

**Medicaid Expansion in Idaho
Health Insurance for the Working Poor**

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Introduction

- Thomas J. Mortell – Chair of Health Law Group at Hawley Troxell
- Chair of Chamber's Governmental Affairs Committee
- Represents health care providers
- Represents the Idaho Health Insurance Exchange

Key Takeaways

- Idaho businesses will pay millions in taxes and incur other costs as a result of the Affordable Care Act
- In actual costs to state and county governments, Idaho will be better off electing Medicaid expansion (assuming the promised federal match), although costs will still be higher than without ACA

Key Takeaways (cont.)

- Hidden or less obvious taxes, costs and benefits make the case for Medicaid expansion a stronger one, including:
 - the probability of higher premiums for employers if no expansion
 - increased risk to employers of penalties for inadequate/unaffordable coverage
 - overall infusion of money into the state economy if Medicaid is expanded

Medicaid Expansion

- Affects 104,000 Idahoans who cannot afford insurance
- ACA expands Medicaid to 138% of federal poverty level – \$32,500 for a family of four
- Governor's work group recommended expansion
- 100% paid by federal government for 2014-16
- By 2020 – 90%/10% federal/state split.

NEW DIRECT TAXES FROM ACA

- **ACA increases Medicare Taxes by \$318 billion over 10 years ***
- **We estimate Idaho's share \$25-30 million per year**

*House Ways and Means Committee, June 28, 2012, (<http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=301425>)

NEW DIRECT TAXES FROM ACA (cont.)

- Other direct taxes –
- Changes to the AGI floor \$18.7 billion over ten years
- Special taxes on health insurers \$101.7 billion over ten years
- Cadillac health plans taxes \$111 billion.
- Material impact on Idaho's businesses and taxpayers

NEW DIRECT TAXES FROM ACA (cont.)

- Total revenues to be raised over 10 years, including from the Medicare tax changes: \$675 billion, or \$804.6 billion when including individual mandates, employer mandates.
- Bottom line: Idaho residents are paying a lot to finance ACA, and it presents a fairness argument for taking money back from the federal government.

INDIRECT TAXES – SHARED RESPONSIBILITY PENALTIES

- If Medicaid is not expanded, employers face an increased risk of incurring penalties for not offering suitable coverage to workers.
- One consultant has modeled the costs to each state, and has estimated the penalties to Idaho employers at between \$12.3 million and \$18.5 million per year*

*Brian Halle, Jackson Hewitt Tax Service, The Supreme Court's ACA Decision and its Hidden Surprise for Employers, March 13, 2013.

INDIRECT TAXES – FISCAL EFFECT ON STATE AND COUNTIES

- In Y/E June 30, 2020 – the first full year in which Idaho would pay 10% of expansion costs – the difference in total costs between electing expansion and not electing expansion is \$28 million – to the overall benefit of the state (state and county).
- The counties would save about \$46 million, through relief to the indigent program.

