

Medicaid Expansion Can Help – Not Break – Alabama’s State Budget

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Since implementation in 2014, 40 states have expanded Medicaid coverage to close the health insurance coverage gap. Ten states, including

Alabama, have not adopted the expansion. With experience from 40 states and

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up to 10 years of data, numerous studies have been published regarding Medicaid expansion and its impacts. Across the board, these studies have found positive effects in both health outcomes **and** economic benefits. Importantly, this research has found that, in many states, the net cost of expansion in state budgets is less than the direct cost for such expansion.

Other states have found Medicaid expansion helps to offset other costs for healthcare services that states were already providing. There are three common areas where expanding Medicaid reduces state expenditures: mental health and substance abuse treatment, corrections, and uncompensated care. In Arkansas, these cost-savings helped to offset 30% of its expansion costs.

In addition to these cost-savings, Medicaid expansion states have also seen increases in revenue. Expansion

can boost revenue in three ways: expansion or provider taxes, economic boosts, and beneficiary premiums. Estimates from three states (Louisiana, Michigan, and Montana) shows the economic boosts from expansion generated new tax revenues of between 30% and 37% of the state’s expansion costs.

Overall, Medicaid expansion spending has not overburdened state budgets. In fact, not one of the 40 states that made this choice has changed course to undo programs for any reason – including higher than anticipated costs. In light of this data, Alabama should consider joining the other 40 states to close the coverage gap. Closing the coverage gap can help many of the roughly 200,000 Alabama citizens currently without access to affordable health insurance with the potential to be cost neutral for the state’s budget. ●