

## The Other Beneficiaries: Florida *Employers* Stand to Benefit Immensely, Disproportionately from Medicaid Expansion

### **Summary:**

The federal Affordable Care Act (ACA) increases the income limit for Medicaid for most adults<sup>1</sup> to 138 percent of the federal poverty level (\$26,344 for a family of three in 2012) starting in 2014. As a result of the U.S. Supreme Court's June decision, however, this "Medicaid expansion" is now effectively an option that states may either accept or reject. Florida's Governor and other ACA opponents have expressed a desire to forego the opportunity to expand Medicaid, ostensibly out of concern for the perceived burden on the state budget and, by extension, on Florida businesses. In reality, however, Florida's participation in Medicaid expansion would provide a significant and disproportionate benefit to employers in Florida's service industry-dominated economy. In particular, under Medicaid expansion in Florida (using 2011 data as a frame of reference):

- A typical single parent working at a job in 6 of 22 broad occupational categories would qualify for Medicaid coverage under expansion, even if (s)he worked 40 hours per week. Among them are two of the three occupational categories with the most Florida workers, namely sales and related occupations (in particular, retail) and food preparation- and serving-related occupations.
- Similarly, a typical single parent working full-time in a job in any of 125 specific Florida occupations would qualify for Medicaid under expansion. Among them are 6 of the state's largest 10 occupations, each of which is service industry-related and accounts for more 100,000 Florida jobs.
- Of the uninsured Floridians who would be newly income-eligible for Medicaid under expansion, an estimated 483,000 were employed as of 2011. A far smaller group of approximately 140,000 of newly income-eligible workers already had coverage through their employer.
- The health coverage provided to Florida workers through Medicaid expansion would be a fully subsidized employee benefit, valued at an estimated \$14.3 billion for primarily service industry-related employers over

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10 years. The state’s contribution over that period would be an estimated 4.6 percent of the total, or \$67 million per year. Such an investment would constitute a small fraction of one percent of available state general revenue and a modest addition to Florida’s economic development budget, yet would reap major dividends for thousands of employers and their low-wage workers.

**Background:**

The aim of the Affordable Care Act (ACA) is to ensure that Americans can get and keep affordable, quality health coverage throughout their lives. For poor and near-poor Americans in particular, purchasing coverage is rarely a

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viable option, and although many are working, few have access to meaningful coverage through their employer. The ACA addresses that reality by increasing the income limit for Medicaid for most non-elderly adult Americans to 138 percent of the federal poverty level (\$26,344 for a family of three in 2012).<sup>2</sup> If Florida participates in this Medicaid expansion, many low-wage workers would become newly eligible for subsidized coverage in 2014, providing both a direct and indirect benefit to many Florida employers. In assessing the impact of Medicaid expansion on these employers, the following background information is relevant:

**1. Expansion of Medicaid for adults is now considered optional for states.**

Although the U.S. Supreme Court fully upheld the constitutionality of the ACA in June, it also ruled that the federal government cannot withhold funding from states that decline to participate in the expansion of Medicaid under the ACA. Thus, many now describe Medicaid expansion as optional, and Florida Governor Rick Scott has indicated that Florida would likely choose not to participate, citing cost concerns.

**2. No full-time<sup>3</sup> workers are currently eligible for Medicaid in Florida on an ongoing basis<sup>4</sup>, but many low-wage, full-time workers would become eligible under Medicaid expansion.**

Medicaid eligibility for adults is currently very strict in Florida. Under present rules, non-elderly, non-disabled adults without children are *never* eligible for Florida Medicaid. Unemployed parents are eligible only up to 20 percent of the federal poverty level (\$3,636 for a family of three). A portion of earned income is disregarded in the eligibility determination for parents with dependent children, but this raises the limit for those with work income to only about 50 percent of poverty. Even at minimum wage<sup>5</sup>, a single parent of two working 24 hours per week would be over income for Medicaid today. Under Medicaid expansion, by contrast, a single parent of two working 40 hours per week would be Medicaid-eligible up to a considerably higher (but still modest) wage of \$12.66 per hour.<sup>6</sup>

**3. Medicaid expansion is an entirely affordable proposition for Florida; declining to expand Medicaid may in fact be less affordable.**

In signaling their opposition to Medicaid expansion, the Governor and others have inaccurately decried it as unaffordable to Florida. However, that assertion is grounded in a number of inaccurate assumptions, particularly that unenrolled Floridians who are already eligible under current rules would suddenly enroll in Medicaid *en masse*, despite the fact that almost all are exempt from the ACA’s requirement to maintain coverage.<sup>7</sup> (That is no small point, as Florida would be required to contribute approximately 8 times more state matching funds for an “already eligible” recipient than a “newly eligible” one over the first decade after expansion.) Under reasonable assumptions, however, the state’s share of the Medicaid budget would increase by less than 2 percent over the

ten-year period, including costs associated with covering both already eligible and newly eligible Floridians. In fact, after factoring in reductions in costs associated with providing uncompensated medical care to the formerly uninsured, Florida taxpayers should see a net *savings* as a result of expansion.

