

# RETHINKING MEDICAID EXPANSION IN THE TRUMP ERA

*what does **REMI** say? <sup>sm</sup>*

**Presented by John Bennett, Senior Economic Associate**

# Agenda



- Political and economic context
- Overview of REMI modeling
- Model simulations
  - ▣ Healthcare contributions to macroeconomy
  - ▣ Focus on Oklahoma
- Q&A

# Brief History



- ❑ 11M of 20M new insured under ACA get insurance via Medicaid expansion
- ❑ Increased eligibility to 138% of FPL
- ❑ States have to opt-in to Medicaid expansion
- ❑ 32/50 states (plus DC) accepted funds
- ❑ GOP control of White House & Congress – promise to repeal ACA, including the Medicaid expansion
- ❑ Path forward is unclear

# Where are we now?



- ❑ **March 6:** House GOP unveils AHCA
- ❑ **March 20:** AHCA is formally introduced
- ❑ **March 24:** AHCA is withdrawn
- ❑ **March 27:** Kansas legislature sends Medicaid expansion bill to Gov. Brownback's desk
- ❑ **March 30:** Gov. Brownback vetoes expansion
- ❑ **April 3:** Kansas House fails to override veto, garnering 81 of the 84 necessary votes

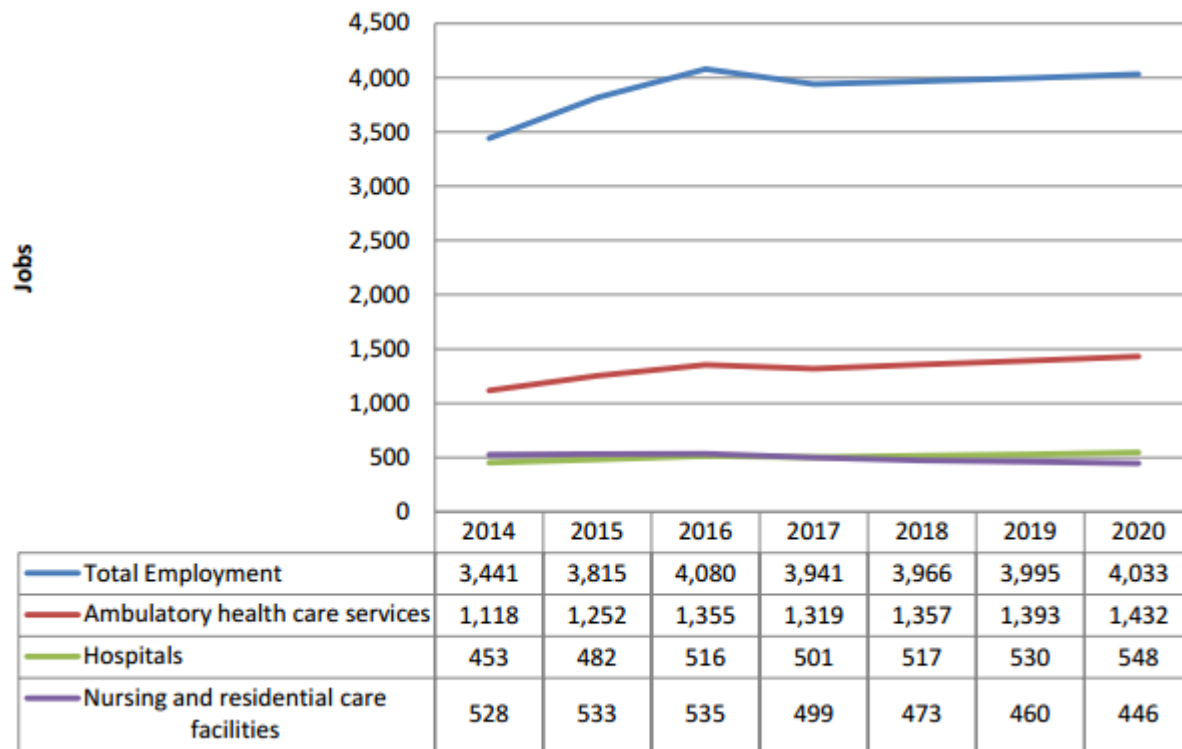
# Kansas – History & Budgetary Issues



- 2012: significant individual and business tax cuts
- Budget has been balanced, in accordance with constitutional mandate
  - Delayed pension payments
  - Transfer of highway funds to general fund
- 2012 tax cuts nearly reversed in February
- Projected to face \$900M budget deficit over next two fiscal years
- Consensus revenue estimate: collections to increase by \$156.4M over next two years



