

A FISCAL AND ECONOMIC ANALYSIS OF MEDICAID EXPANSION IN MISSISSIPPI UNDER THE AFFORDABLE CARE ACT



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Executive Summary

This report presents a fiscal and economic analysis of Medicaid expansion in Mississippi. Importantly, this report makes no recommendations regarding Medicaid expansion in Mississippi, but represents an evaluation of the changes to revenues received and disbursed by state government and the impacts to economic output, employment, personal income, and population expected if Mississippi enters the expanded Medicaid program. We find that Medicaid expansion in Mississippi would increase Medicaid enrollment in the state by approximately 228,000 to 233,000 individuals between 2022 and 2027. This additional population consists of individuals ages 19 to 64 with household incomes below 138 percent of the federal poverty level. The federal government covers 90 percent of the expenditures for the expansion population beginning in 2022 while Mississippi is responsible for the remaining 10 percent. We estimate the annual costs to the state from Medicaid expansion before considering any savings range from approximately \$186 million to \$207 million from 2022 to 2027. These costs include Mississippi's portion of Medicaid expenditures for the expansion group and the administrative costs the state incurs because of expansion.

Mississippi will be able to save funds from a variety of sources if the state enters Medicaid expansion according to our estimates. We estimate these total annual savings range from approximately \$206 million to \$227 million between 2022 and 2027—roughly offsetting the annual costs to the state from Medicaid expansion over the same period. Significantly, in each year from 2022 to 2027 in our analysis, between 75 and 80 percent of the total savings result from reductions in uncompensated care costs at hospitals. Therefore, based on our investigation the most critical factor in determining the total savings to the state from Medicaid expansion is how much of a reduction will occur in uncompensated care costs. In addition, the American Rescue Plan, enacted in March 2021, increases the federal medical assistance percentage (FMAP) rate on traditional or existing Medicaid by 5-percentage points in new expansion states during the first two years of expansion. We estimate this temporary increase in the FMAP rate will save Mississippi around \$306 million and \$316 million in 2022 and 2023, respectively, if the state enters Medicaid expansion. Based on our cost estimates, the state could fully fund over three years of expansion costs from the FMAP savings—outside of the other annual savings from Medicaid expansion—if officials chose to do so.

We determine Medicaid expansion in Mississippi will positively impact state revenues and the overall economy. Between 2022 and 2027 we estimate the most the state will receive in additional annual revenues as a result of Medicaid expansion is around \$44 million in a given year, a relatively modest increase. The largest portion of these additional revenues will come from the increase in individual income tax revenues. We estimate Medicaid expansion will increase the state's real GDP each year from 2022 to 2027 between about \$719 million and \$783 million. In terms of employment, we find that Mississippi would add 11,300 jobs a year on average from 2022 to 2027 as an indirect result of Medicaid expansion. The majority of these additional jobs would occur in the Health Care and Social Assistance sector. The average annual increase in jobs equals around 1.0 percent of total employment in the state in 2019. However, the state would need to increase its current supply of employees in the health care field to realize these job gains. The annual increases to personal income in Mississippi as a result of Medicaid expansion from 2022 to 2027 range from approximately \$539 million to \$812 million. Finally, we estimate Medicaid expansion would increase the population of the state by about 3,300 to 11,500 new residents per year between 2022 and 2027.¹

¹We thank Will Davis, Assistant Professor in the Department of Agricultural Economics at Mississippi State University, for his helpful comments and suggestions on an earlier draft of this report. We are entirely responsible for any errors or omissions.

A Fiscal and Economic Analysis of Medicaid Expansion in Mississippi under the Affordable Care Act

When the Affordable Care Act (ACA) became law in 2010, a central component of the legislation was the expansion of the federal and state Medicaid program in all fifty states. The ACA scheduled this expansion to begin nationwide in 2014. In 2012, however, the U.S. Supreme Court ruled in *NFIB vs. Sebelius* that the provision was unconstitutionally coercive because of the federal government's intention to withhold Medicaid funds from states that did not comply. As a result of the court's decision, individual states could decide to proceed with Medicaid expansion under the ACA or maintain eligibility according to traditional Medicaid.

Twenty-four states initially chose to participate when the ACA instituted Medicaid expansion in 2014. The total number of states, as well as the District of Columbia, that have opted to participate in Medicaid expansion stands at thirty-eight as of June 2021². Notably, to date no state that elected to enroll in Medicaid expansion has exercised its option under the ACA to withdraw from the expanded program. Mississippi is one of twelve states, most of which are in the Southeast, that thus far have elected to remain in the traditional Medicaid program only.

