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THE BOTTOM LINE: MEDICAID EXPANSION IN NEBRASKA

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KEY FINDINGS

- Evidence shows that states that have expanded Medicaid have witnessed substantially faster growth in healthcare jobs than those states that have not expanded.
- Medicaid expansion will support 10,779 jobs in Nebraska in FY 2019-20, according to a recent University of Nebraska at Kearney study (see Introduction below).
- Medicaid expansion is a significantly more cost-effective policy approach than non-expansion for employment creation. Each \$46,572 increase in Medicaid spending creates one job – about 20 percent of the largest Nebraska Advantage Act cost per job figure.
- Benefits and receipts from Medicaid expansion in Nebraska will far outpace General Fund costs for Fiscal Year 2015-16 through Fiscal Year 2019-20.
- Medicaid expansion in Nebraska would bring about \$69.3 million in General Fund savings for the 5-year period. Programs already funded through the state's General Fund, would no longer be necessary if Medicaid were expanded.

INTRODUCTION

On April 1, 2015, Dr. Allan Jenkins, Professor of Economics at the University of Nebraska at Kearney, and Dr. Ron Konecny, Professor of Management at the University of Nebraska at Kearney, released *Nebraska Medicaid Expansion: Protecting a Critical Infrastructure, Supporting Main Street, Improving Worker Health and Productivity* (henceforth referred to as the “UNK Report”). The UNK Report is an extensive benefit-cost analysis of several factors that should be considered in the debate on LB 472, the Medicaid Redesign Act, and Medicaid expansion in Nebraska.

This brief is part of a series to examine findings of the UNK Report, their implication on LB 472, and their significance to rural Nebraska. It examines basic economic and income issues for all Nebraskans connected to expanding Medicaid.

MEDICAID EXPANSION = JOBS

Evidence shows that states expanding Medicaid have witnessed substantially faster growth in healthcare jobs than those states that have not expanded. According to data from the U.S.

Bureau of Labor Statistics, healthcare and social assistance jobs grew over 30 percent faster between December 2013 and December 2014 for states that implemented Medicaid expansion on January 1, 2014, than states that did not.

If this growth trend continues, Fitch Ratings states “it could support a broader economic and tax base for state budgets and improve hospital finances” in expansion states. Medicaid has generally been found to have a “positive impact on state economies,” including job growth.

The UNK Report finds that Medicaid expansion will support 10,779 jobs in Nebraska in FY 2019-20. That is critical in lower income areas of the state, including rural Nebraska, where Medicaid expansion would have a larger effect. That’s where jobs, particularly well-paying health care jobs, are needed.

Kentucky, one of the most aggressive states in their Medicaid expansion program, found that by 2021 the number of new jobs created as a result of expansion is expected to grow to approximately 40,000, with an average salary of \$41,000. In comparison, the UNK Report finds jobs created as a result of Medicaid expansion in Nebraska will have an average salary of \$44,845 in FY 2019-20.

The UNK Report also found that Medicaid expansion is a significantly more cost-effective state policy approach that also creates employment. For example, the UNK Report compares Medicaid expansion (through LB 472) with the Nebraska Advantage Act’s per job cost amount. The Nebraska Department of Revenue estimated that the Nebraska Advantage Act cost from \$42,747 to \$234,568 per job created. In comparison, the model used in the UNK Report finds that each \$46,572 increase in Medicaid spending creates one job – about 20 percent of the largest Nebraska Advantage Act cost per job figure.

THE BOTTOM LINE: MEDICAID EXPANSION IS A FISCAL WINNER IN NEBRASKA

The UNK Report definitively settles one of the major opposition points to Medicaid expansion, namely that it would eventually cost the state too much in General Fund expenditures, partic-

ularly when the federal cost share for expansion declines to 90 percent in 2020 and thereafter.

The latest Fiscal Note submitted for LB 472 (dated March 31, 2015) shows the bill will expend a grand total net of \$37,615,088 from the General Fund from Fiscal Year 2015-16 through Fiscal Year 2019-20. (Note the UNK Report cited the first LB 472 Fiscal Note dated February 23, 2015, that showed the bill would expend a grand total net from the General Fund from FY2015-16 through FY 2019-20 of \$70,333,153.)

The model for the UNK Report benefit-cost analysis shows the benefits and receipts from Medicaid expansion in Nebraska will far outpace General Fund costs. For the same 5-year period, the UNK Report shows:

State Receipts = \$105,960,400

Local government receipts = \$68,854,600

Total government receipts = \$174,823,000

Medicaid expansion in Nebraska would bring about substantial savings in other programs already funded through the state’s General Fund. The March 31, 2015, Fiscal Note outlines a total of \$69.3 million in General Fund savings for the 5-year period from programs that would no longer be needed should Medicaid be expanded.

The government receipts attributable to Medicaid expansion are in addition to the individual and family benefits highlighted in previous briefs on the UNK Report – health benefits to beneficiaries, increases in discretionary income, and averted bankruptcies.

CONCLUSION

As we stated in previous briefs on the UNK Report, the data clearly shows significant economic benefits from expanding Medicaid flows to families throughout the state and to the state’s economy as a whole. Clearly, Medicaid expansion in Nebraska is a policy and economic winner for the state and those who would benefit from the health insurance coverage offered by it.

State and local government coffers will benefit

from Medicaid expansion in Nebraska because of the jobs and individual and family economic benefits resulting from expansion. Saying the state cannot afford Medicaid expansion into the future ignores the economic realities and economic benefits Medicaid expansion will unleash.

The UNK Report contains a solid and rigorous benefit-cost analysis, showing the multiple benefits Medicaid expansion would bring to Nebraska's economy, its communities, and to individuals and families. Nebraska policymakers must act on expanding its Medicaid program or leave all these positive benefits unrealized.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.