# KanCare Expansion

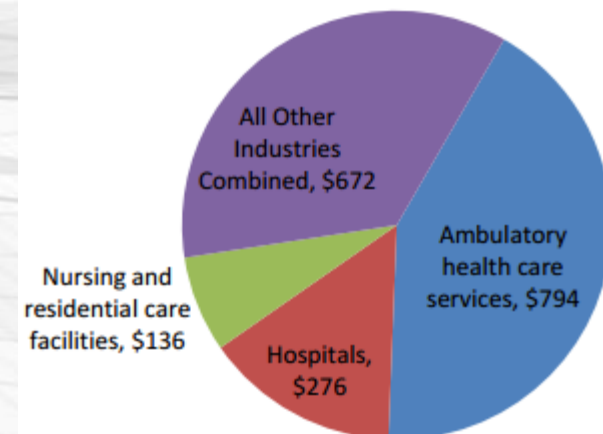


Employment effects, by sector, by year



Cumulative earnings, by healthcare sub-sector

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# The Revenue Question



**Brownback statement:** “The cost of expanding Medicaid under ObamaCare is irresponsible and unsustainable...states that have expanded have seen cost overruns of 110 percent or more than double the projection of enrollees. This bill is not budget neutral, instead placing a burden on the budget of unrestrainable costs.”

**Brownback estimate:** costs of \$1.2 billion over 10 years

**Beyond pure accounting:**

- Offsets to existing state programs
- Dynamic macroeconomic effects

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**Kansas Fiscal Impacts**

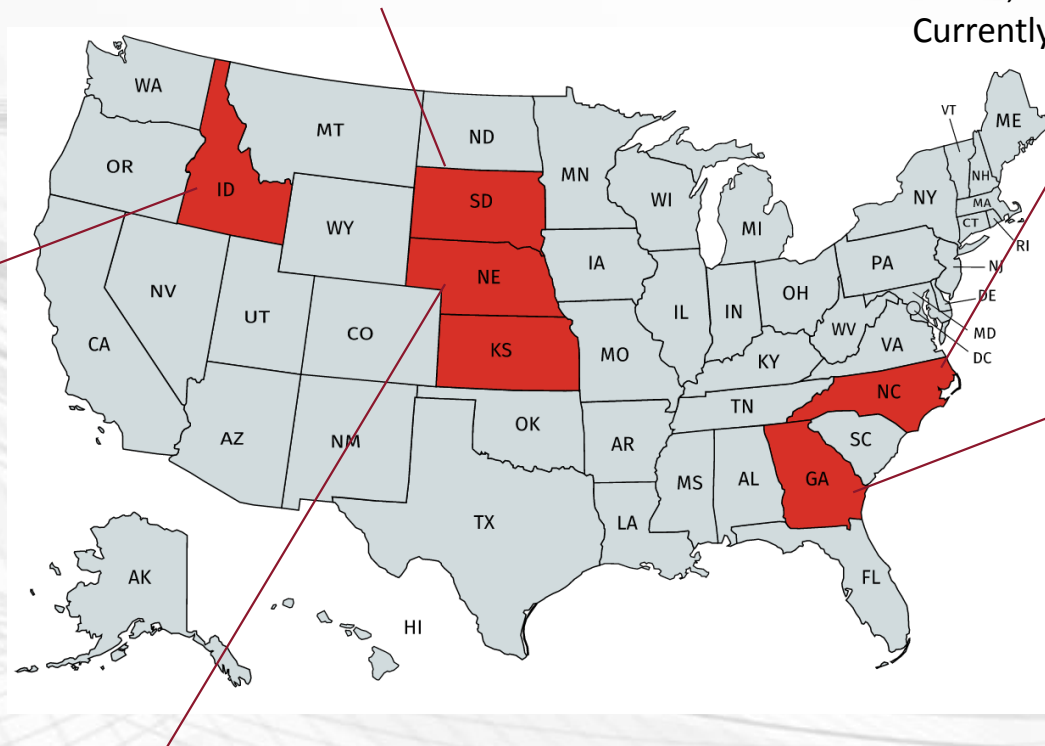
| Year         | Increased State Medicaid Costs | New State Revenues | Offsetting State Health Savings | Net State Savings |
|--------------|--------------------------------|--------------------|---------------------------------|-------------------|
| 2014         | \$13.0                         | \$6.1              | \$18.3                          | \$11.4            |
| 2015         | \$13.9                         | \$13.5             | \$30.9                          | \$30.5            |
| 2016         | \$14.8                         | \$15.9             | \$45.4                          | \$46.5            |
| 2017         | \$68.4                         | \$17.4             | \$48.8                          | (\$2.2)           |
| 2018         | \$72.9                         | \$18.5             | \$52.4                          | (\$2.0)           |
| 2019         | \$77.6                         | \$19.9             | \$56.3                          | (\$1.4)           |
| 2020         | \$82.7                         | \$21.3             | \$60.5                          | (\$0.9)           |
| <b>Total</b> | <b>\$343.2</b>                 | <b>\$112.5</b>     | <b>\$312.7</b>                  | <b>\$82.0</b>     |

