



FLORIDA HEALTH
JUSTICE PROJECT

Medicaid Expansion as Economic Stimulus: Impact on Florida's Economy

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Introduction

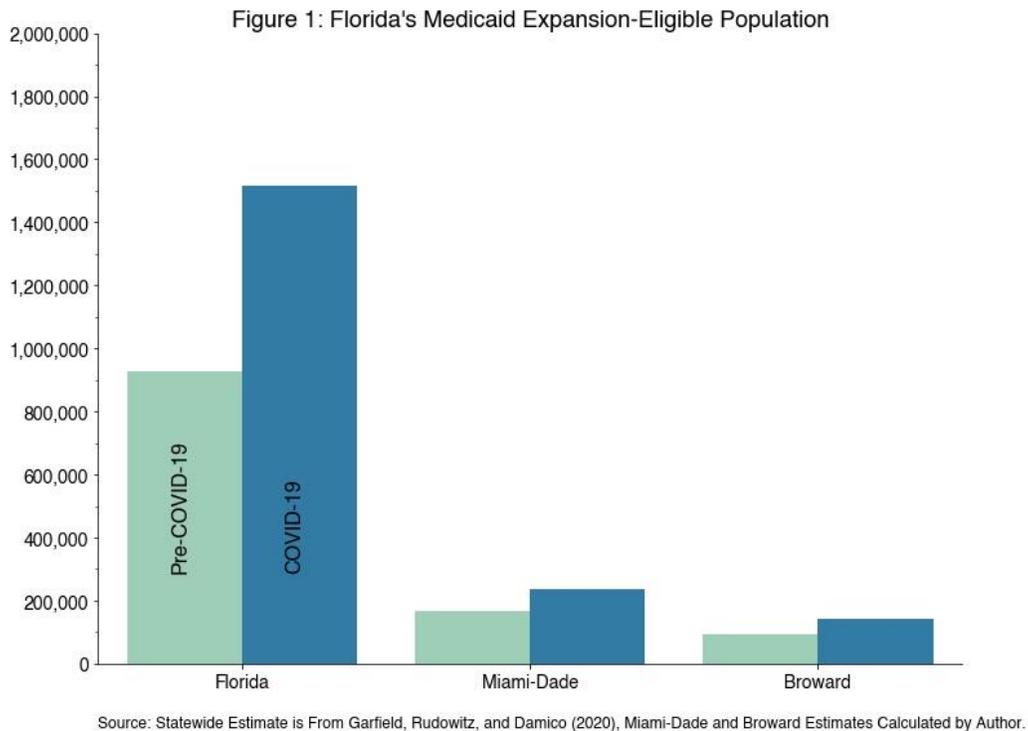
By foregoing Medicaid expansion under the Affordable Care Act, Florida has turned away billions of dollars in federal spending and prevented hundreds of thousands of low-income adults from accessing health insurance through the Medicaid program. COVID-19 has made the situation worse, as the accompanying recession has cost millions of Floridians their jobs, and for many, their health insurance.¹ If the state reversed course and expanded Medicaid, it would not only extend health insurance to low-income adults, it would also bring in billions in new federal dollars that could help stimulate local economies throughout the state, particularly in South Florida. This brief examines the potential economic benefits that would result if Florida adopted Medicaid expansion as 38 other states have now done. We estimate that it could generate as much as \$7.3 billion in economic activity in one year statewide. Miami-Dade and Broward Counties could experience up to 1.7 billion in new activity.

New federal dollars also further lead to growth, as the consumer dollars that are freed up via healthcare coverage, and the additional dollars put in the hands of healthcare providers and their staff would ripple out through the economy. Because one-fourth of the state's Medicaid expansion-eligible population reside in Miami-Dade and Broward Counties, South Florida's economy would disproportionately benefit from expansion. Floridians would enjoy these benefits without paying higher taxes or experiencing cuts to other programs because the new federal dollars would offset state spending on other programs.²

Medicaid Expansion Population

The recession has increased the size of Florida's uninsured, low-income population who would be newly eligible for Medicaid, after expansion, by an estimated 64%. Combining Census data with unemployment insurance claims to model the size of the expansion-eligible population in the remaining non-expansion states, analysts at the Kaiser Family Foundation estimated that 926,000 uninsured low-income Florida adults would have newly qualified for expansion before the pandemic. That number increased to 1,518,000 after the onset of the pandemic.³ Based on the distribution of adults aged 19-64 with

family incomes less than 138% of the federal poverty level in the most recent American Community Survey, we estimate that one fourth of the Medicaid expansion-eligible population resides in Miami-Dade (15.6%) and Broward Counties (9.3%).⁴ Figure 1 below plots the pre-pandemic and pandemic-level expansion-eligible populations in Florida and in its two most populated counties.



