

Medicaid Expansion is a Boon for Tennessee's Small Businesses

The Supreme Court ruled in June that the new health reform law permits, rather than requires, states to expand their Medicaid programs to cover people with incomes up to 138 percent of the federal poverty line. Now, Tennessee must choose whether to expand Medicaid. If Tennessee chooses to expand its Medicaid program, tens of thousands of low-wage workers who do not currently have health coverage will become eligible for Medicaid. This would be a boon for small businesses in Tennessee. Not only would it create a healthier, more productive workforce, but it would stimulate the economy by bringing billions of federal dollars and thousands of new jobs into Tennessee.

- **Medicaid expansion will level the playing field for Tennessee's small businesses.** Medicaid expansion would cover 330,000 additional people in Tennessee, most of them low-wage working adults. Because so many working adults would qualify for Medicaid, small businesses that cannot afford to offer their employees health insurance would be better able to compete for workers with big businesses that can offer health insurance to their employees.
- **Medicaid expansion would create a healthier, more productive workforce in Tennessee.** Employees with health insurance are more likely to receive regular preventive care and to get needed treatment for illnesses and injuries. This means that workers with health insurance are less likely to miss work and will miss fewer days of work when they do fall ill. Sick or injured employees without health insurance may also be less productive when they are at work.
- **Medicaid expansion will stimulate Tennessee's economy.** Just like a new factory or federal project, Medicaid expansion will bring a lot of money into Tennessee's economy. The federal government will pick up *all* of the cost of Medicaid expansion for the first three years (2014-2016). It will continue to cover at least 90 percent of the cost after that. This will bring an estimated **\$10.5 billion additional federal dollars to Tennessee between 2014 and 2019.**¹ That money will be spread among all 95 counties. It will increase incomes for all types of health care service providers, including hospitals and their employees, doctors and nurses, nursing homes, and medical suppliers. Health care providers and businesses will spend large portions of their revenues and salaries in the local economies. As a result, the Medicaid expansion will create jobs in all parts of the state economy.² **Between 2014 and 2019, if Tennessee expands Medicaid, the federal funding will produce 18,000 jobs.**³
- **Medicaid expansion will not significantly increase costs for the state and could even save the state money.** Between 2014 and 2019, the expansion would increase state spending by 1.5 percent (\$421 million) over what the state would spend without expansion.⁴ But the state will get some or all of that money back through other savings. The state will save on health care costs for people who are now uninsured but will be covered by the Medicaid expansion. Tennessee taxpayers now pay about 30 percent of the cost of care that is provided to uninsured patients who cannot afford to pay.⁵ Expanding Medicaid will greatly reduce the number of people without health insurance and thus the costs of uncompensated care. The new law will **lower state costs for uncompensated care by as much as \$1.6 billion between 2014 and 2019,** with much of the reduction due to the expansion of Medicaid.⁶
- **If Tennessee does not expand Medicaid,**
 - **the costs of providing uncompensated care to people without insurance will continue to drive up premiums for people with insurance.** In addition to the money that state and local governments spend providing care to people without health insurance, doctors and hospitals also provide a great deal of uncompensated care to people without insurance. In 2008, doctors and hospitals provided almost \$43 billion dollars in unpaid medical care.⁷ Providers pass much of this cost on to private insurers, who pass it on to their customers in the form of higher premiums. This cost shifting increases annual premiums for insured families by more than \$1000.⁸ Without

Medicaid expansion, this cost shifting will continue to drive up premiums for people with insurance.

- **it could cause many hospitals to close, especially in rural areas.** That's because some hospitals now receive extra payments for providing care to people without insurance. When the health law was passed, hospitals agreed to accept cuts in these payments. In a world where almost everybody had insurance, as envisioned by the law, hospitals could afford to take those cuts. Without the expansion, hospitals will still be stuck providing care to lots of uninsured patients, but they will have to do it on tighter budgets. Many hospitals, especially in rural areas, will not be able to survive if Tennessee does not expand its Medicaid program. Losing hospitals can lead to a domino effect with other health care providers. Doctors rely on hospitals to build a foundation for their practice. If the hospital goes, doctors may also leave or decide not to come at all.⁹ This could lead to even broader economic consequences. By one estimate, each doctor in a community leads to \$500,000 in additional income and sustains five jobs.¹⁰ Overall, health care creates 15 to 20 percent of the jobs in rural areas.¹¹ These jobs could be threatened if Tennessee chooses not to expand Medicaid.
- **Tennesseans' federal taxes will flow to other states that do expand Medicaid.** If Tennessee does not accept Medicaid expansion, other states like California, New Jersey and Washington, which have already approved expansion, will get the benefit of Tennesseans' federal tax dollars. This means a significant loss of jobs and revenue in Tennessee.

¹ John Holahan and Irene Headen, *Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or below 133% FPL*, Kaiser Commission on Medicaid and the Uninsured (May 2010) at 40, Table 6, available at <http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf>.

² John E. Gnuschke, et al., *A Study of the Economic Impacts of the Patient Protection and Affordable Care Act on Tennessee*, Sparks Bureau of Business and Economic Research, The University of Memphis (March 2012), at 24-25, available at http://www.thcc2.org/PDFs/economic_impact_of_hcr.pdf.

³ This estimate is based on the estimates of Gnuschke, et al., *supra*, but limited to only the increased federal funding for Medicaid, instead of the Affordable Care Act as a whole.

⁴ *Id.* at 40, Table 6.

⁵ Matthew Buettgens et al., *Consider Savings as Well as Costs*, at 10, Robert Wood Johnson Found. & Urban Institute (July 2011).

⁶ *Id.* at 11, Table 7.

⁷ "Hidden Health Tax," at 6, Families USA (May 2009).

⁸ *Id.*

⁹ Committee on the Consequences of Uninsurance, "A Shared Destiny: Community Effects of Uninsurance," Board on Health Care Services, Institute of Medicine (2003), available at http://www.nap.edu/openbook.php?record_id=10602&page=R1.

¹⁰ *Id.*

¹¹ "Health Insurance Access in Rural America," National Rural Health Assoc. (March 2004), available at <http://www.ruralhealthweb.org/index.cfm?objectid=400AC60D-1185-6B66-8811D1B5632FB36B>.