# Other Expansion Possibilities



**South Dakota:** Negotiations to expand in exchange for enhanced tribal coverage was suspended upon Trump's election

**North Carolina:** Gov. Roy Cooper attempted to expand via executive action; blocked by federal judge. Currently pursuing legislative route.



**Idaho:** Multiple state working groups have recommended expansion. Governor supports a waiver; Legislature does not.

**Georgia:** Gov. Deal announced intent to review state's Medicaid program after failure of AHCA. Likely not to move until next year, with Legislative approval.

## Others?

- Maine
- Virginia

**Nebraska:** While expansion is opposed by Gov. Ricketts, new legislation has been filed to expand. A Legislative committee neglected to approve or kill expansion bill until federal situation is resolved.

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# Repeal and Replace?



- Unclear if fundamental healthcare reform questions can be agreed upon by entire GOP
  - ▣ House Freedom Caucus: AHCA did not sufficiently repeal ACA regulations
  - ▣ Tuesday Group: concern over coverage losses and potential for individual market death spirals
- CBO: AHCA would reduce deficit by \$337 billion over 10 years, while 24 million Americans would lose insurance

# Understanding Perspective



- **National perspective:** Medicaid expansion is expensive – some might say unsustainable
  - ▣ Creates new federal entitlement program
  - ▣ High cost, creates dependency
  - ▣ Substantially increases coverage
- **State perspective:** Relatively more favorable
  - ▣ Represents a windfall of cash with a small matching rate (\$9 of federal funds for every \$1 of state funds)
  - ▣ \$9 of matching funds already paid in ACA taxes
  - ▣ The 10% state contribution still represents a significant financial outlay in absolute terms – unaffordable?

# Lingering Questions



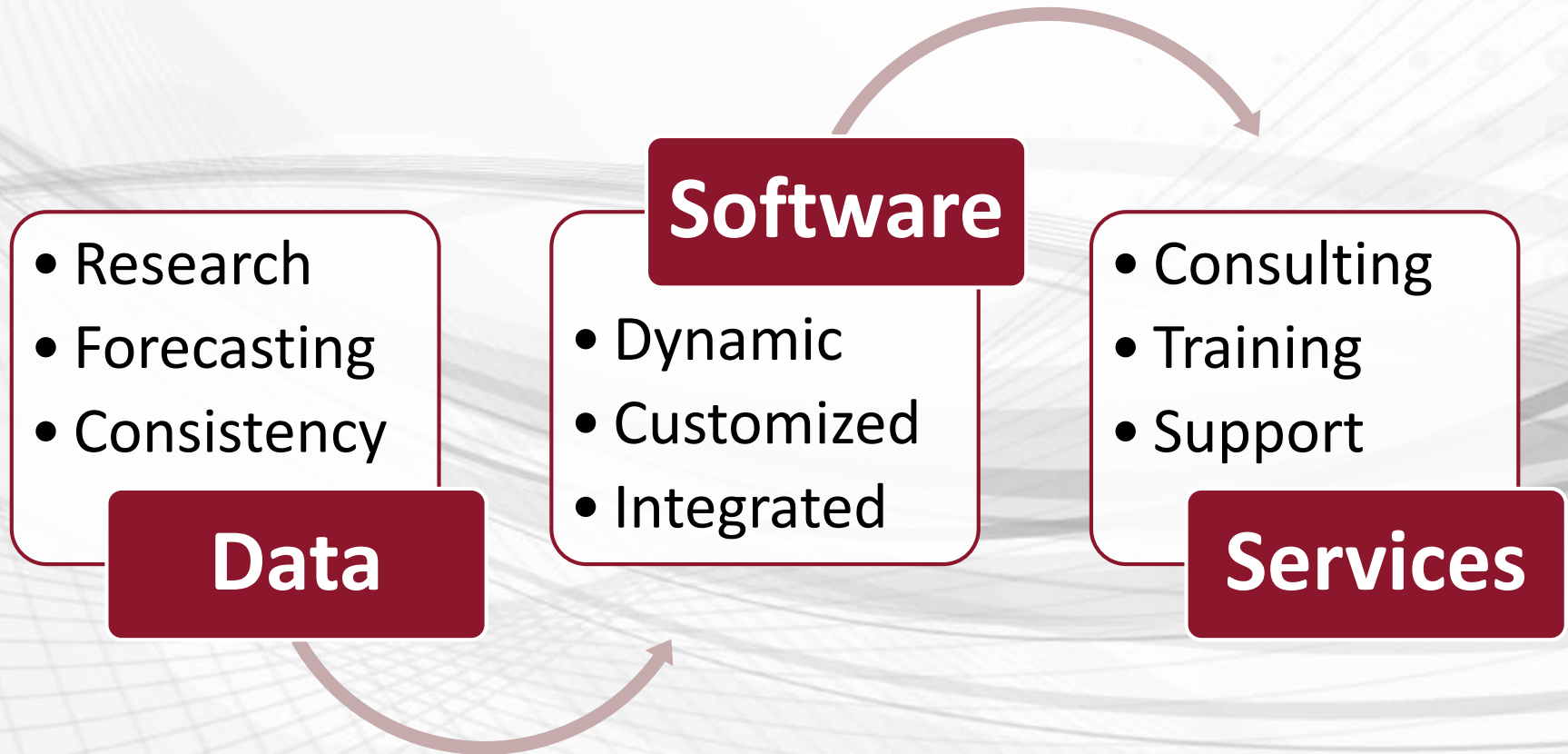
- ❑ Trump is nearing symbolic 100-day mark without any defining legislative wins
- ❑ AHCA has been undergoing changes since late March with input from far- and center-right opposition voices
- ❑ Trump has called for another AHCA vote as early as this week – unclear that this will actually happen
- ❑ Many states remain hesitant to act until there is closure on healthcare

