



The Colorado Health Foundation™



Assessing the Economic and
Budgetary Impact of Medicaid
Expansion in Colorado:
FY 2015-16 through FY 2034-35

Executive Summary

In 2013, the Colorado General Assembly passed, and Gov. Hickenlooper signed, Senate Bill (SB) 13-200 authorizing the expansion of Medicaid under the 2010 Affordable Care Act (ACA). Colorado is currently one of 32 states (including Washington D.C.) to implement Medicaid expansion after this ACA provision was ruled optional by the U.S. Supreme Court in its 2012 decision for *National Federation of Independent Business v. Sebelius*. This expansion allowed low-income Coloradans at or below 138 percent of the federal poverty level (FPL) to enroll in Medicaid regardless of their age or parental status.

The Colorado Health Foundation engaged the Colorado Futures Center at Colorado State University to conduct an independent analysis of the full economic and state budgetary impacts of Medicaid eligibility expansion. This research updates a 2013 analysis of the projected impact of Medicaid expansion. The 2013 study was completed before Colorado opted to expand Medicaid. With the passage of SB 13-200, many of the unknowns in the previous analysis are now known including the rate at which Coloradans would enroll in Medicaid and the source of funding for the state match. Now, with two years of experience in Colorado, this updated study looks at actual results of the expansion and forecasts the economic and budgetary impacts out to FY 2034-35.

According to Colorado's Medicaid agency, the Department of Health Care Policy and Financing (HCPF), the Medicaid expansion will cover 398,941¹ additional Coloradans in fiscal year (FY) 2017-18, the last FY for which HCPF provides caseload forecasts. Total FY 2017-18 spending on these additional beneficiaries is forecast to be slightly more than \$1.75 billion, 94.5 percent of which will be paid for with federal dollars. As specified under the ACA, the federal government will cover the entire cost of expansion for states expanding Medicaid for the years 2014-16, after which, the federal share will gradually reduce until 2020 when the federal government will contribute 90 percent of the total cost of coverage, thus capping the state's responsibility at 10 percent. SB 13-200 dedicated the Hospital Provider Fee (HPF), a fee paid only by hospitals and separate from the general revenues which fund much of state government, as the source of funding for the state's responsibility. Collectively, these decisions have had two major fiscal and economic effects in Colorado:

- Medicaid expansion, largely funded by the federal government, is already having and will continue to have a **significant positive impact on the state's economy.**
- The combination of federal funding for expansion, the decision to use the HPF as the source of revenue for the state's share of expansion costs, increased tax revenue due to the larger post-expansion economy and modest savings in other state programs has and will allow Colorado to support this expansion at **no cost to the state's General Fund.**

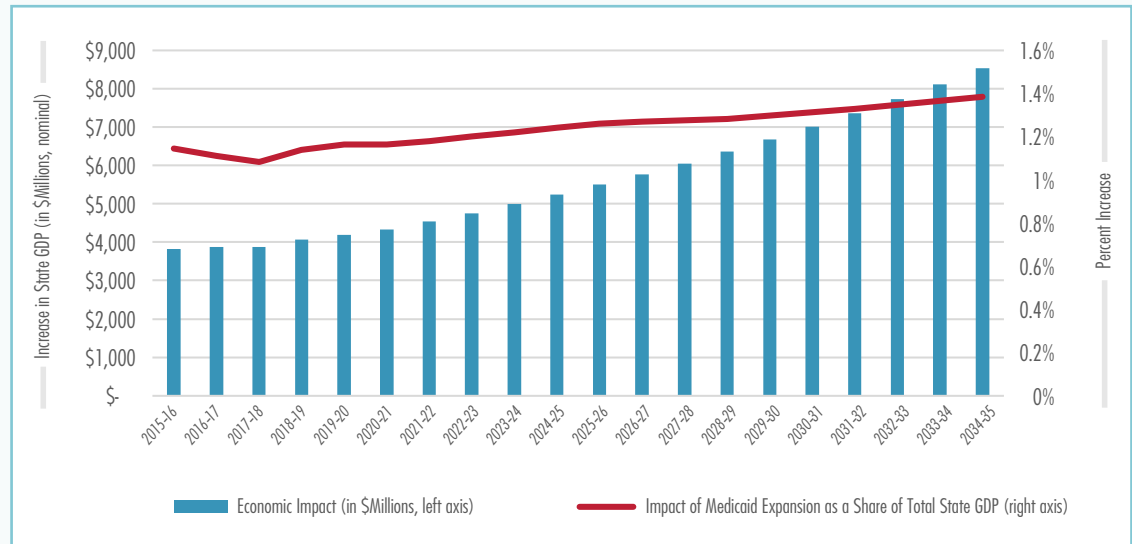
The remainder of this brief details key findings from this updated research.

