

**Nebraska Medicaid Expansion 2018 Update:**

Protecting a Critical Infrastructure  
Supporting Main Street  
Improving Worker Health  
and Productivity

- Medicaid Expansion will boost Nebraska's Economy.

The three-year estimated injection of federal funds from expansion is \$1.359 billion. These payments have a multiplier effect, they flow from the health sector into general supporting services then to additional sectors spread throughout the Nebraska economy. Once the program is fully populated (90,000 enrollees) the injection will support 10,800 jobs per year. Evidence from other states demonstrates that expansion does have positive economic impacts. States that expanded Medicaid in 2014 held 9 of the top 10 slots regarding improvement in the unemployment rate. Expansion states also have superior results in the reduction of bankruptcies.

- Medicaid Expansion benefits greatly exceed the small net cost to Nebraska's General Fund

A systematic cost/benefit analysis, which is the appropriate tool for the evaluation of Medicaid Expansion, includes a discussion of the full range of fiscal impacts. While expansion increases NE General Fund expenditures by \$148.3 million over three years, this is an incomplete picture of the actual cost. First, Medicaid spending will reduce existing State spending by \$57.5 million by covering a variety of healthcare services now covered by the State. Second, the increased economic activity will generate increased tax revenue for State and local governments by \$112.4 million. Thus, the Nebraska General Fund will see a net cost of \$25.7 million while State & Local government will see a net gain of \$21.6 million over the three years.

- Medicaid Expansion supports Main Street

The three-year estimated injection of federal funds is \$1.359 billion. These payments have a multiplier effect, they flow from the health sector into supporting services then to additional sectors spread throughout the Nebraska economy. The direct value to the state's retail and financial sectors through the reduction of bankruptcies and the increase in consumer discretionary spending are approximately \$340 million over the three years modeled. This benefit will stretch into the future. Businesses also benefit from improved worker health, which increases attendance, improves productivity, reduces recruitment and training costs, reduces presenteeism, and facilitates worker skill improvement. This will bring another \$17.5 million in direct economic benefits from expansion. The currently insured will benefit by \$83.7 million as providers no longer need to subsidize uncompensated care at the existing level. Through the multiplier process, these four factors increase total state output by \$571 million over the three-year period.

- Medicaid Expansion reduces uncompensated care

Medicaid expansion will help protect the healthcare infrastructure necessary for local economic vitality. Nearly 45 percent of Nebraska's Critical Access Hospitals are facing financial stress, and urban hospitals are struggling to compensate for increasing levels of bad debt/charity care. The loss of a hospital immediately reduces local employment and income, and has a devastating impact on the prospect for future local economic development. Expansion states are seeing dramatic decreases in the number of uninsured and in uncompensated care losses for providers, with numerous studies showing decreases of 50-70 percent in bad debt/charity care. Nebraska's hospitals should see a reduction in uncompensated care by \$343 million over the three-year period, providing much needed revenue at a time of considerable pressure.

- Medicaid Expansion encourages preventative care

Medicaid expansion has improved the health of low-income Americans through the increased access to primary care, expanded use of prescription medications, and increased rates of diagnosis of chronic conditions for new enrollees. Low-income individuals living in expansion states generally had a greater increase in the use of preventive services recommended by the United States Preventive Services Task Force than low-income individuals living in non-expansion states.

- Medicaid Expansion for Nebraska is an efficient use of scarce tax dollars

Just as the \$435 million spent to originally construct Interstate 80 has proven to be a remarkable good investment of taxpayer funds, General Fund spending of a net \$25.7 million for hundreds of millions of dollars in yearly benefits stemming from Medicaid expansion is an eminently efficient use of scarce tax dollars.

Report authored by:

Allan Jenkins, PhD and Ron Konecny PhD, University of Nebraska Kearney

# Total Impact by Benefit Examined

FY 2021-22

		Medicaid							
		Provider Payments	Discretionary Spending	Healthcare Cost Shifting	Better Worker Health	Averted Bankruptcy	Administration	Total	
Economic Impacts									
Employment		8,979	1,226	435	67	58	26		10,791
Labor Income		\$497,653,000	\$50,077,000	\$24,484,000	\$2,736,000	\$2,378,000	\$1,149,000		\$578,477,000
Output		\$1,124,879,000	\$156,504,000	\$63,693,000	\$8,549,000	\$7,431,000	\$4,098,000		\$1,365,154,000