INDIRECT TAXES – FISCAL EFFECT ON STATE AND COUNTIES

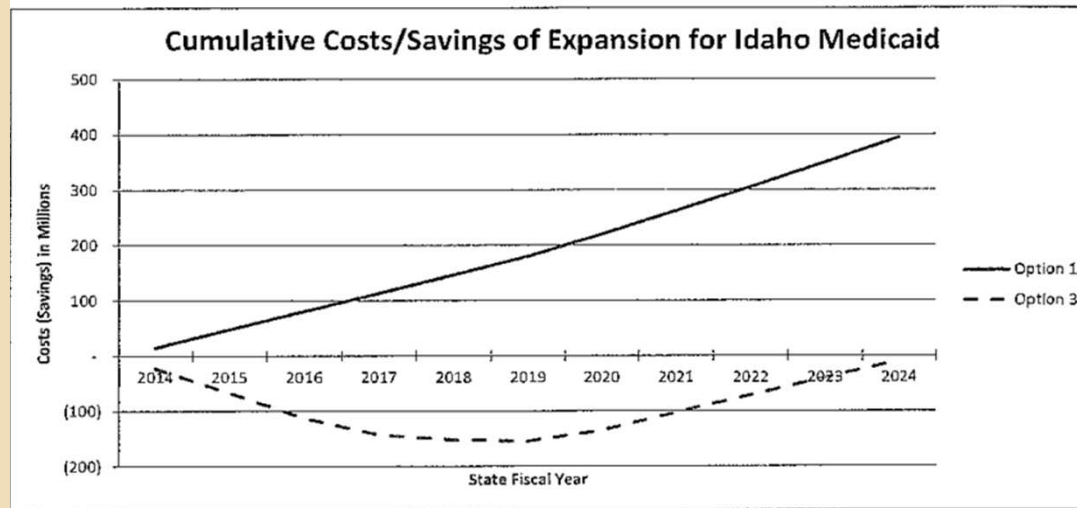
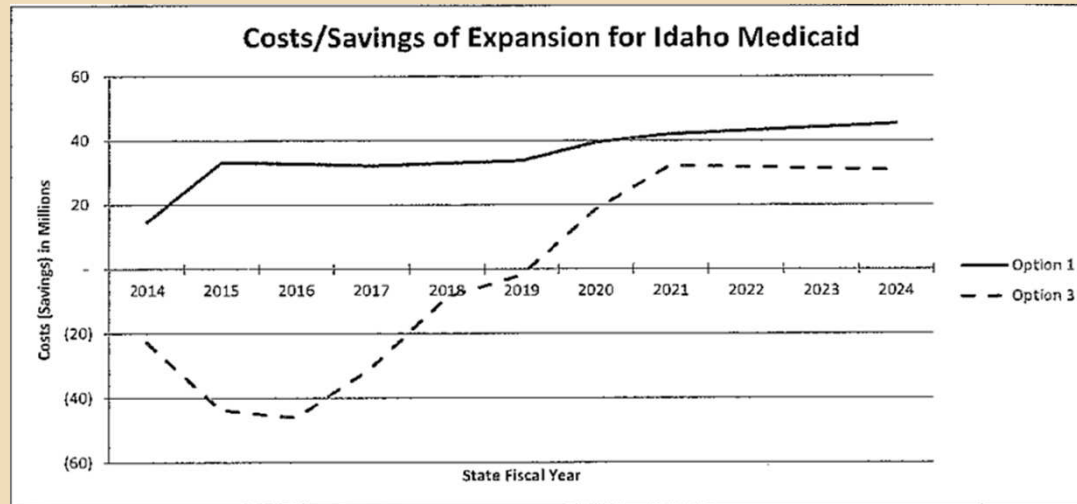
- For the State, the CAT Fund savings would be offset by the additional costs to the state of the 10% match
- Net effect is that the state would bear \$18 million more in costs than if expansion had not been elected
- The net of \$46M and - \$18M yields the positive \$28M impact.

INDIRECT TAXES – FISCAL EFFECT ON STATE AND COUNTIES

- Over 10 years, the total savings is estimated at \$438.1 million if the CAT fund and county indigency program were eliminated.
- With the additional costs incurred by the State with the 10% match, almost all those savings would inure to the counties.

INDIRECT TAXES FROM ACA – EFFECTS ON TAX STRUCTURE

- The “do nothing” option would cost the state an estimated \$379.2 million over 10 years, or roughly \$38 million per year.
- The savings of Medicaid expansion after considering the increased costs is \$58.9 million over 10 years if the CAT and indigent funds are totally eliminated.



Milliman, March 7, 2013, Ex. 2 (Option 1 – do nothing; Option 3 – expand)

INDIRECT TAXES – THE “HIDDEN TAX” OF HIGHER INSURANCE PREMIUMS

- A key feature of the negotiations leading to ACA enactment was a compromise between the President and the hospital industry
- Hospital industry agreed to cuts in Medicare reimbursements
- In exchange, hospitals will have a decrease in uncompensated care because of the Medicaid expansion

INDIRECT TAXES – THE “HIDDEN TAX” OF HIGHER INSURANCE PREMIUMS

- The loss of Medicare reimbursement is estimated at \$500 million over ten years for Idaho’s hospitals.
- The costs funded with that money must, for non-profit hospitals, be shifted to some other revenue source, and the logical source is increasing prices to insurance plans.

INDIRECT BENEFITS FROM ACA – THE FISCAL EFFECT FROM GREATER ECONOMIC ACTIVITY

- The Idaho Hospital Association study by University of Idaho economist
- Study showed, in addition to the direct and indirect savings, a significant economic benefit to Idaho from Medicaid Expansion

INDIRECT BENEFITS FROM ACA – THE FISCAL EFFECT FROM GREATER ECONOMIC ACTIVITY

- Economic effect from federal money into the state and the multiplier effect of such money:
- 11,200 new jobs from optional expansion alone (16,370 total)
- \$493M in increased payroll per year (\$717M total)
- \$423M in add'l tax revenues over 10 years (\$615M total)

Questions?

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