¹Some of these participants had received coverage after Colorado expanded Medicaid with House Bill (HB) 09-1293. The language of HB 09-1293 covered parents and adults without dependent children up to 100 percent FPL; however, due to limited funds, adults without dependent children originally were covered only up to 10 percent FPL with enrollment capped at 10,000. Since all HB 09-1293 participants were enrolled after the ACA took effect, they are all considered expansion populations under the ACA, are thus eligible for the enhanced federal match rate and are considered Medicaid expansion populations for the purpose of this analysis.

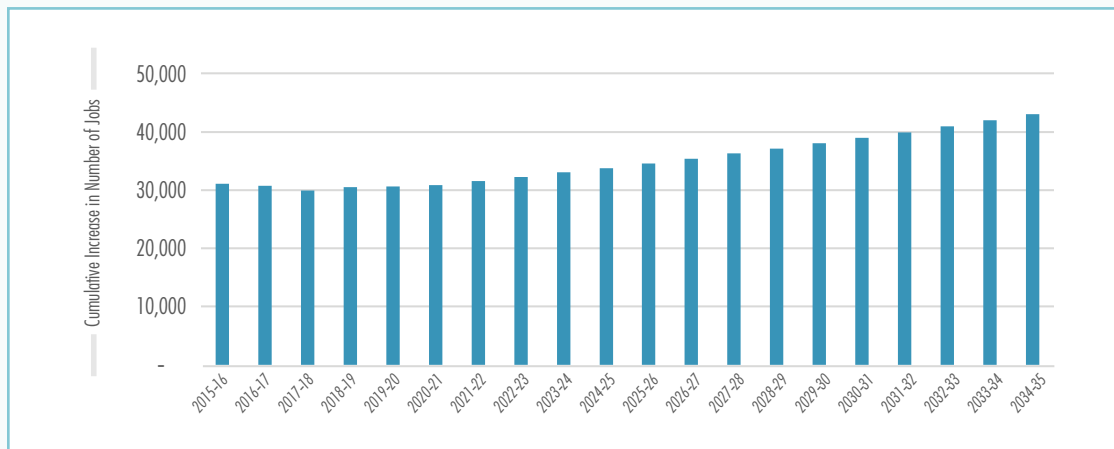
Total and Percent Increase in Economic Output (State GDP) as a Result of Medicaid Expansion

FINDING 1:

Currently, Colorado's economy, as measured by state gross domestic product, is \$3.82 billion (1.14 percent) larger as a result of Medicaid expansion. By FY 2034-35, the economy will be \$8.53 billion (1.38 percent) larger. Because of the increased economic activity created by spending on Medicaid, the economy will be larger in each year up to FY 2034-35 as well.