# Oklahoma: Health Care Modernization



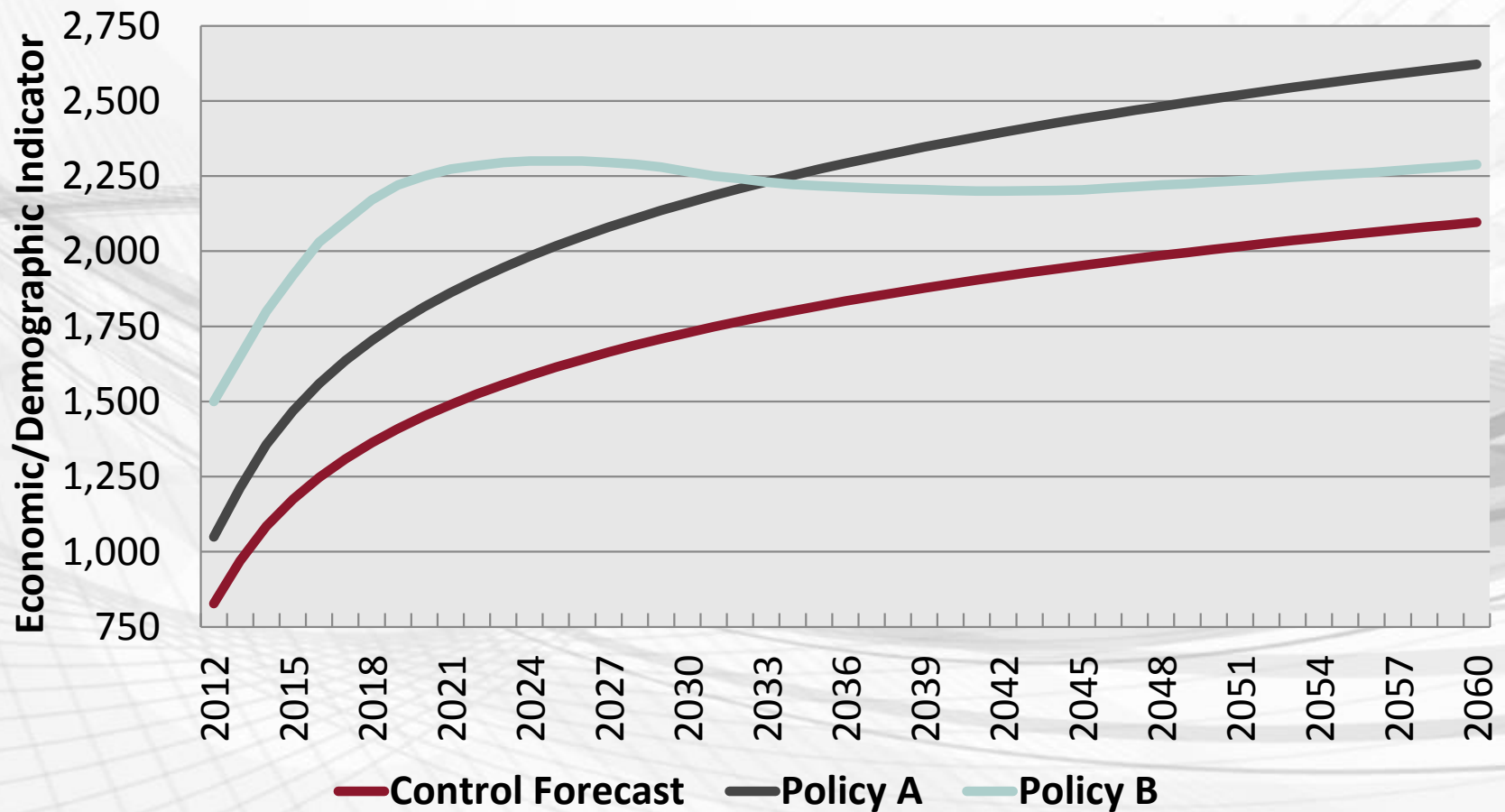
- Prior bill, “Medicaid Rebalancing,” was taken up and rejected in 2016
- Democrats have called for expansion this session; will not be taken up until federal situation is resolved
- Multiple scenarios:
  - Straight-up expansion
  - Requirement of 2% premium payments
  - Mimic Indiana plan signed by VP (then-Gov.) Pence

