

The Real News from HPIO's Misleading PowerPoint Presentation: Medicaid Expansion Will Cost Taxpayers \$46 Billion Over the Next Twelve Years

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A number of individuals have falsely characterized a recent PowerPoint presentation given to the Ohio Senate Finance Committee's Medicaid Subcommittee by the Health Policy Institute of Ohio (HPIO).¹

The Columbus Dispatch flashed a headline that erroneously claims the presentation proved "Medicaid expansion would cost Ohio less than doing nothing."² The Dispatch's editorial board followed up by asserting that the presentation proved that expanding Medicaid would "save the state money in the long term."³ The Columbus Business First reported that the presentation showed that "Ohio could actually save by expanding Medicaid."⁴

These headlines and reports would have Ohioans believe expanding one of the largest and fastest-growing line items in the state budget can reduce spending. But this is not what the HPIO actually found.

The authors created three different scenarios. In the first scenario, Ohio does not expand Medicaid and the program grows at 7.2 percent annually, what HPIO reports as the average annual growth rate since 2004. It should be noted that in a report released earlier this year, HPIO expected future Medicaid growth to average 5.6 percent per year without expansion, based on Ohio's most recent actuarial analysis of Medicaid.⁵ It does not explain why it now assumes 7.2 percent growth as the baseline (without expansion) moving forward.

In the second scenario, Ohio caps its annual Medicaid spending growth at 5 percent and also expands Medicaid eligibility. In the final scenario, Ohio caps its annual Medicaid spending growth at 4.5 percent while also expanding Medicaid eligibility.

¹ Amy Rohling McGee and William Hayes, "Testimony to the Senate Finance Committee Medicaid Subcommittee, August 13, 2013," Health Policy Institute of Ohio (2013), http://dl.dropboxusercontent.com/s/gjzr9c7ap2ofogm/senate_medicaid_subcommittee_presentation_august_13_2013.pdf.

² Joe Varden, "Medicaid expansion would cost Ohio less than doing nothing, study shows," Columbus Dispatch (2013), <http://mediatrackers.org/assets/uploads/2013/08/Dispatch-medicaid-expansion-2013-08-13.pdf>.

³ Editorial Board, "Study boosts Medicaid plan," Columbus Dispatch (2013), <http://www.dispatch.com/content/stories/editorials/2013/08/18/1-study-boosts-medicaid-plan.html>.

⁴ Doug Buchanan, "Ohio could actually save by expanding Medicaid, study shows," Columbus Business First (2013), http://www.bizjournals.com/columbus/morning_call/2013/08/ohio-could-actually-save-by-expanding.html.

⁵ Amy Rohling McGee et al., "Expanding Medicaid in Ohio: Analysis of likely effects," Health Policy Institute of Ohio (2013), <http://www.urban.org/uploadedpdf/412772-Expanding-Medicaid-in-Ohio-Report.pdf>.

Capping Medicaid spending growth is not related to expanding Medicaid eligibility. If Ohio wished to impose such a cap, it could do so without expanding Medicaid. The only valid comparison is one in which the only changing variable is whether or not the state expands Medicaid eligibility.

For example, the presentation asserts that by capping annual Medicaid spending growth at 5 percent, Ohio can expand Medicaid and still save \$2 billion between now and 2025, when compared to 7.2 percent annual growth. But, using that same data, Ohio could save more than \$48 billion during the same time period by capping annual growth at 5 percent and not expanding Medicaid eligibility. So, when using an honest comparison, Medicaid expansion will actually increase taxpayers' costs by \$46 billion, even if the state is able to aggressively reduce annual growth.

Choosing not to provide any specific recommendations to reduce the annual growth in Medicaid, HPIO instead provides a listing of possible new revenues to offset higher costs. Of course, increasing revenues does not lower spending. But even at the assumed lower annual growth rates, Medicaid spending would still double within the next 15 years.

For comparison, the U.S. economy is expected to grow only 4.9 percent during the next decade.⁶ Ohio can expect to see slower growth, as the U.S. economy has historically grown 1.5 times as fast as Ohio's economy.⁷⁻⁸ If this trend continues, Ohio's economy will grow by just 3.3 percent during the next decade. The Ohio Department of Development also expects Ohio's economy to grow slower than the national average in the coming years.⁹

This means Medicaid will continue to consume more and more funding, crowding out resources for other state priorities, even under the HPIO's assumed lower Medicaid growth rates.