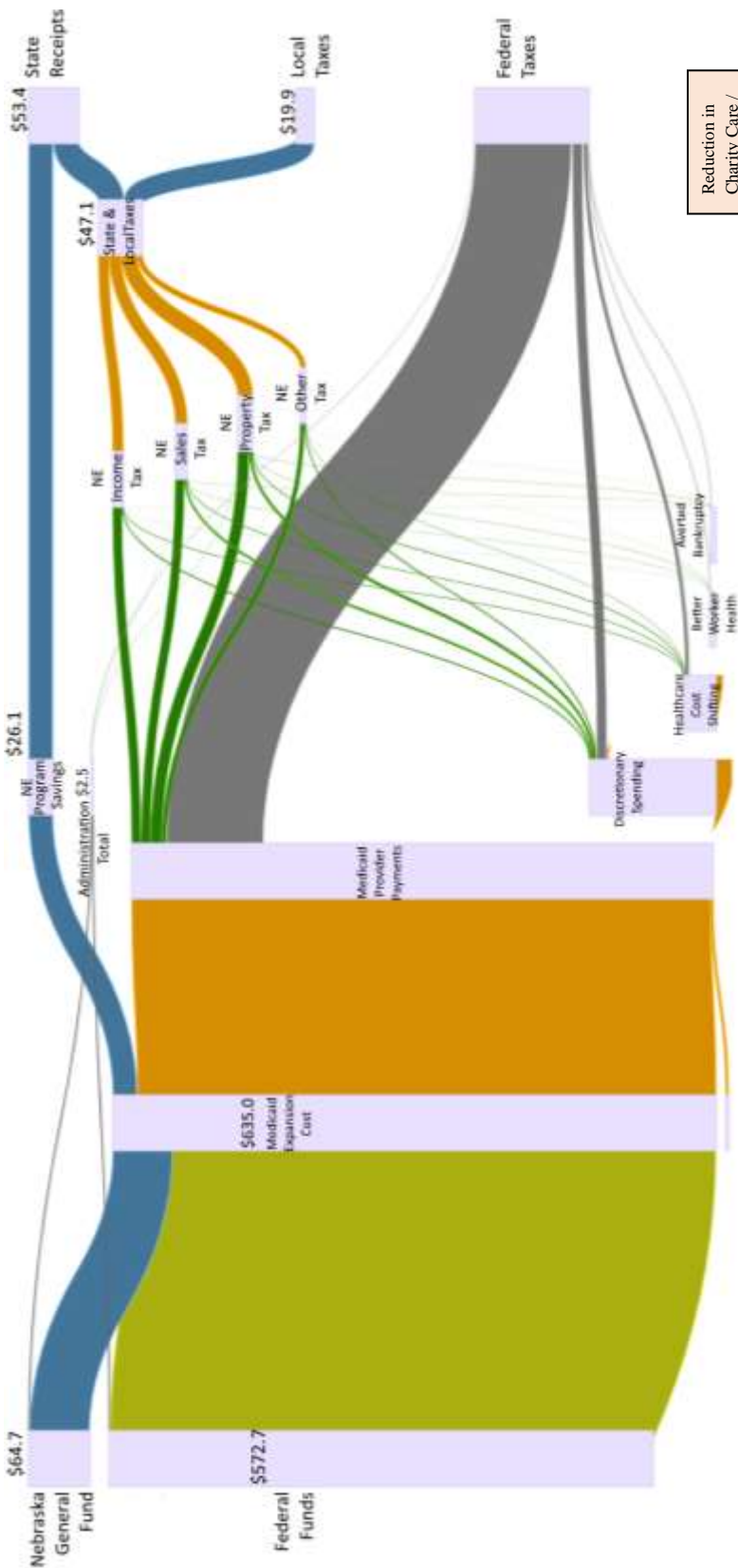
State and Local Taxes									
Income Tax		\$9,995,000	\$1,007,000	\$490,000	\$55,000	\$48,000	\$23,000		\$11,618,000
Sales Tax		\$9,817,000	\$2,489,000	\$495,000	\$136,000	\$118,000	\$94,000		\$13,149,000
Property Tax		\$12,141,000	\$3,039,000	\$612,000	\$166,000	\$144,000	\$114,000		\$16,216,000
Motor Vehicle		\$828,000	\$123,000	\$41,000	\$7,000	\$6,000	\$4,000		\$1,009,000
Corporate Taxes		\$1,467,000	\$310,000	\$97,000	\$17,000	\$15,000	\$14,000		\$1,920,000
Other Taxes		\$2,569,000	\$515,000	\$128,000	\$28,000	\$24,000	\$18,000		\$3,282,000
Total State & Local Tax		\$36,817,000	\$7,483,000	\$1,863,000	\$409,000	\$355,000	\$267,000		\$47,194,000
Nebraska State Tax		\$21,884,600	\$3,823,200	\$1,111,000	\$208,800	\$181,400	\$130,200		\$27,339,200
Local Tax		\$14,932,400	\$3,659,800	\$752,000	\$200,200	\$173,600	\$136,800		\$19,854,800

Federal Taxes									
Personal Income		\$31,686,000	\$3,193,000	\$1,553,000	\$174,000	\$152,000	\$73,000		\$36,831,000
Corporate Profit		\$10,374,000	\$2,194,000	\$683,000	\$120,000	\$104,000	\$98,000		\$13,573,000
Other Taxes		\$60,121,000	\$6,360,000	\$3,040,000	\$347,000	\$302,000	\$158,000		\$70,328,000
Total Federal Tax		\$102,181,000	\$11,747,000	\$5,276,000	\$641,000	\$558,000	\$329,000		\$120,732,000

Source: Nebraska Medicaid Expansion, Prepared by Allan Jenkins, Ph.D., Ron Konecny, Ph.D., October, 2018

Cost Data Source: Legislative Fiscal Office Ballot Initiative Cost Projections, September 2018

# Medicaid Expansion Flow of Funds Diagram FY 2021-22 (all values are in millions of dollars)



Reduction in  
Charity Care /  
Bad Debt  
2021-2022:  
\$143 million

Benefits Analysis: Jenkins A., Konecny R. Nebraska Medicaid Expansion Update, 2018. Funding: Nebraska Hospital Association  
Cost Data Source: Legislative Fiscal Office Ballot Initiative Cost Projections, September 2018