



Medicaid Spending Trends Do NOT Justify Opposition to Its Expansion

In June, the U.S. Supreme Court upheld the constitutionality of the Affordable Care Act (ACA) in full, affirming it as the law of the land. The court's only caveat pertained to the ACA's expansion of the Medicaid program to cover most Americans up to 138 percent of the Federal Poverty Level (\$26,344 annually for a family of three in 2012). Specifically, the court clarified that the federal government could not withhold funding from the existing Medicaid programs of states that refuse to participate in the expansion.¹

Thus, although this extension of the Medicaid safety net is the law, some state governors and others opposed to the ACA have taken to describing it as optional. Because it has become clear that Medicaid expansion would increase the state's share of Medicaid costs by a negligible amount², opponents have been forced to try to shift the focus. In defending his intent to reject the opportunity to extend coverage to more than a million uninsured, low-income Floridians for pennies on the dollar, Governor Rick Scott has insisted that the burden of the *current* Medicaid program is already too onerous. One particular claim used by the Governor is that "Medicaid [spending] has been growing three and a half times as fast as General Revenue."³

In this brief, we examine the "statistic" behind this claim and explain how it is not only devoid of context and misleading, but also so inapplicable to current conditions that updating the underlying data used to derive it would yield a conclusion *opposite* to the one advanced by the Governor and others.

The net cost to the state of extending Medicaid coverage to more than a million of the lowest-income, uninsured Floridians would be little to nothing, particularly after factoring in reductions in the cost of the delivery of "uncompensated care" in settings such as hospital emergency rooms.

1. The fact that the recession forced more than a million additional Floridians to turn to the Medicaid safety net for coverage is the only reason the Governor's statistic is even part of ACA opponents' repertoire.

Medicaid is a "counter-cyclical" program, expanding as intended during periods of economic hardship and contracting during times of relative prosperity. In particular, the Great Recession led to massive job and income losses, leaving significantly more Floridians without access to coverage and increasing the need for Medicaid, just as collections by Florida's regressive, sales tax-driven revenue system plummeted for precisely the same reason. The increase in Medicaid spending is the result of increased Medicaid enrollment, period. Indeed, Medicaid spending has grown more slowly than Medicaid enrollment in Florida since the onset of the recession.⁴ Most

importantly, the factors that simultaneously caused Medicaid spending to grow so rapidly and revenue collections to stagnate at the end of the last decade are not present in remotely the same degree today.

2. The statistic is inflated as a result of constructing the time period under review to include the lowest point in the recession, and by assigning Medicaid growth in that year the same importance as Medicaid growth this year.

State General Revenue collections bottomed out in 2008-09.⁵ In 2009-10, Florida began to slowly emerge from recession, but economic recovery nevertheless remained anemic. Laid-off workers exhausted their savings and COBRA (continuation) coverage while high unemployment persisted, driving continued increases in Medicaid enrollment. The statistic cited by the Governor not only reaches all the way back to 2009, but considers each of the past four state fiscal years of equal utility for understanding current reality as well as forecasting the future.

3. The statistic is contrived in such a way as to make any growth in Medicaid spending appear as extreme as possible.

The claim that Medicaid has been growing at three and a half times the rate of General Revenue refers to an average of year-over-year increases. In other words, for each year since 2009-10, the relationship between the percentage growth in Medicaid spending and the percentage growth in GR over the previous year was expressed as a ratio; then those ratios were averaged.

Specifically, in 2009-10, GR collections increased by only 1.4 percent over 2008-09, while total Medicaid spending increased by 12.0 percent.⁶ (Despite this lopsided comparison, no additional strain was placed on the state budget, as additional federal Medicaid stimulus funding made available from October 2008 through June 2011 more than compensated for the increased enrollment and reduced GR.) Most recently, in 2011-12, by contrast, GR collections increased by 3.7 percent over the previous year, while Medicaid spending increased by a comparable 4.9 percent.

Table 1 below shows how the statistic – the average of the past four ratios of annual rate of growth in total Medicaid spending to annual rate of growth in state GR collections – is constructed to present the post-recession reality in Florida in the most negative light possible. This unreasonably skewed method yielded a four-year average ratio of 3.3, and that statistic was used as the basis for the claim that “Medicaid is growing three and a half times faster than general revenue.” Notably, removing 2009-10 (restricting the calculation to the past three years) causes the ratio to drop to 1.6.

Table 1 - Calculating the Governor’s Medicaid Growth Statistic (2009-13)						
	2009-10	2010-11	2011-12	2012-13	Average over all 4 years	Average over last 3 years
Percent increase in total Medicaid spending over previous year (A)	12.0%	7.4%	4.9%	6.3%		
Percent increase in state GR collections over previous year (B)	1.4%	3.7%	3.7%	4.4%		
Ratio of Medicaid spending growth	8.3	2.0	1.3	1.4		