#### **4. Medicaid expansion would greatly benefit Floridians and the Florida economy in general.**

Each dollar of expansion-related state spending over the course of the first decade after Medicaid expansion would leverage an additional \$9.51 in federal funding, directly stimulating the economy and creating an estimated 65,000 private-sector jobs in the first six years alone.<sup>8</sup> By 2022-23, Florida would have received an estimated \$20.3 billion in additional federal Medicaid funds as a result of expansion. Those are tax dollars paid by Floridians through federal income taxes that would be diverted to other states if Florida rejects the opportunity.

This issue brief extends beyond the examination of the general economic impact for Florida, focusing on the impact for Florida businesses, particularly service industry employers and their low-wage employees. In particular, employers with low-wage workers who qualify for and enroll in Medicaid would receive the direct benefit of fully subsidized coverage for their employees as well as the indirect benefits associated with those employees having continuous access to timely and affordable care (e.g., reduced absenteeism and turnover).

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#### **Typical Single Parent in Florida's Largest Occupational Categories Would Qualify for Medicaid Based on Income**

In an effort to assess the impact of Florida's participation in Medicaid expansion on employers, we analyzed the wage distribution among Florida jobs in each of 22 major occupational categories<sup>9</sup> and more than 750 specific occupations in May 2011, as estimated by the federal Bureau of Labor Statistics.<sup>10</sup> Looking first at the broader occupational categories:

- The median wage (i.e., the amount such that half of wages paid are higher and half are lower) in 6 of those categories equates to annual, full-time earnings that fall below 138 percent of the federal poverty level for a family of three. In other words, a typical single parent working in any of these occupational categories would qualify for Medicaid coverage if Florida participates in expansion, even if (s)he worked 40 hours per week. These include two of the three occupational categories with the most Florida workers, namely sales and related occupations (in particular, retail) and food preparation- and serving-related occupations.
- In three occupational categories (farming, fishing, and forestry; food preparation- and service-related; and building/grounds cleaning and maintenance), fully three-quarters of jobs in each pay wages that would make a single parent of two working full-time income-eligible for Medicaid.
- Varying the scenario, if a worker was instead the sole source of income for a family of *four*, the median full-time wage fell below 138 percent of poverty in 9 of the 22 occupational categories. In fact, in the food preparation- and service-related category, at least 90 percent of jobs paid wages that would make such full-time workers income-eligible for Medicaid.

The Medicaid eligibility status<sup>11</sup> for workers holding jobs in those 9 occupational categories, which collectively accounted for 65 percent of all Florida jobs in 2011, is summarized for workers of varying family sizes in Table 1 below:

<b>Occupational Category</b>	<b>Percentage of Florida's Total Workforce</b>	Family of 2	Family of 3	Family of 4	Family of 5
Farming, Fishing, and Forestry	0.4%	90%+	75%+	75%+	50%+
Food Preparation and Service-Related	10.2%	90%+	90%+	75%+	50%+
Personal Care and Service	2.8%	75%+	75%+	50%+	50%**
Cleaning and Maintenance	3.9%	90%+	75%+	75%+	50%**
Sales and Related	13.1%	50%+	50%+	50%+	25%+
Transportation and Material Moving	5.7%	50%+	50%+	25%+	25%+
Production	3.7%	50%+	50%+	25%+	10%+
Healthcare Support	3.0%	75%+	75%+	50%+	10%+
Protective Service	3.1%	50%+	25%+	25%+	10%+
Office and Administrative Support	18.8%	50%+	50%+	25%+	10%+

Notes: \* - Assumes 40 hours per week of work and that the worker is family's sole source of income.

\*\* - Median wage for the occupation category is within \$100 of the Medicaid income limit.

### **Typical Worker in 125 Florida Occupations Would Be Medicaid Income-Eligible Under Expansion**

The Bureau of Labor Statistics also publishes wage distributions for jobs in more than 750 specific occupations within the 22 broader occupational categories. For example, restaurant cooks, dishwashers, and non-restaurant food servers are all specific occupations classified under the broader food preparation- and service-related occupational category.

