



Medicaid Expansion in Florida Will Generate Approximately \$ 7 Billion for the Economy

What is Medicaid Expansion? Under the Affordable Care Act (ACA), Medicaid was expanded to provide health insurance coverage to low-income uninsured adults with incomes up to 138% of the federal poverty limit (\$17,609 a year for an individual). The Supreme Court ruled that each state should decide whether or not to expand Medicaid.¹

Medicaid expansion is largely funded by the federal government. When a state expands Medicaid, the federal government pays 90% of the cost in covering individuals who become newly insured; the state pays 10%. In comparison, Florida pays 40% of the costs of the current Medicaid program, while the federal government pays 60%.²

Florida has yet to expand Medicaid. Florida is one of just 12 states refusing to expand Medicaid to cover low-income uninsured adults. If/when Florida joins the 38 expansion states, over 1.5 million uninsured Floridians would be eligible for coverage.³

Medicaid expansion will bring significant new funds to Florida. Nearly \$5.1 billion in federal funds would be paid to Florida's Medicaid program with expansion. This number is derived by multiplying the annual per person cost of Medicaid coverage (\$5,166.68 /year⁴) *times* the federal funding rate (90%) *times* the number of newly eligible expected to enroll (72% of those eligible⁵, or 1,092,960 new enrollees). This sum, \$5.082 billion represents the new federal dollars that would be paid to Florida Medicaid managed care companies to cover new enrollees.

The medical loss ratio (MLR) rule requires that 85% of these coverage dollars be spent on the provision of health care, as opposed to administrative costs.⁶ Florida health providers would thus receive approximately **\$4.3 billion annually** in new federal dollars.

The new federal dollars will boost the state economy. Leading economists estimate that every dollar of federal funding brought into the state economy generates approximately \$1.70 in economic activity.⁷ Thus, Florida's economy could see over \$7 billion in increased economic activity flowing from new federal coverage dollars in just the first year of Medicaid expansion.

Potential impact of additional economic activity. This significant new revenue will help offset expected budget shortfalls⁸ and could increase jobs.⁹

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¹ National Federation of Independent Business v. Sebelius (2012) (Ginsburg, J., dissenting)

² <https://www.kff.org/wp-content/uploads/2013/05/8072-02-financing-medicaid-coverage-under-health-reform.pdf> at 3 (chart showing federal match rate for expansion population decreasing to no less than 90% in 2020 and thereafter); chart showing Florida's individual state match in 2021 <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier>.

³ Rachel Garfield, Robin Rudowitz, and Anthony Damico, "[How Many Uninsured Adults Could Be Reached If All States Expanded Medicaid?](#)," Report (Washington, D.C.: Kaiser Family Foundation, June 25, 2020).

⁴ Capitated rate for FY 2021-22, Florida Office of Economic and Demographic Research, "[EDR Final Handouts from the Principals' Workshop Held August 6, 2019: Estimated Costs Associated with Newly Eligible](#)" (Florida Legislature, August 2, 2019).

⁵ Michael Simpson, "[The Implications of Medicaid Expansion in the Remaining States: 2020 Update](#)," Brief (Washington, D.C.: Urban Institute, June 9, 2020)

⁶ See, 42 C.F.R § 438.4 (b)(9), 42 C.F.R §438.8.

⁷ Chodorow-Reich, G. "[Geographic Cross-Sectional Fiscal Spending Multipliers: What Have We Learned?](#)" American Economic Journal: Economic Policy. Vol. 11, No. 2, May 2019 (pp. 1–34).

⁸ Expected Covid-related revenue reductions of \$3.4 billion and \$ 2 billion in FY 2020-21 and 2021-22. See [Florida Policy Institute's CEO Sadaf Knight's Testimony to Joint Legislative Budget Commission](#). (September 2020).

⁹ There is evidence that expanding Medicaid increases local jobs, particularly during a recession. See, e.g Buchmueller TC, Cliff BQ, Levy H. [The Benefits of Medicaid Expansion](#). JAMA Health Forum, citing to study of Medicaid spending during the 2009 Great Recession showing that for every \$100 000 of additional federal Medicaid spending, 2 workers gained a year of employment. See also, Dorn et al., "[Medicaid Expansion in Oklahoma: Creating Jobs, Helping the State Budget, and Protecting Families](#)" estimating creation of 26,000 new jobs with expansion in Oklahoma, a state, which has less than 20% of Florida's population, 18.5%. (Families USA, June 2020).