Medicaid Expansion Increases Economic Productivity

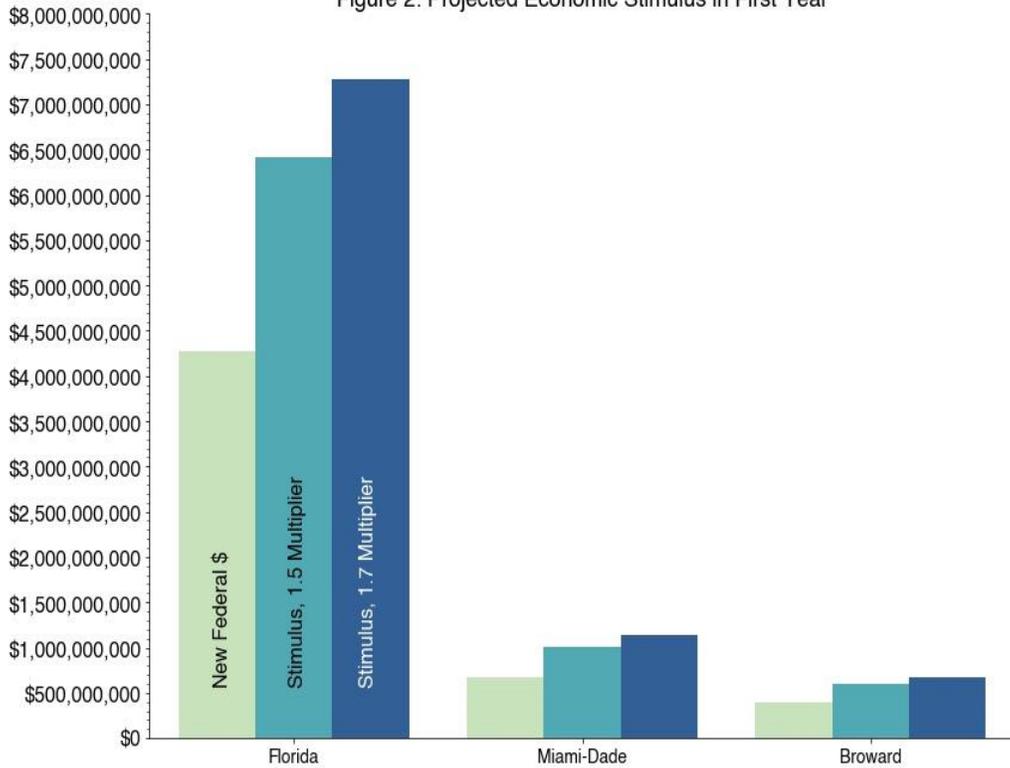
Based on program costs data, Florida could expect to receive \$4.29 billion in new federal dollars to cover the costs of new enrollees. An Urban Institute analysis of participation rates among Medicaid expansion states between 2014 and 2019 reveals that about 72% of newly eligible beneficiaries enroll in the program in the first year.⁵ Applying the same “take-up” rate to Florida, we anticipate that 1,092,960 new beneficiaries would enroll in year one. Economists at Florida’s Office for Economic and Demographic Research project that each enrollee would cost \$5,116.68 for FY 2021-2022.⁶ Accounting for the Medical Loss Ratio rule,⁷ and the fact that the federal government funds 90% of the costs for new

enrollees, we estimate that expansion would bring in \$4.29 billion in new federal spending.⁸

Expanding Medicaid would stimulate the state's economy above and beyond the infusion of new federal healthcare dollars. As economist Michael Chernew notes: "Those dollars do not sit idle. They largely support provision of care, and the largest share of that expense is labor. The workers in organizations supported by Medicaid spend the funds on everyday expenses. They eat at restaurants, buy groceries, and go to movies. The businesses who supply those services, many of whom will be in-state entrepreneurs, in turn spend the money on wages and supplies, and the cycle continues."⁹ This is an example of what economists call a fiscal multiplier effect.¹⁰

Depending on the multiplier's magnitude, the additional federal dollars could stimulate Florida's economy up to \$7.27 billion. Evidence from macroeconomic studies shows that federal fiscal multipliers range between 1.5 and 1.7.¹¹ In other words, each federal dollar put into the economy generates \$1.50 to \$1.70 in economic productivity. If we treat the range as upper and lower bounds of what is possible, new federal dollars could stimulate the state's economy by an amount between \$6.4 and \$7.27 billion within twelve months after expansion (See Figure 2).