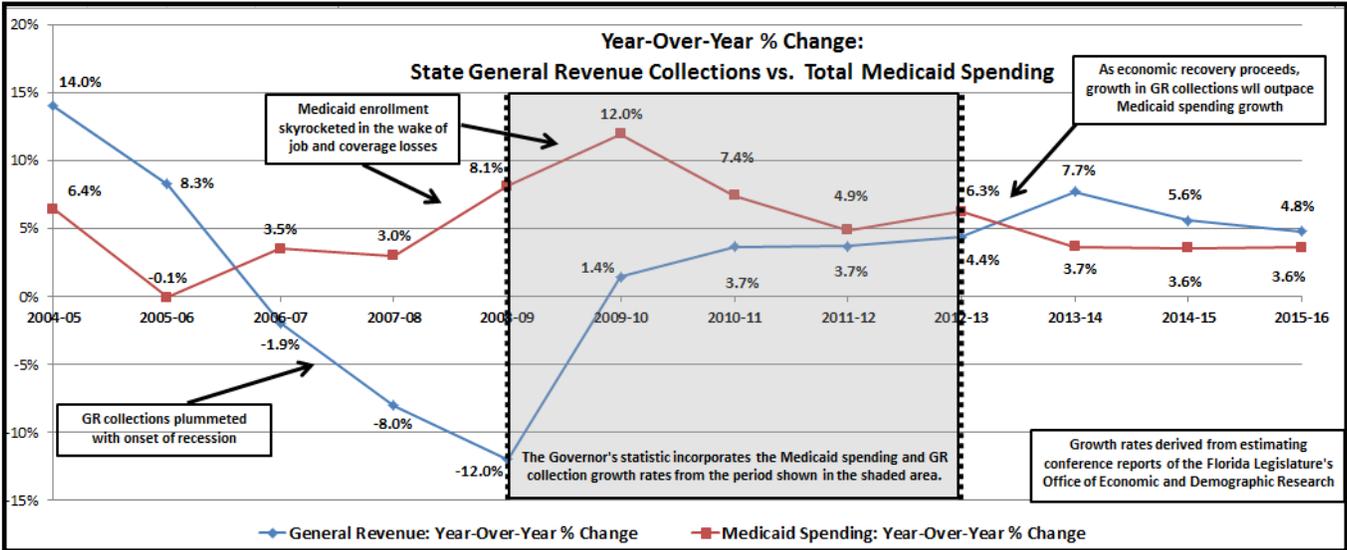
rate to GR collections growth rate ("Number of times greater") (C) = (A) ÷ (B)						
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4. Using precisely the same method as the Governor to compare state-projected growth rates for the next three years yields the *opposite* conclusion.

Even more problematic than the manner in which the statistic was used to “interpret” the events of the past few years is the implication that this has any bearing on future events. In fact, based on the projections of state forecasters, the trend lamented by opponents of Medicaid expansion will actually reverse. For the three-year period beginning 2013-14, the average annual GR collections growth rate is projected to be significantly less than (i.e., 0.6 times) the analogous number for Medicaid. See Table 2 below.

	2013-14	2014-15	2015-16	Average over next 3 years
Percent increase in total Medicaid spending over previous year	7.7%	5.6%	4.8%	
Percent increase in state GR collections over previous year	3.7%	3.6%	3.6%	
Ratio of Medicaid spending growth rate to GR collections growth rate	0.5	0.6	0.8	0.6

Put another way, using the Governor’s own method, just as Medicaid spending supposedly increased “1.6 times faster” than GR collections over the past three years, GR collections will increase “1.6 times faster” than Medicaid spending over the next three years. The figure below shows historical and forecasted data that serves as the basis for calculating the Governor’s statistic (year-over-year percentage change) over a dozen-year period.



In conclusion, the net cost to the state of extending Medicaid coverage to more than a million of the lowest-income, uninsured Floridians would be little to nothing, particularly after factoring in reductions in the cost of the delivery of “uncompensated care” in settings such as hospital emergency rooms. As a result, opponents have attempted to shift the focus from Medicaid expansion by continuing the longstanding practice of misrepresenting

the burden of the current Medicaid program on the state. In particular, decision-makers must not only recognize that the statistic described above has been defined so as to make Medicaid appear to be spiraling out of control, but also that as the opportunity to extend Medicaid arrives, just the opposite is true.

This report was researched and written by Greg Mellowe.

Endnotes

- ¹ U.S. Supreme Court, *National Federation of Independent Business, et al. v. Sebelius, Secretary of Health and Human Services, et al*, [Slip Opinion](#), June 2012
- ² See, e.g., FCFEP, [Overstated Burden: Why Florida's Claims Regarding Medicaid Expansion Are Vastly Inflated, Lacking in Merit](#), March 2012, p. 2
- ³ U.S. News, Debate Club, [Rick Scott: Medicaid Expansion Would Strain State Budgets](#), July 2012
- ⁴ See, e.g., Agency for Health Care Administration, [Florida Medicaid: Program Overview](#) (Presentation to the House Health and Human Services Committee), January 2011, slides 9 and 15
- ⁵ All general revenue collection amounts and projections used in this brief taken from Florida Legislature, Office of Economic and Demographic Research (EDR), Revenue Estimating Conference, [Long-Term Revenue Analysis](#), Fall 2011, p. 8 and [General Revenue Fund Financial Outlook Statement \(Post-Session, Corrected\)](#), August 2012, pp. 1-2
- ⁶ All Medicaid spending amounts and projections used in this brief taken from EDR, Social Services Estimating Conference, [Long-Term Medicaid Services and Expenditures Forecast](#), January 2012, p. 2