dollars – state spending pulls federal dollars into the economy. Medicaid funding supports jobs and generates income within the health care sector and throughout other sectors of the economy due to the multiplier effect.<sup>iii</sup>

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### **The Medicaid expansion will stabilize our health care infrastructure.**

Uncompensated health care costs, especially those of hospitals and outpatient providers that see a high number of uninsured people, undermine the financial integrity of so-called “safety net” providers. Under the federal law, Disproportionate Share funds, used in Ohio for the Hospital Care Assurance Program (HCAP) program, are dramatically reduced in anticipation of the coverage expansion – even if Ohio does not adopt it. Hospitals will lose significant federal funding to compensate them for care to low-wage workers, low-income families, and other uninsured people. Medicaid expansion will compensate hospitals for this care.

### **The Medicaid expansion reduces health care spending for other groups.**

By expanding coverage to nearly 600,000 uninsured Ohioans, Ohio will greatly reduce the amount of uncompensated care provided by hospitals and other provider groups. These costs are absorbed by all payers, including the state, which finances coverage for all state employees. There may be health care costs now borne by the state that could be transferred to Medicaid through the expansion.

### **The expansion is a long-term investment in prevention.**

If Ohio provides more people with continuous primary care, it will gradually realize both a health benefit and a financial benefit. The Ohio Office of Health Transformation is promoting enhanced primary care and care management for people with chronic health conditions as a way to improve the quality of care and control health spending. The Medicaid expansion would spread the value of this work to a greater number of residents, reducing future costs of health care for older, sicker people.

### **The expansion will slow the increase in health care spending for all of us.**

Because the costs of treating uninsured people are passed on to payers, care to the uninsured drives up overall health care spending for all of us. Uninsured people delay seeking care until they are sicker and obtain fragmented care in more expensive settings. By bringing 600,000 additional uninsured Ohioans into Medicaid, we will improve care and lower costs to communities across the state.

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<sup>i</sup> <http://economix.blogs.nytimes.com/2012/07/02/how-much-would-the-medicaid-expansion-cost-your-state/>, citing a Kaiser Family Foundation Report, May 2010.

<sup>ii</sup> Kaiser Commission on Medicaid and the Uninsured, *The Role of Medicaid in State Economies: A Look at the Research*, January 2009.

<sup>iii</sup> Ibid.