

The Cost of Medicaid Expansion

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The Affordable Care Act, also known as Obamacare, was signed into law by President Obama on March 23, 2010. With over 11,000 pages of regulatory code, the law represented a monstrous shift in healthcare regulation and government intervention in private insurance markets¹. As one can imagine, there's little reason for advocates of market capitalism to rejoice. For the sake of brevity, this report will focus on the actual cost of Medicaid expansion.

Advocates have praised Medicaid expansion as a simple way to expand healthcare access to the poor and improve health outcomes. Although there may be some merit to these claims, the evidence supporting such an assertion is weak and should be considered in the context of significant drawbacks.

Medicaid expansion has costs that are often underestimated by advocates. For example, Medicaid expansion states forecast about 6.5 million able-bodied adults would enroll in the expansion. However, the total enrollment in expansion states has increased to more than 16.7 million—160 percent of projections². This is no trivial matter as both the state and the federal government have committed to either subsidizing or providing outright coverage to millions and healthcare isn't cheap.

This is evident in the fact that since 2012, before states implemented Medicaid expansion, the U.S. Department of Health and Human Services (HHS) predicted that expansion would initially cost \$3,200 per person, growing to nearly \$4,000 per person by 2018³. This does not include the cost incurred during the COVID pandemic and our ongoing inflation spike.

A study in the New England Journal of Medicine of budget data from all 50 states from 2010 through 2018, found that Medicaid spending increased by 24% in Medicaid expansion states relative to non-expansion states⁴. However, money is fungible and advocates of Medicaid expansion argue it doesn't crowd out state budgets because the cost is offset by offloading some state healthcare expenses onto the federal government. This argument is problematic. Americans have to pay taxes for both. Arguing over the share paid by the state versus the federal government is akin to arguing about taking the money from the left or right pockets of the same taxpayers. Furthermore, as the national debt approaches \$32 trillion, the Federal government's ability to permanently pay the promised allocation is not a guarantee⁵.

Additionally, advocates of Medicaid expansion proclaim the policy saves lives. Indeed, many studies using advanced modeling advance this view. However, the raw truth of the matter may be obscured by the confirmation bias of researchers. A quick look at life expectancy before Medicaid expansion began and the last year before the pandemic showed a slight increase in overall life expectancy in America. In 2010, the average American life expectancy was 78.7 years, by 2019 this increased to 78.8 years. Once the pandemic years are added in, this fell to 77.0⁶. Despite more than 38 states expanding Medicaid coverage, Americans are not living longer.

Reducing infant mortality is a key selling point for Medicaid expansion. Undoubtedly, this is an admirable policy objective⁷. However, the evidence that Medicaid reduces infant mortality is weak to nonexistent⁸. Researchers at the Columbia University Mailman School for Public Health analyzed 24 studies published between January 2014 and April 2021 on Medicaid expansion and found limited evidence of improved outcomes regarding greater healthcare utilization for pregnant women, maternal mortality, and racial inequities⁹.

Similarly, proponents argue that Medicaid expansion and Obamacare save money, again with contrived models. Research from the Foundation for Government Accountability estimates that when using the actual experience of expansion states as a baseline for projections if the remaining states expand Medicaid, it could cost more than \$700 billion over the next decade¹⁰.

The raw truth of the issue is clear; a longitudinal view of the data shows us that claims of financial savings and lower mortality are suspect at best and dubious at worst. Medicaid expansion has expanded the scope and size of government but failed to reduce costs, with little to no change in life expectancy pre- or post-COVID. Obamacare is exactly what critics feared it to be, a costly expansion of government with few benefits – and state Medicaid expansions are only exacerbating that problem.

¹ O'Donnell, Jayne, and Fola Akkineni. "How Many Pages of Regulations Are in the Affordable Care Act?" USA Today. Gannett Satellite Information Network, October 25, 2013.

<https://eu.usatoday.com/story/opinion/2013/10/23/affordable-care-act-pages-long/3174499/>.

² Dublouis, Hayden, and Jonathan Ingram. "An Unsustainable Path: How Obamacare's Medicaid Expansion Is Causing an Enrollment and Budget Crisis." The Foundation for Government Accountability, August 24, 2022. <https://thefga.org/research/how-obamacare-medicaid-expansion-is-causing-crisis/>.

³ Ibid.

⁴ Gruber, Jonathan, and Benjamin D Sommers. "Paying for Medicaid — State Budgets and the Case for Expansion in the ..." Paying for Medicaid — State Budgets and the Case for Expansion in the Time of Coronavirus, June 2020. <https://www.nejm.org/doi/full/10.1056/NEJMp2007124>.

⁵ Adams, Michael. "Understanding the National Debt." Forbes. Forbes Magazine, January 3, 2023. <https://www.forbes.com/advisor/investing/national-debt/>.

⁶ Lewis, Tanya. "The U.S. Just Lost 26 Years' Worth of Progress on Life Expectancy." Scientific American. Scientific American, October 17, 2022. <https://www.scientificamerican.com/article/the-u-s-just-lost-26-years-worth-of-progress-on-life-expectancy/>.

⁷ Clark, Maggie. "New Brief: Postpartum Medicaid Extension an Opportunity to Improve Maternal and Child Health, but Impact Limited without Medicaid Expansion." Center For Children and Families, July 15, 2022. <https://ccf.georgetown.edu/2022/07/15/new-brief-postpartum-medicaid-extension-an-opportunity-to-improve-maternal-and-child-health-but-impact-will-be-limited-without-medicaid-expansion/#:~:text=Research%20shows%20that%20Medicaid%20expansion,across%20all%20racial%20and%20ethnic.>

⁸ Bhatt CB, Beck-Sagué CM. Medicaid Expansion and Infant Mortality in the United States. Am J Public Health. 2018 Apr;108(4):565-567. doi: 10.2105/AJPH.2017.304218. Epub 2018 Jan 18. PMID: 29346003; PMCID: PMC5844390.

⁹ Bellerose, Meghan, Lauren Collin, and Jamie R. Daw. "The ACA Medicaid Expansion And Perinatal Insurance, Health Care Use, And Health Outcomes: A Systematic Review: Systematic review examines the effects of expanding Medicaid on insurance coverage, health care use, and health outcomes during preconception, pregnancy, and postpartum." Health Affairs 41, no. 1 (2022): 60-68.

¹⁰ Dublouis, Hayden, and Jonathan Ingram. "An Unsustainable Path: How Obamacare's Medicaid Expansion Is Causing an Enrollment and Budget Crisis." The Foundation for Government Accountability, August 24, 2022. <https://thefga.org/research/how-obamacare-medicaid-expansion-is-causing-crisis/>

About the Author

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Raheem served as a Koch Fellow in 2014, the inaugural Policy Director for the North Dakota Young Republicans in 2018, a Republican Leadership Initiative Fellow in 2018, a 2019 America's Future Foundation Writing Fellow, a current member of the Louisiana Advisory Board for the U.S. Commission on Civil Rights, and a member of New Orleans Federalist Society.

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