# About





# Framework

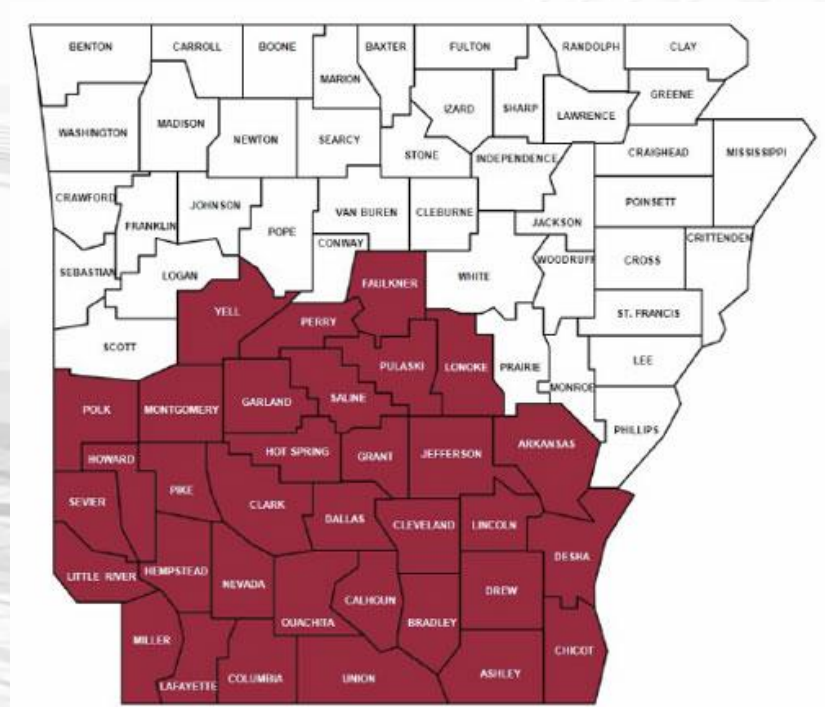


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# Regions



- How REMI defines model regions:
  - ▣ A county or...
  - ▣ A collection of counties
    - e.g. an MSA or a state
    - Can cross state borders
  - ▣ Multiple regions
    - No requirement for contiguousness
  - ▣ Customized by needs



# Methodologies



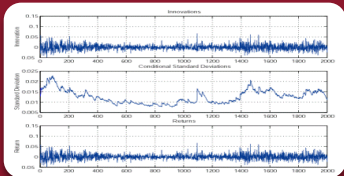
## Input-Output (IO) Tabulation

- Industry-to-industry transactions and social accounting matrices
- Supply chains, regional purchase concepts, and multipliers



## Computable General Equilibrium (CGE)

- Long-term effects after markets “clear” back to an equilibrium
- Dynamic adjustments to population, fuel mixtures, market shares, etc.