In 15 occupations, at least 90 percent of jobs paid a wage that, even at 40 hours per week, would fall below the Medicaid eligibility income limit for a family of three. All 15 of these are service industry-related occupations, the largest of which are cashiers (with 202,500 workers) and combined food preparation and service workers (with 157,610 workers). Also included are maids and housekeepers, dishwashers, fast food cooks, and parking lot attendants.

In another 32 occupations, between 75 percent and 90 percent of jobs paid a wage that would be less than the Medicaid income eligibility threshold for a family of three. These occupations include janitors and cleaners, food preparers, waiters and waitresses, child care workers, and hotel and motel desk clerks.

Finally, in 78 additional occupations, at least half of jobs paid a wage that would qualify that same full-time worker for Medicaid based on income. These occupations include retail salespersons, general office clerks, stock clerks and order filers, and receptionist and information clerks.

- Many of these 125 occupations accounted for large segments of Florida’s workforce as of 2011. In fact, six of the state’s largest 10 occupations, each of which is service industry-related and accounts for more 100,000 Florida jobs, are among the list. These include retail salespersons, cashiers, waiters and waitresses, customer service representatives, combined food preparation and service workers, and janitors and cleaners).
- Totalling across all occupations, a minimum of 2.14 million Florida jobs (30 percent of the total) paid wages that would make a typical single parent of two income-eligible for Medicaid under the expansion.

**Almost a Half-Million Uninsured Low-Wage Florida Workers Would Likely Be Newly Medicaid-Eligible under Expansion**

The analysis of wage data reveals only part of the story. Not all low-wage workers would qualify for Medicaid under expansion. Rather, whether any particular worker actually would be income-eligible for Medicaid is a

function of his or her family size and total family income. In the case of a single adult without dependents, 138 percent of the poverty level was \$15,028 in 2011. As a result, even at minimum wage, such an individual would have been over-income for expanded Medicaid at 40 hours per week.

*A half-million low-wage workers would gain coverage through Medicaid within a few years of expansion. This coverage provided through Medicaid would be a fully subsidized employee benefit valued at an estimated \$14.3 billion over 10 years. Florida’s contribution through 2022-23 would be 4.6 percent of the total, an average of \$67 million per year, a small fraction of one percent of available state general revenue.*

In addition, many families obviously have more than one member who is a wage earner, and combined family income could therefore exceed the Medicaid income eligibility limit. In other instances, low-income workers are young adults who work part-time by choice and/or are dependents of others through which they may have access to coverage.

Of the uninsured Floridians who would be newly Medicaid income-eligible under expansion, an estimated 483,000 were employed in 2011.<sup>12</sup> Another 140,000 working, newly income-eligible Floridians had coverage through their employer. However, if such employer coverage is substandard (in that it does not provide the benefits included in the state’s Essential Health

Benefits package) or the employee’s portion of the premium is unaffordable, (s)he could end up in Medicaid. Consequently, using 2011 as a baseline, more than 600,000 Florida workers would likely be newly eligible under Medicaid expansion, most all of whom are employed in service industry-related jobs.

**Rejecting Medicaid Expansion Would Cost Florida Employers Billions**

The cost of rejecting Medicaid expansion to Florida employers can be quantified. FCFEP estimates the total cost per adult recipient at \$260 per month.<sup>13</sup> (With respect to calculating the value of the benefit to employers, this is more conservative than the state’s placeholder estimate of \$343.<sup>14</sup>) Again, not all newly eligible Floridians would enroll, and most would incur no penalty for failing to do so.<sup>15</sup> Even so, it is reasonable to assume that most will enroll. Assuming an 80 percent participation rate<sup>16</sup>, a half-million low-wage workers would gain coverage through Medicaid within a few years of expansion. This coverage provided through Medicaid would be a fully subsidized employee benefit valued at an estimated \$14.3 billion over 10 years. Florida’s contribution through 2022-23 would be 4.6 percent of the total, which equates to an average of \$67 million per year, a small fraction of one percent of available state general revenue and a limited addition to Florida’s economic development budget.

It has been suggested that, if Florida elects not to participate in Medicaid expansion, the same end could be accomplished by allowing low-wage workers to purchase coverage through the new Health Insurance Exchange using fully federally funded subsidies. However, that approach is problematic for several reasons. Most importantly, most workers below 105 percent<sup>17</sup> of the poverty level cannot qualify for subsidies in the Exchange. However, even workers between 105 and 138 percent of the poverty level, who have access to subsidies through the Exchange, could have difficulty sustaining coverage through the Exchange. In particular, the limited but nevertheless potentially burdensome premium payment and cost-sharing requirements would reduce participation rates. (In addition, most such workers would not be subject to any financial penalty for non-enrollment in coverage.) This alternative would not serve low-wage workers or employers as well as Medicaid expansion.