Figure 2: Projected Economic Stimulus in First Year



Source: Author's Estimates

South Florida's Economic Benefits from Expansion

Due to their demographics, one-quarter of the state's projected economic benefits would flow to Miami-Dade and Broward Counties. As previously mentioned, one-fourth of Florida adults (19-64 years old) with incomes less than 138% of the federal poverty level reside there.¹² As of 2018, 15.6% of all Medicaid beneficiaries lived in Miami-Dade, while 9.3% resided in Broward.

Based on 2018 data, we estimate that Miami-Dade and Broward have 170,713 and 102,021 adults, respectively, who would be newly eligible for Medicaid via expansion. Assuming a 72% "take-up" rate, as described above, Miami-Dade's healthcare providers would receive \$668 million in new federal dollars, while Broward's would receive \$399 million. These federal dollars would, in turn, generate \$1-1.1 billion in new economic activity in Miami-Dade and \$599 to \$679 million's worth in Broward, depending on the fiscal multiplier.

Expansion Will SAVE Florida Taxpayers Money Expended on State-Funded Programs

A fear of expanding state fiscal burdens is commonly used to argue against Medicaid expansion. *Economists have shown that not only is this argument wrong, but the opposite is true. Expansion saves taxpayers money.* States that have expanded Medicaid under the Affordable Care Act have used the new federal dollars to offset spending on other priorities, resulting in net savings despite having to cover small portions of the costs for new enrollees.¹³

Studies of how expansion would affect Florida's finances predict similar outcomes. A 2019 Leavitt Partners study anticipates that Florida would save up to \$901.2 million over five years.¹⁴ Florida Policy Institute projected that Florida would save \$199 million in the 2022-2023 fiscal year alone.¹⁵

Medicaid Expansion: Overall Estimated Economic Impact

We predict that a windfall of new federal spending could generate almost \$7.3 billion in economic activity across the state just one year into the program's expansion. South Florida would disproportionately reap the economic benefits, given the region's demographics. In light of COVID-19, there has never been a more urgent need to expand Medicaid to all of Florida's low-income adults. With the dramatic job losses and the rise in the uninsured, 1,518,000 would be eligible for coverage. These data make it abundantly clear that Medicaid expansion is not only a smart public health policy but also a smart economic one.

¹ The fluidity of the pandemic's impact on the economy and the government's definition of "unemployed" for the purposes of its official unemployment statistics have made it

difficult to accurately gauge the true number of unemployed workers across the United States. Unemployment insurance data show that as many as 2.1 million Floridians were receiving unemployment insurance as of May 16, while the state’s official records data that over 1.1 million remain unemployed through July. See: Employment & Training Administration (ETA), “State (Florida) Weekly Claims for Unemployment Insurance Data Not Seasonally Adjusted, 2020” (U.S. Department of Labor), accessed August 30, 2020, <https://oui.doleta.gov/unemploy/claims.asp>; Florida Department of Economic Opportunity, “State of Florida Local Area Unemployment Statistics: Monthly Data Tables Per Year” (Florida Department of Economic Opportunity), accessed August 30, 2020, <https://floridajobs.org/workforce-statistics/data-center/statistical-programs/local-area-unemployment-statistics>. For an explanation of why it is difficult to measure unemployment during the pandemic, see Lucas Moyon and Laura Dawson Ulrich, “Interpreting Unemployment Data in the Time of COVID-19,” *Regional Matters* (blog), August 7, 2020, https://www.richmondfed.org/research/regional_economy/regional_matters/2020/rm_08_07_2020_unemployment_data.

² Jonathan Gruber and Benjamin Sommers, “Fiscal Federalism and the Budget Impacts of the Affordable Care Act’s Medicaid Expansion” (Cambridge, MA: National Bureau of Economic Research, March 2020), <https://doi.org/10.3386/w26862>.

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), <https://www.kff.org/uninsured/issue-brief/how-many-uninsured-adults-could-be-reached-if-all-states-expanded-medicaid/>.

⁴ Steven Ruggles et al., “IPUMS USA: Version 10.0” (Minneapolis, MN: IPUMS, 2020), <https://doi.org/10.18128/D010.V10.0>.