## Econometrics

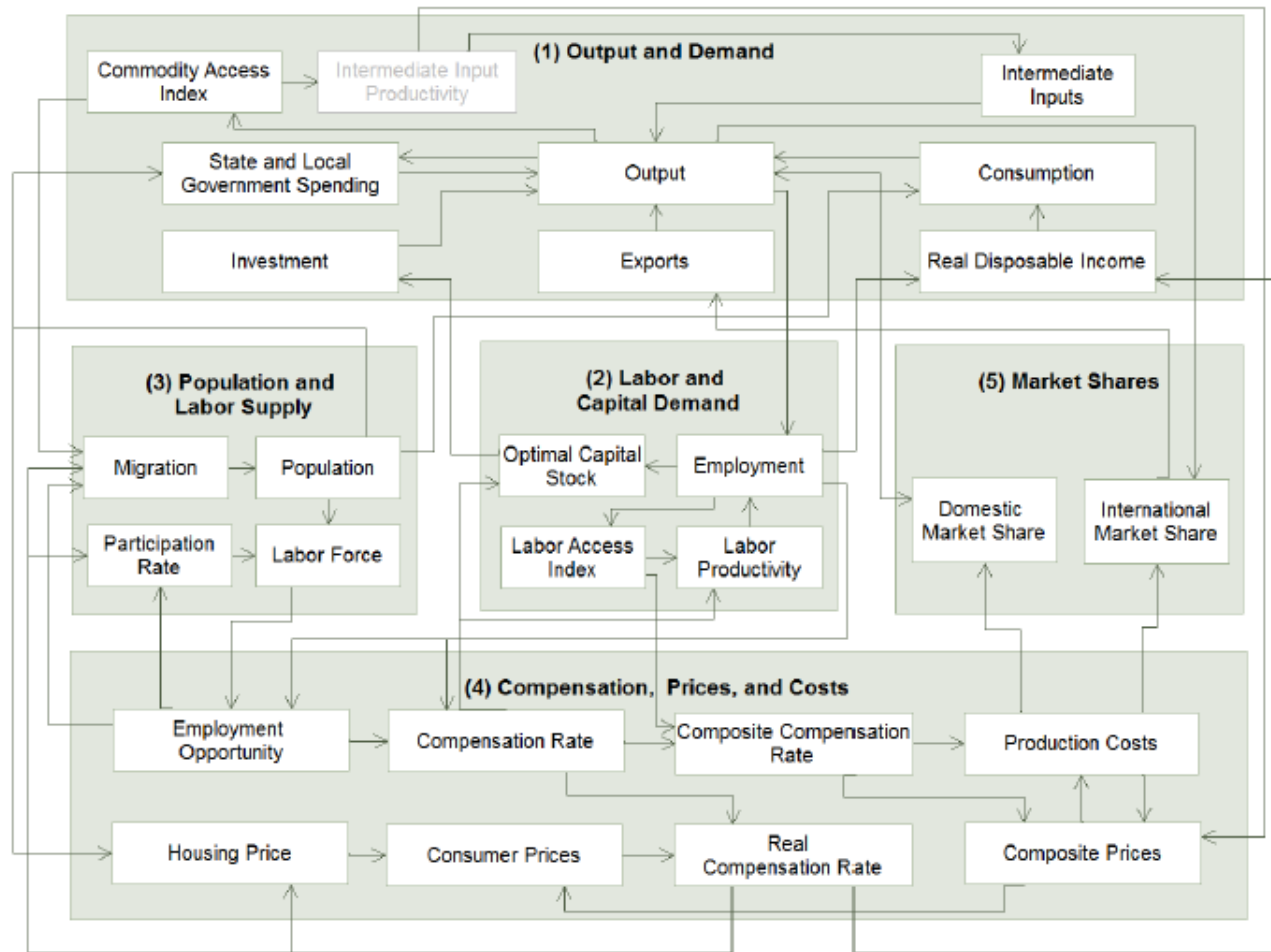
- Estimation of statistical parameters from historical data
- Strength of responses, elasticities, preferences, and “time lags”