**Florida Employers Stand to Benefit Disproportionately from Medicaid Expansion**

Finally, going a step further, given Florida’s tourist-dependent and service industry-dominated economy, employers in Florida not only stand to benefit from expanded Medicaid, they stand to benefit more than do their counterparts in other states. In three of the four occupational categories that are dominated by low-wage (and potentially Medicaid-eligible) workers, the share that category comprises of the total workforce is significantly greater in Florida than for U.S. as a whole, as summarized in Table 2 below:

<b>Table 2 – Percentage of Workforce in Lowest Paying Occupational Categories (US vs. Florida)</b>		
<b>Occupational Category</b>	<b>Percentage of US Workforce</b>	<b>Percentage of Florida Workforce</b>
Food Preparation- and Service-Related	8.8%	10.2%
Building and Grounds Cleaning and Maintenance	3.3%	3.9%
Sales and Related	10.6%	13.1%
Personal Care and Service	2.8%	2.8%
<b>Total</b>	<b>25.5%</b>	<b>30.0%</b>

All told, workers in the occupational categories most likely to be Medicaid-eligible under expansion comprise 25.5 percent of the U.S. workforce, but 30.0 percent of Florida’s workforce. Consequently, a significantly higher percentage of Florida employers would derive benefit from Medicaid expansion than of the U.S. as a whole.

This report was researched and written by Greg Mellowe.

**Endnotes**

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- <sup>1</sup> The ACA also increases the income limit for Medicaid for school-aged children from 100 to 138 percent of the poverty level. However, children’s expansion was unaffected by the Supreme Court decision in *NFIB v. Sebelius*, as it is in a different provision of the law and the nature of the expansion is distinct from the adult expansion that was made optional.
  - <sup>2</sup> U.S Department of Health and Human Services, [2012 Federal Poverty Guidelines](#), January 2012
  - <sup>3</sup> For purposes of this brief, “full-time” refers to 40 hours of work per week, although many jobs considered full-time offer considerably less than 40 hours. The assumption of a 40-hour workweek is the most conservative in this case, however, as a wage at which a worker qualifies for Medicaid at 40 hours is such that they would qualify with fewer hours as well.

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4 A very small group of adults with incomes over 138 percent of poverty may currently qualify for Medicaid on a short-term basis, including pregnant women up to 185 percent of poverty, parents who stopped receiving temporary cash assistance within the past year, and Medically Needy patients who must re-qualify in each month in which they incur catastrophic medical expenses.

5 The minimum wage in Florida for 2011 was \$7.31 per hour (and increased to \$7.67 per hour for 2012).

6 Based on the minimum wage and federal poverty level as of 2012

7 With regard to estimates cited and claims made in this paragraph, See FCFEP, [Overstated Burden: Why Florida’s Claims Regarding Medicaid Expansion Are Vastly Inflated, Lacking in Merit](#), March 2012, p.6

8 With regard to estimates cited and claims made in this paragraph, see FCFEP, [Rejecting Medicaid Expansion Not An Option for Florida](#), July 2012, p.2

9 The occupational categories reported include all non-farm occupations, excluding military workers

10 All wage data used in this analysis is drawn from U.S. Bureau of Labor Statistics, [State Occupational Employment and Wage Estimates – Florida](#), May 2011

11 Without loss of generality, “eligibility” in this context refers to income eligibility. Workers would need to meet other eligibility requirements in order to qualify for Medicaid under expansion. In particular, undocumented immigrants cannot qualify for coverage under Medicaid (except short-term in the case of a medical emergency). However, the asset limit that currently applies to non-elderly adults in Medicaid would not be imposed on the newly eligible.

12 Estimates in this paragraph are derived using U.S. Census Bureau, Current Population Survey (CPS), [CPS Table Creator](#) (*query generated November 1, 2012*)

13 This estimate is based on the projected cost for the standard benefit Medicaid package. However, the state could elect to establish a separate “benchmark” benefit package for the newly eligible that presumably would cost less.

14 See Florida Legislature, Office of Economic and Demographic Research (EDR), Social Services Estimating Conference (SSEC), [Estimates Related to Federal Affordable Care Act](#), August 2012, p.14

15 See FCFEP, *Overstated Burden*, p. 6

16 Official state forecasts assume 79.7% participation by the newly eligible. See EDR, SSEC, *Estimates Related to Federal Affordable Care Act*, p.8.

17 The minimum income needed to qualify for subsidies through the Exchange is 100 percent of the poverty level, which equates to 105 percent of poverty in real income, after a 5 percent income disregard is applied.