

The \$6B Business Case for Expanding Medicaid

Through the expansion of Medicaid, Nebraska's economy will conservatively avoid more than \$1 billion in silent taxes, medical-related bankruptcies, unnecessary state spending, reduced consumer spending power during the next five years. The state will also receive nearly \$2.1 billion during that time, drawing in \$992,000 in federal expansion funding every day and generating \$5 billion in increased economic activity.

Inject \$2.1B into Nebraska's economy and spur \$5B in economic activity

The state will receive more than \$2.1 billion, or \$992,000 daily, in federal funding during the first five years, FY 2015-20, of the expanded Medicaid program. These are dollars Nebraska taxpayers are currently sending to Washington, D.C., that could be recaptured to contribute to the state's economy and a healthier, more productive workforce.

The federal infusion of dollars is projected to increase the state's economic activity by more than \$5 billion dollars. The \$174.8 million in state and local taxes generated by the increased economic activity would be more than enough to offset the \$81 million cost to expand Medicaid for an estimated 79,600 low-income, working Nebraskans.

Reduce Nebraska government spending by \$73 million

According to the Legislative Fiscal Office, expanding Medicaid would save the state \$73 million from FY 2015-20. The state disability program, drug program for HIV and AIDs patients and behavioral health program, all currently supported by the general fund, would be funded by the expanded Medicaid program. The resulting savings is estimated at \$69.3 million.

In addition to savings from the state's health care assistance programs, the Department of Corrections would also experience a savings of \$3.6 million. Inmates of correctional facilities are not eligible for Medicaid, but Medicaid would cover services provided when inmates are hospitalized outside a correctional facility.

The \$73 million in savings would offset the \$81 million cost to the state to implement Medicaid expansion, resulting in an \$8.1 million net cost to Nebraska during FY 2015-20.

Save, create and support 47,000 jobs in Nebraska

Medicaid expansion will support 47,000 jobs during FY 2015-20. The 47,000 jobs supported would more than offset the 30,900 jobs lost due to the \$2.1 billion in enacted Medicare cuts in Nebraska. Those jobs would also shore up the 13,500 jobs projected to be lost due to an additional \$957 million in Medicare cuts under consideration. The resulting net impact would be a net increase of 2,600 jobs in the state.

By not expanding Medicaid, at least 31,000 jobs are projected to be lost in the state by 2024.

Nebraska businesses would avoid up to \$16M annually in Affordable Care Act penalties

Nebraska businesses will avoid \$11-16 million per year in Affordable Care Act fines if Medicaid is expanded, according to a calculation by Jackson Hewitt Tax Service. According to the report, businesses could face ACA fines of \$1.03 billion to \$1.55 billion each year in the 25 states that have not yet expanded Medicaid.

Employers will not face penalties for low-income employees that qualify for Medicaid, which provides a protection for all businesses. According to the report, "Any projections of the 'net' costs of Medicaid expansions should also reflect the very real costs of the shared responsibility tax penalties to employers in states that do not expand Medicaid."

Help businesses realize \$374.4M in revenue by averting medical-related bankruptcies

In 2013, Nebraska experienced more than 4,800 bankruptcies of which an estimated 2,800 had a significant medical debt component. Of those 4,800 filings, more than 380 would have been avoided for every 10 percent increase in Medicaid coverage. Averting bankruptcies over the next 10 years would prevent an estimated \$374.4 million in business losses.

In addition to direct business losses, bankruptcies negatively impact consumer spending. According to the report, expanding Medicaid would increase discretionary spending by an estimated \$21.4 million due to averted bankruptcy in the first year alone, steadily increasing to \$53.5M in the tenth year. The total tax benefit to Nebraska will result in a gain of \$1.2 million in the first year and \$3.0 million in the tenth year.

Increased productivity for low-income workers

For low-income workers, a lack of access to health care leads to absenteeism, reduced productivity and vulnerability to employment termination. “Presenteeism,” described as a worker who is at work but cannot perform adequately because of illness or injury, costs employers two to three times more than direct medical care. Medicaid expansion would reduce time not on task (in the workplace, but not working); improve quality of work (reduced injury rates, product waste, product defects); increased quantity of work; decrease unresolved unsatisfactory employee interpersonal factors (personality disorders); and reduce unsatisfactory work culture.

Increase low-income worker wages by \$407M, create 676 jobs and increase income tax revenue

The direct economic impact of improving the health of low-income working Nebraskans, those who are most likely to spend their earnings locally, would create an additional \$7.4 million in discretionary spending during the first year of Medicaid expansion and an estimated \$407 million over 10 years.

An additional \$7.4 million in annual discretionary spending is estimated to occur due to better worker health and more days on the job, resulting in a tax gain of \$417,000 in the first year alone. The increase in economic activity would create spending levels to support an additional 676 full-time jobs by year 10.

In Summary

Medicaid expansion would support the local economy, protect local creditors by reducing medical-related bankruptcy, increase tax revenue without increasing tax rates, decrease state expenditures, reduce insurance premium subsidization of the uninsured to lower business costs, help businesses by improving worker health and productivity and increase disposable income for low-wage workers.

It would also support Nebraska’s hospital infrastructure, which contributes more than \$8.7 billion annually to the state’s economy with hospitals being the economic anchor and largest employer in many rural communities.

Over the next 10 years, Nebraska can, conservatively, avoid \$1 billion in unnecessary state spending AND draw in more than \$2 billion in federal Medicaid funding during the next five years if lawmakers approve The Medicaid Redesign Act, LB472. The resulting economic activity, estimated at \$5 billion, would generate enough state revenue to offset the costs of expanding Medicaid. Nebraska taxpayers would be wise to not to leave more than \$6 billion on the table.

Source: Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Productivity prepared by Allan Jenkins, Ph.D., Professor of Economics, University of Nebraska at Kearney and Ron Konecny, Ph.D., Professor of Management, University of Nebraska at Kearney