## New Economic Geography (NEG)

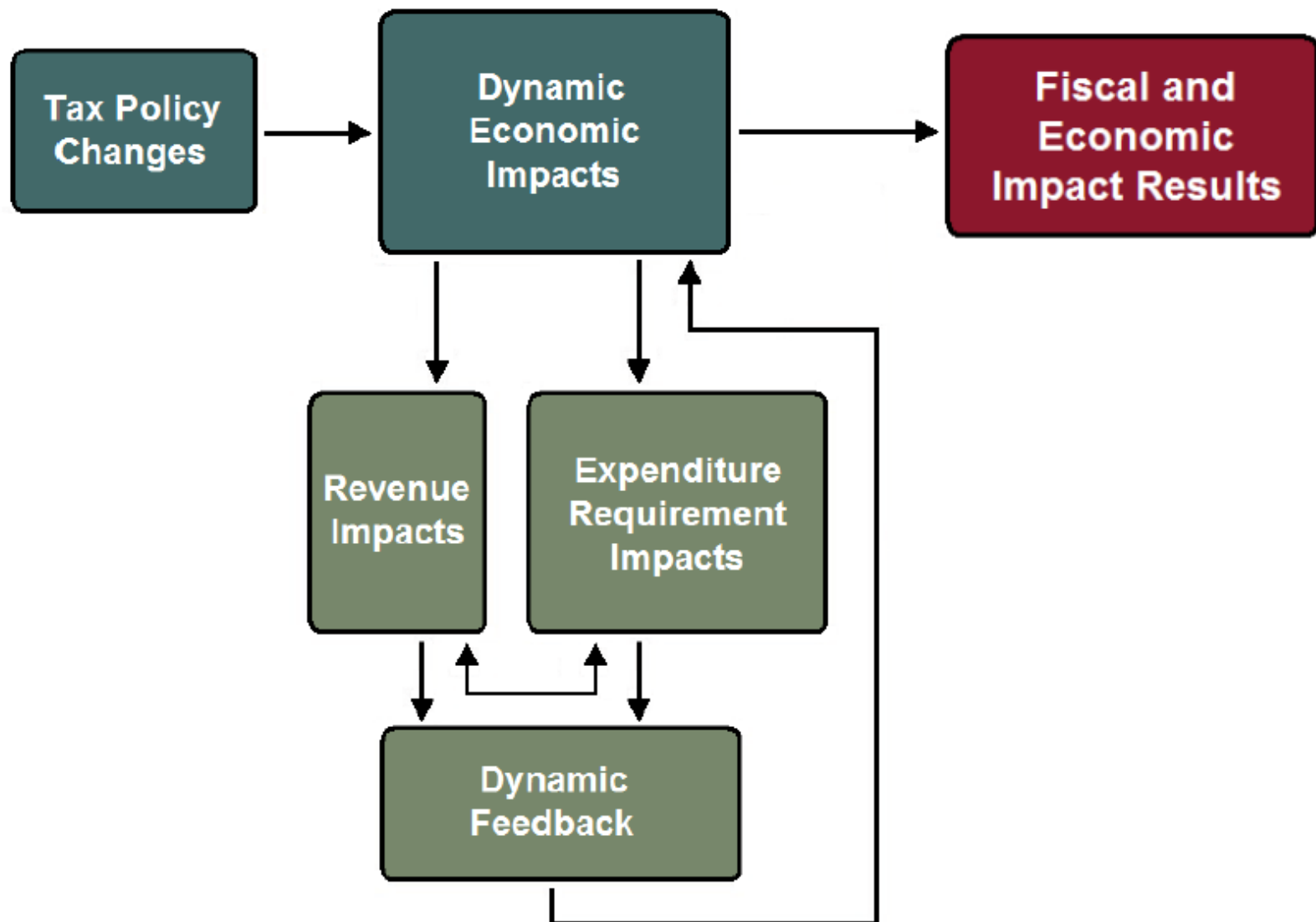
- Endogenous productivity adjustments from industry/labor clustering
- Full trade flows by industry and interregional competitiveness

# Model Structure



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# Tax-PI Model Structure Overview





# Client Types



## State and Local Governments

- Montana Department of Commerce (DOC)
- Southern California Association of Governments (SCAG)

Economic and demographic forecast for 56 counties  
Impact of the \$500 billion long-range transportation plan

## Federal Agencies

- Sandia National Laboratory (SNL)
- U.S. Army Corps of Engineers (USACE)

Integration of REMI with energy and financial models  
Environmental impact of closing Chicago River freight locks

## International

- Alberta Enterprise and Advanced Education
- Korean Energy Economics Institute (KEEI)

Supply chain implications for oil and gas developments  
Development and energy policy for the 10 provinces

