

■ Adding Up the Net Cost of Medicaid Expansion - \$353 Million for 10 Years

By Tim Sweeney, Director of Health Policy

If Georgia expands Medicaid today, more than \$33 billion of new federal funding will flow to the state over the next 10 years, which would generate about \$1.8 billion in new state revenue during the decade, according to forecasts from Gov. Nathan Deal's office and a recent Georgia State University study. This new revenue would offset more than 80 percent of expansion-specific state spending over the next 10 years. In addition, Georgia's cash-strapped local governments and school districts would gain about \$1.2 billion in new sales tax revenue over the same time period.

Expanding Medicaid to cover Georgians with income below 138 percent of the poverty line (\$27,300 for a family of three) would cost Georgia nearly \$350 million over the next decade, after accounting for the \$1.75 billion in new revenue. That is an average of about \$35 million per year to provide health coverage to more than 500,000 uninsured Georgians.

New Revenues Offset More than 80 Percent of New State Spending

	2014-2023 Total
Expansion Specific Costs ¹	\$2,147,700,000
State Revenues:	
Sales and Income Tax ²	\$1,043,700,000
Insurance Premium Tax ¹	\$750,700,000
Total New Revenues	\$1,794,400,000
Total 10-Year Net Cost to GA	\$353,300,000
Average Annual Cost	\$35,330,000

¹State Medicaid Expansion cost impact analysis from Office of Planning and Budget, obtained Summer 2012.

²"The Economic Impact of Medicaid Expansion in Georgia," William S. Custer, Ph.D. released by Healthcare of Georgia Foundation, February 2013.

■ Where Would New State Revenue Come From?

Increased Sales and Income Taxes—Estimate \$1 billion

A Georgia State University study predicts significant income and sales tax revenue will flow to local governments as well as the state after Medicaid expansion. More than \$33 billion in new federal spending would be pumped into Georgia's health care system through Medicaid expansion, which in turn would spur more than \$65 billion in new economic activity over the decade. The 2013 GSU study, "The Economic Impact of Medicaid Expansion in Georgia," estimates local governments will realize about \$1.2 billion in new revenue. State revenues are projected to increase by more than \$1 billion.

Insurance Premium Tax Collections—Estimate \$750 million

Georgia levies a premium tax on all health insurers operating in the state. Insurers administering Georgia's Medicaid program became subject to the tax in 2011. The tax is collected by the Georgia Office of Insurance and directed to the state's general fund. Georgia would realize significant new revenue from the Medicaid expansion, as long as the state uses private Care Management Organizations (CMOs) to serve the bulk of the expansion population. New state and federal spending from Medicaid expansion would allow Georgia to collect more than \$750 million in new insurance premium taxes over 10 years, according to 2012 state estimates. (This tax is not a burden for the CMOs, as the state's monthly payments account for it.)

Revenue Unaccounted For in the Forecasts Could Yield Additional Boon

Existing Hospital Fee Could Generate Added Revenue — Estimate \$200 million

Neither the governor's analysis nor the GSU study of Medicaid expansion factored in the potential revenue growth from the state's hospital provider fee. The provider fee is now forecast to raise more than \$250 million this year to fund Medicaid in Georgia. Hospital spending in Georgia could grow by more than \$17 billion in the next decade under Medicaid expansion, according to GSU calculations based on existing health care spending patterns. That \$17 billion could generate more than \$200 million in new state revenue to help fund expansion, under the existing fee of 1.45 percent.

New Spending for Medicaid Expansion: \$ 2.15 Billion Over 10 Years

State Leaders Inflate Medicaid Expansion Costs by Including Spending to:

Cover Georgians Already Eligible

Increased enrollment among Georgians eligible under existing rules is likely to occur regardless of Medicaid expansion.

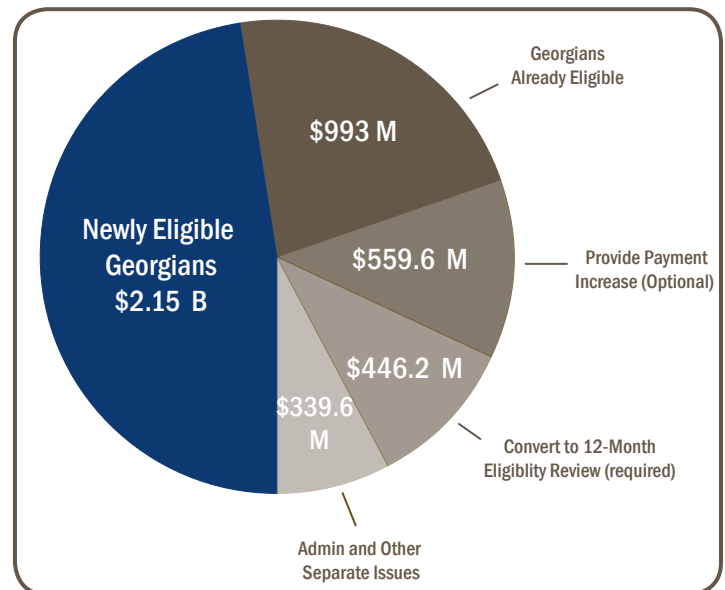
Increase Provider Payment Rates

Estimates represent projected state spending if Georgia chooses to maintain a temporary increase in reimbursement rates that is fully paid for with federal funds in 2013 and 2014. This is optional and not included in the state budget proposal for the 2015 fiscal year.

Convert to 12-Month Eligibility Review

Since January 2014, Georgia is required to review Medicaid eligibility every 12-months instead of every 6-months. New costs associated with this change are reflected in the state's proposed budget that recently passed the House at a level lower than originally projected.

Fact Check: Medicaid Expansion Costs Half of What You've Heard*



Source: State Expenditure Forecast, Summer 2012, Governor's Office of Planning and Budget.

*Georgia Gov. Nathan Deal's official website says a "conservative projection" is that the Affordable Care Act will cost the state \$4.5 billion