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For Immediate Release

For more information contact:

Adrian Sanchez
Director of Communications
(402) 742-8151 or asanchez@nebraskahospitals.org

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Medicaid Expansion a Net Savings for Nebraska

LINCOLN — Nebraska would experience a projected net savings of \$13.7 million over the next five years if the Legislature approves the Medicaid Redesign Act, LB472, according to the latest projection from the Legislative Fiscal Office (LFO).

“The \$13.7 million could be allocated for property tax relief, to improve the state’s infrastructure, to reduce budget cuts or to contribute to Nebraska’s rainy day fund,” Nebraska Hospital Association (NHA) President Laura J. Redoutey said. “Not only would lawmakers contribute to improving the lives of more than 79,000 low-income working Nebraskans, they would also be saving the state money.”

The five-year, \$73 million savings, from FY 2015-2020, would come from state health care assistance programs and the Department of Corrections. The state would realize \$69.3 million in savings within the state disability program, HIV/AIDS drug program and behavioral health program and another \$3.6 million in savings would come from the Department of Correction because correctional facility inmates who receive treatment outside of the facility would be covered under Medicaid expansion.

According to the latest LFO fiscal note for LB472, the cost to the state to implement the Medicaid Redesign Act during the same five year period is projected to be \$59.3 million, down from the previous projection of \$81 million, resulting in a \$13.7 million savings to the state.

“The \$13.7 million would be an added bonus, on top of the more than \$2.1 billion in federal funds the state would receive, spurring more than \$5 billion in economic activity over the next five years,” Redoutey added.

The most frequent arguments made by those who oppose Medicaid expansion are the U.S. government will not uphold its end of the deal, leaving Nebraska to hold the bag, and the cost to the state.

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The first issue is addressed in the bill, which requires that if the rate of federal funding for Medicaid expansion falls below 90 percent, coverage for individuals shall terminate immediately. As mandated by the ACA, Nebraska's redesign of Medicaid would be federally funded at 100 percent from 2015-16, 95 percent in 2017 and 90 percent in 2020 and beyond. The circuit breaker provision will protect the state from unexpected costs should the U.S. government fail to uphold its obligation, which it has never done for mandatory spending.

Regarding the cost to the state, the direct impact on state coffers would be a net savings as highlighted earlier. The indirect impact by the \$2.1 billion federal infusion of funds, tax dollars Nebraskans are sending to Washington, D.C., that could be used to improve the state's health and economy, would further add to the state treasury. Last week, the NHA and AARP Nebraska released a study on the economic impact of both expanding Medicaid in Nebraska and the costs to the state should lawmakers fail to approve LB472.

According to the study, prepared by two University of Nebraska at Kearney professors who have conducted numerous economic impact studies for Nebraska municipalities and prepared an economic impact study focusing on Medicaid expansion in South Dakota, the \$2.1 billion in matching federal funds would spur more than \$5 billion in economic activity and generate more than \$174.8 million in state and local taxes. The federal infusion of funds would also support more than 10,000 jobs by 2020.

The increase in tax revenue alone, without raising rates or implementing a new tax, would generate more than enough revenue to support expansion of the state's Medicaid program. And the financial and economic benefits don't end there. Nebraska businesses would avoid paying \$11-\$16 million annually for ACA related taxes and penalties, \$142.7 million in medical-related bankruptcies would be averted during the next five years, cost shifting that inflates costs for everyone who purchases insurance would be reduced, businesses would benefit from improved worker health and productivity and low-wage workers would receive an increase in their disposable income, which is beneficial for Main Street.

The NHA contends that opposition to expanding Medicaid in Nebraska is strictly an ideological position unsupported by the facts. Medicaid expansion is a win-win for the state and all Nebraskans.