## Consultants

- Booz Allen Hamilton
- Cambridge Systematics

Impacts of new technology on macroeconomic growth  
Tolling options for Interstate-95 in North Carolina

## Academic Institutions

- Florida State University (FSU)
- University of Michigan

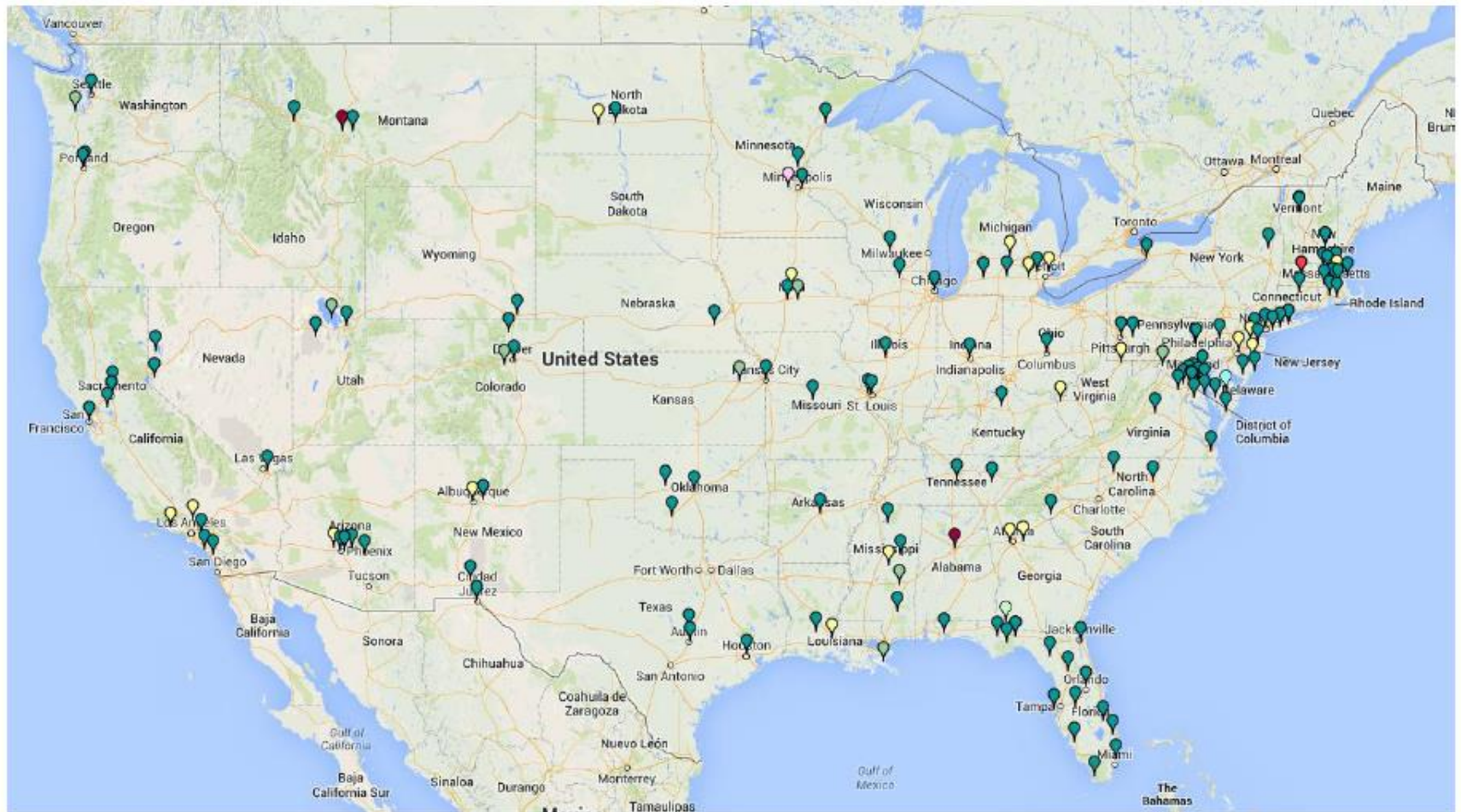
Contribution of university system to Florida's economy  
Budget planning and tax credit analysis for Lansing

## Non-Profits and Research Groups

- National Federation of Independent Business (NFIB)
- Third Way

Healthcare reform and tax credits for small businesses  
State-by-state impact of the "fiscal cliff" and sequestration

# Client Base



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# Model Demonstration

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