Worse yet, the HPIO spending projections are based on the same flawed designs highlighted in [a Foundation for Government Accountability-Opportunity Ohio report](#) published earlier this year.¹⁰ For example, HPIO uses Medicaid managed care rates for current adult enrollees to estimate the costs of covering newly-eligible individuals.¹¹ However, evidence from states that previously expanded Medicaid eligibility to cover working-age adults without children found

⁶ Christina Hawley Anthony et al., "The budget and economic outlook: Fiscal years 2013 to 2023," Congressional Budget Office (2013), <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43907-BudgetOutlook.pdf>.

⁷ Between 1997 and 2012, Ohio's economy grew at an average of 2.87 percent annually. See, e.g., Bureau of Economic Analysis, "Total Gross Domestic Product by state for Ohio, OHNGSP," U.S. Department of Commerce (2013), <http://research.stlouisfed.org/fred2/series/OHNGSP>.

⁸ Between 1997 and 2012, the U.S. economy grew at an average of 4.32 percent annually. See, e.g., Bureau of Economic Analysis, "Gross Domestic Product, GDPA," U.S. Department of Commerce (2013), <http://research.stlouisfed.org/fred2/series/GDPA>.

⁹ Policy Research and Strategic Planning Office, "Gross Domestic Product from Ohio," Ohio Department of Development (2012), <http://jobs-ohio.com/images/ohio-gross-domestic-product.pdf>.

¹⁰ Jonathan Ingram, "Medicaid in Ohio: The choice is clear," Foundation for Government Accountability-Opportunity Ohio (2013), <http://www.opportunityohio.org/wp-content/uploads/2013/06/FGA-O2-Medicaid.pdf>.

¹¹ Amy Rohling McGee et al., "Expanding Medicaid in Ohio: Analysis of likely effects," Health Policy Institute of Ohio (2013), <http://www.urban.org/uploadedpdf/412772-Expanding-Medicaid-in-Ohio-Report.pdf>.

this population to be much more expensive to cover than parents.¹² Additional research published by the federal Centers for Medicare and Medicaid Services found that costs were an average of 60 percent higher to provide the same benefits package to childless adults as they were for low-income parents.¹³

HPIO flawed analysis is also evident in its assumption that just 58 percent of all newly-eligible individuals will sign up for Medicaid after expansion.¹⁴⁻¹⁵ Even among the uninsured, HPIO assumes just 70 percent of newly-eligible individuals will enroll. These are much lower than other projections of participation, including projections by actuaries at the Centers for Medicare and Medicaid Services.¹⁶ States that have previously expanded Medicaid to cover working-age adults without children also relied on projections similar to those given by HPIO. Those states experienced participation rates that far exceeded what was initially expected.¹⁷

The HPIO presentation given to the Medicaid Subcommittee adds very little to the debate over Medicaid expansion in Ohio. It recycles old projections based upon faulty assumptions. The only “new” material is the conclusion that capping the annual growth in Medicaid spending will reduce total Medicaid spending, but this has no relevance to the debate at hand. Such a cap has nothing to do with Medicaid expansion, and conflating the two is intellectually dishonest. When comparing apples to apples, where the only changing variable is whether or not the state expands Medicaid, the only valid and fact-based conclusion is that Medicaid expansion will cost taxpayers much more.

¹² Jonathan Ingram, “Medicaid expansion: We already know how the story ends,” Foundation for Government Accountability (2013), <http://www.medicaidcure.org/wp-content/uploads/2013/03/Medicaid-Expansion-We-Already-Know-How-the-Story-Ends-Medicaid-Cure-Policy-Brief-31.pdf>.

¹³ Candace Natoli et al., “Who will enroll in Medicaid in 2014? Lessons from Section 1115 Medicaid waivers,” Centers for Medicare and Medicaid Services (2011), http://www.cms.gov/research-Statistics-data-and-Systems/Computer-data-and-Systems/MedicaidDataSourcesGenInfo/downloads/MaX_Ib_1_080111.pdf.

¹⁴ HPIO uses the state’s 2011 enrollment projections as the basis of its enrollment projections. See, e.g., Amy Rohling McGee et al., “Expanding Medicaid in Ohio: Analysis of likely effects,” Health Policy Institute of Ohio (2013), <http://www.urban.org/uploadedpdf/412772-Expanding-Medicaid-in-Ohio-Report.pdf>.

¹⁵ Jonathan Ingram, “Medicaid in Ohio: The choice is clear,” Opportunity Ohio (2013), <http://www.opportunityohio.org/wp-content/uploads/2013/06/FGA-O2-Medicaid.pdf>.

¹⁶ Ibid.

¹⁷ Ibid.