

# Medicaid expansion

## *A fiscal train wreck headed for Idaho*

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## Overview

Last year, the debate whether to expand Medicaid, through Proposition 2, was devoid of discussion about the growth of traditional Medicaid in Idaho. The true cost of expansion was not discussed either. Prop 2's ballot language failed to include a cost for expansion nor possible funding mechanisms.

Let's review the expansion of Medicaid over the last two decades to give us a sense of what is to come.

## Background

### *Medicaid growth from Fiscal Year 1999 to Fiscal Year 2019*

For FY99 the total, all state and federal funds, Idaho Medicaid budget was \$533 million, which was 17.3 percent of the total Idaho spending of \$3.091 billion. Fast forward two decades later to FY19 and \$2.449 billion was appropriated out of the total, all funds, spending of \$8.325 billion, or 29.4 percent. Thus, Medicaid has increased its share of the total spending pie by about 12 percentage points or 70 percent.

Stated differently, if Medicaid in Idaho had grown organically and simply followed the trends of Idaho state spending growth, e.g. maintaining the same percentage slice of an enlarging pie, the appropriation for FY19 would have been \$1.4 billion not \$2.4 billion. That's right: a \$1 billion larger slice of the larger pie state spending pie.

## Expansion

### *Expansion will further crowd out other priorities*

For FY20, Gov. Brad Little requested a 17 percent increase in Medicaid spending from the general fund. But this didn't include the \$10.7 million pulled in from the Millennium fund for Medicaid expansion, thus the percentage increase is actually higher.

Little's requested 17 percent increase includes the spending increase for traditional Medicaid plus the funds for six months of expanded Medicaid in FY20. The total Medicaid appropriation request jumps to \$2.8 billion out of \$8.9 billion of all funds spending.

If we were funding not 6 months but rather 12 months of expansion in FY20, the spending would be higher (something that will happen in FY21). Based on Milliman's conservative enrollment projections,<sup>1</sup> the total Medicaid expansion cost would be \$412 million, in FY22, in all funds minus \$20.4

million in state savings for 12 months of expanded Medicaid. If Medicaid expansion were a reality for all of FY20, the appropriation would be about \$204 million larger than Little's request, meaning Medicaid would (and will) consume about \$3 billion of a pro-forma total Idaho state budget of \$9.1 billion, or 33 percent. Going forward, after expansion is fully operational, Medicaid will consume 1 out of every 3 appropriated state and federal dollars – if the optimistic projections on enrollment come to pass.

The projected estimates for future expansion costs by Milliman assumed that Idaho's sub-3 percent unemployment rate would remain in effect for the forecast period of FY20 to FY30.<sup>2</sup>

Shift the unemployment rate up or simply match the enrollment experience from other states, where on-average enrollment growth was more than double what was projected,<sup>3</sup> and Medicaid costs go up. Medicaid could consume closer to 35 percent of the Idaho state budget in a few years.

### *What about the proposed savings?*

During the Medicaid expansion debate, over the course of the 2018 summer and fall, expansion proponents steadfastly maintained that Medicaid expansion would essentially pay for itself. They argued that expansion would save enough by reducing healthcare costs for uncompensated care and other programs that expansion would largely offset increased general fund expenditures.

It is important to note, such savings have not happened in other states that have expanded Medicaid.<sup>4</sup> The current trajectory of Medicaid spending in Idaho suggests that it will be difficult to achieve those savings here.

For FY20, the Milliman report predicted state cost savings of \$10.2 million. The savings would result from reducing a variety of program costs related to substance use, behavioral health, hospitalizations, and mental health services.<sup>5</sup> The impact to the Catastrophic Fund (CAT) was to be budget neutral in FY20 and FY21, with savings to begin in FY22. Savings for local indigent programs were projected to begin in FY22 as well.

The governor's FY20 budget proposal includes \$9.2 million in general fund savings and another \$1 million in dedicated funds from other medical programs, due to Medicaid expansion replacing those services. However half of the FY20 savings are offset by a \$5 million increase in the CAT fund appropriation, which was not included in the Milliman model. So, right off the bat, Idaho is not achieving the savings projections.

In addition, the upward cost pressures on traditional Medicaid remain. The Idaho Department of Health and Welfare requested more than \$2.3 million in dental-provider rate increases that the governor does not support, but these requests are likely to come up again next year.

## *Conclusion*

Medicaid has been on an unsustainable trajectory for two decades and expansion will simply accelerate the growth curve. The Idaho Medicaid program's current growth path is unsustainable. Doubling down by expanding Medicaid will wreck Idaho's fiscal health – robbing the state of funds for roads, schools and public safety or requiring huge tax increases. Solutions to constrain Medicaid cost growth will be provided in the next policy brief.

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#### *Endnotes*

1 Milliman Client Report, Financial Impacts from Medicaid Expansion in Idaho, July 19, 2018, page 1.

2 Milliman Client Report, Financial Impacts from Medicaid Expansion in Idaho, July 19, 2018, page 2.

3 A Budget Crisis in Three Parts: How ObamaCare is Bankrupting Taxpayers, Feb 1, 2018, Foundation for Government Accountability, Jonathan Ingram and Nic Horton.

4 A Budget Crisis in Three Parts: How ObamaCare is Bankrupting Taxpayers, Feb 1, 2018, Foundation for Government Accountability, Ingram and Horton.

5 Milliman Client Report, Financial Impacts from Medicaid Expansion in Idaho, July 19, 2018, page 3.