We aggregated income by family and compared it to the Department of Health and Human Services (HHS) poverty guidelines to calculate their income-to-poverty ratio. Since the definition of family for health insurance purposes differs from the Census Bureau’s definition, we reconstructed families to more accurately estimate income for Medicaid eligibility using guidance from the State Health Access Data Assistance Center (SHADAC). See State Health Access Data Assistance Center, “Using SHADAC Health Insurance Unit (HIU) and Federal Poverty Guideline (FPG) Microdata Variables” (State Health Access Data Assistance Center, November 12, 2013), <https://www.shadac.org/publications/using-shadac-health-insurance-unit-hiu-and-federal-poverty-guideline-fpg-microdata>.

⁵ Michael Simpson, “The Implications of Medicaid Expansion in the Remaining States: 2020 Update,” Brief (Washington, D.C.: Urban Institute, June 9, 2020), <https://www.urban.org/research/publication/implications-medicaid-expansion-remaining-states-2020-update>.

⁶ 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), <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjx28PS7qDrAhVwoFkKHSUtDFEQFjAAegQIARAB&url=http%3A%2F%2Fdr.state.fl.us%2FContent%2Fconstitutional-amendments%2F2020Ballot%2FMedicaidSummaryTables20190802.pdf&usg=AOvVaw2OqZkCOg5FBkX7DYJyqC01>.

⁷ Medicaid managed care organizations are required to spend 85% of Medicaid revenues on medical care. See Centers for Medicare & Medicaid Services, “Medicaid and Children’s Health Insurance Program (CHIP) Programs; Medicaid Managed Care, CHIP Delivered in Managed Care, and Revisions Related to Third Party Liability,” 42 CFR 431, 433, 438, 440, 457 and 495 § (2016), <https://www.federalregister.gov/documents/2016/05/06/2016-09581/medicaid-and-childrens-health-insurance-program-chip-programs-medicaid-managed-care-chip-delivered>; Bob Herman and Virgil Dickson, “85% Medical-Loss Ratio in Final Managed Medicaid Rule,” *Modern Healthcare*, April 25, 2016, <https://www.modernhealthcare.com/article/20160425/NEWS/160429951/85-medical-loss-ratio-in-final-managed-medicaid-rule>.

⁸ $1,092,960 \text{ enrollees} * \$5116.68 * .85 * .9 = \$4.29 \text{ billion}$.

⁹ Chernew, Michael E. “Economics of Medicaid Expansion.” Magazine. Health Affairs Blog (blog), March 21, 2016. <https://www.healthaffairs.org/doi/10.1377/hblog20160321.054035/full/>.

¹⁰ For a thorough, yet accessible explanation of fiscal multiplier effects, see Smith, Christine. “Meet the Multiplier Effect | St. Louis Fed.” Open Vault Blog (blog), February 12, 2020. <https://www.stlouisfed.org/open-vault/2020/february/meet-multiplier-effect>.

¹¹ In an exhaustive meta-analysis of research examining the economic impact of federal spending, Chodorow-Reich finds that multipliers tend to equal 1.7 on a national scale. State economies can be quite diverse, and evidence suggests that the stimulative effects can vary regionally and be as low as 1.5. See Chodorow-Reich, Gabriel. “Geographic Cross-Sectional Fiscal Spending Multipliers: What Have We Learned?” *American Economic Journal: Economic Policy* 11, no. 2 (May 2019): 1–34. <https://doi.org/10.1257/pol.20160465>; Nakamura, Emi, and Jón Steinsson. “Fiscal Stimulus in a Monetary Union: Evidence from US Regions.” *American Economic Review* 104, no. 3 (March 2014): 753–92. <https://doi.org/10.1257/aer.104.3.753>.

¹² Ruggles et al., (2020)

¹³ Gruber and Sommers, (2020).

¹⁴ Leavitt Partners, “Florida Medicaid Expansion: Enrollment & Budget Forecasts,” Report (Salt Lake City, UT: Leavitt Partners, September 2019), https://leavittpartners.com/?post_type=whitepaper&p=18764&preview=true.

¹⁵ Florida Policy Institute. “Potential Budget Savings and Revenue Gains From Medicaid Expansion in Florida.” Orlando, FL: Florida Policy Institute, June 2019. https://uploads-ssl.webflow.com/5cd5801dfdf7e5927800fb7f/5d63fe75e29367e53dfbe8fa_RT_Medicaid_Expansion_Savings_NEW.pdf.