Cumulative Increase in Employment as a Result of Medicaid Expansion



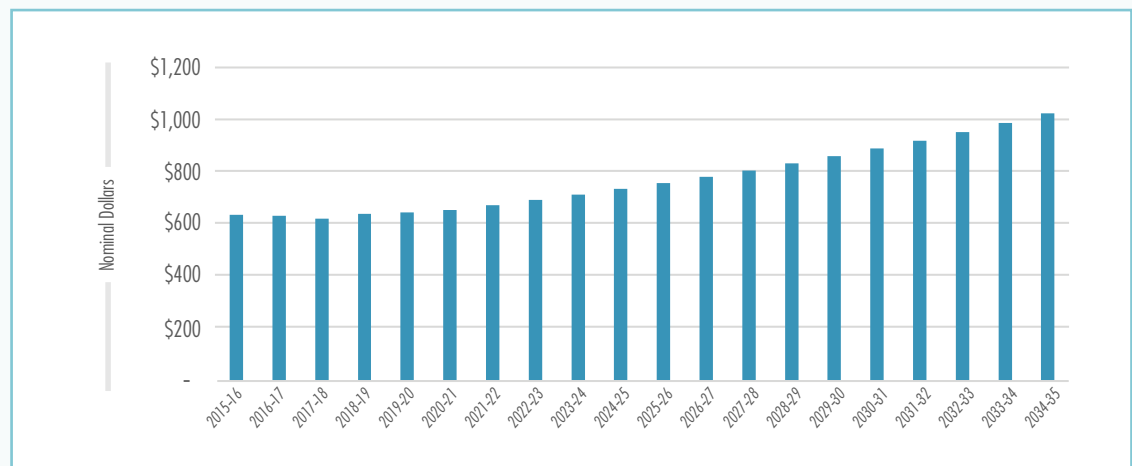
FINDING 2:

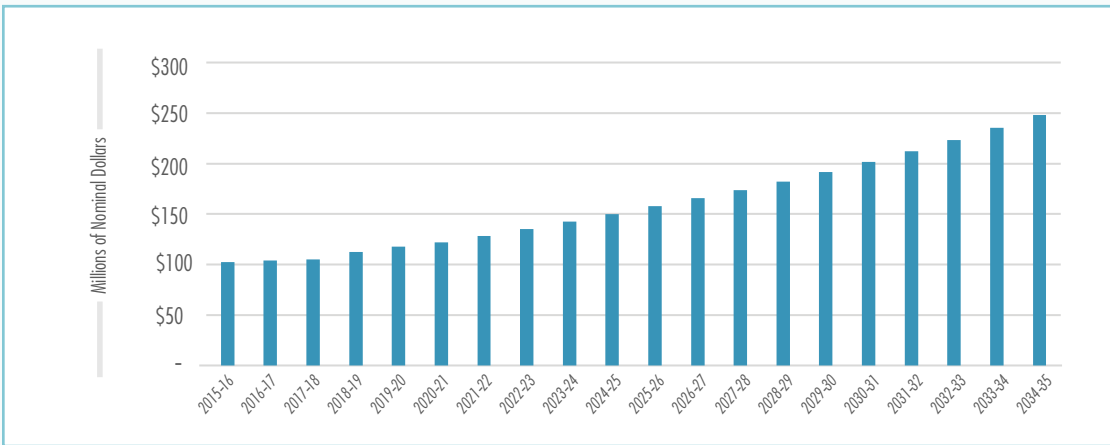
Currently, Colorado's economy supports 31,074 additional jobs due to Medicaid expansion. By FY 2034-35, that number will grow to 43,018, resulting in total employment that is 1.35 percent larger than it would be without Medicaid expansion.

Increase in Average Annual Household Earnings as a Result of Medicaid Expansion

FINDING 3:

Average annual household earnings in Colorado currently are \$643 higher due to the stimulative effect of the Medicaid expansion. By FY 2034-35, Coloradans' annual average household earnings will be \$1,033 higher.





FINDING 4:

The state’s General Fund will not incur any expenses associated with Medicaid expansion. Colorado’s larger economy will result in increased General Fund revenue from greater income, sales and use taxes. In the current year, the increase in General Fund revenue is \$102.4 million. That amount will grow to \$248.3 million in FY 2034-35.

About The Colorado Health Foundation

The Colorado Health Foundation works to make Colorado the healthiest state in the nation by ensuring that all Colorado kids are fit and healthy and that all Coloradans achieve stable, affordable and adequate health coverage to improve their health with support from a network of primary health care and community services. To advance our mission, the Foundation engages the community through grantmaking, public policy and advocacy, private sector engagement, strategic communications, evaluation for learning and assessment and by operating primary care residency training programs. For more information, please visit www.ColoradoHealth.org.

About the Colorado Futures Center

The Colorado Futures Center at Colorado State University informs Colorado citizens about economic, fiscal, and public policy issues affecting Colorado’s long term economic health and quality of life by providing unbiased, nonpartisan, objective and highly credible research and analysis. For more information, please visit www.coloradofutures.colostate.edu.



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