This report presents a fiscal and economic analysis of Medicaid expansion in Mississippi. It represents an evaluation of the changes to revenues received and disbursed by state government and the impacts to economic output, employment, personal income, and population expected if Mississippi enters the expanded Medicaid program. The effects on the economic welfare of a particular individual or group are not evaluated. The analysis considers the expansion allowed under the provisions of the ACA that does not require the state to seek any waivers from the U.S. Secretary of Health and Human Services for changes to the Medicaid conditions—such as the work requirements sought by some states through waivers. Importantly, this report makes no recommendations regarding Medicaid expansion in Mississippi, but instead presents a straightforward evaluation of the expected outcomes from a standard expansion under the ACA.

Medicaid expansion

The provisions of the ACA extended Medicaid eligibility in participating states to adults ages 19 to 64, including adults without children, with family/household incomes below 133 percent of the federal poverty level. The law also included what is known as a 5 percent income disregard that effectively sets the income threshold at less than 138 percent of the federal poverty level. Eligible adults include citizens as well as legal immigrants who have resided in the U.S. for at least five years. As part of the expansion, the federal government paid 100 percent of the Medicaid costs of the expansion group in participating states each year from 2014 to 2016. This percentage decreased to 95 percent in 2017, to 94 percent in 2018, to 93 percent in 2019, and finally to 90 percent in 2020 and each year thereafter. Thus, states that entered expansion prior to 2020 received the most generous funding from the federal government. However, the American Rescue Plan, which became law in March 2021, provides a 5-percentage point increase in the federal medical assistance percentage (FMAP) for two years for most of the traditional or existing Medicaid group in states that have not elected to expand Medicaid should those states decide to expand. The FMAP is the rate at which the federal government reimburses a particular state for an enrollee's Medicaid expenditures. A state may expand Medicaid at any time and receive the 5-percentage point increase in the FMAP on its traditional Medicaid group for two years. In addition, the Families First Coronavirus Response Act (FFCRA) that became law in March 2020 temporarily increased the FMAP on traditional Medicaid populations in all states by 6.2 percentage points. However, our analysis assumes an end to the declaration of a public health emergency will occur prior to the start of Medicaid expansion

²Voters in Missouri and Oklahoma approved Medicaid expansion in 2020. Both states were scheduled to implement expansion beginning July 1, 2021. Legal challenges to expansion in Missouri were resolved in August of 2021.

in Mississippi with the result that the 6.2-percentage point increase in the FMAP will no longer be in effect.

Estimating populations

The first step in analyzing Medicaid expansion is to identify current Medicaid enrollment. The monthly data on enrollment in Mississippi are available for each month of 2020 from the web site Data.Medicaid.gov. The average total monthly enrollment in Medicaid and the Children's Health Insurance Program (CHIP) in Mississippi in 2020 according to this source was 642,395. This number represents a 3.6 percent increase in average total monthly enrollment from 2019, an increase mostly driven by the coronavirus pandemic and associated recession. We use the 2020 enrollment number to develop a total enrollment for 2022, the first year Medicaid expansion in Mississippi begins in our analysis. We assume the 2020 enrollment number gradually declines as the pandemic fades and the economy recovers. In 2021, average total monthly Medicaid enrollment in the state is assumed to decrease to 631,126, which is half of the rate of increase in 2020. In 2022, the first year of expansion in the analysis, the average total monthly Medicaid enrollment in the traditional program is assumed to decrease to 619,766, which again is half the rate of increase in 2020. We assume the traditional Medicaid number in Mississippi remains relatively stable in the following years considered in our analysis, declining at a rate of 0.5 percent per year as the economy improves. This figure does not include the expansion group and the calculations for determining this number are discussed below.

After determining the size of the traditional Medicaid population in the first year of expansion, the next step is determining the size of the expansion group. As mentioned previously, Medicaid eligibility under the ACA is extended to individuals ages 19 to 64 with annual incomes below 138 percent of the federal poverty level. Specific information on this population in Mississippi is not readily available and must be inferred from other sources. Several studies on Medicaid expansion use data from the American Community Survey produced by the U.S. Census Bureau that is available through the University of Minnesota's Integrated Public Use Microdata Series. These data were evaluated for Mississippi for 2019 to arrive at an expected Medicaid expansion population in 2022. Only the 2019 survey data are used because 2019 is the sole year that includes information about respondents who have health insurance coverage through their employer. The total sample size in the survey for ages 19 to 64 in Mississippi equaled 16,471 respondents. Once this age group was identified, it was then filtered by incomes below 138 percent of the federal poverty level. As the federal poverty level varies by family size, this process required determining 138 percent of the level across the family sizes included in the survey, which ranged from one to thirteen members. After these levels were established, individual observations were separated by family size and income. The total number of individuals in the 2019 sample year with annual incomes below 138 percent of the federal poverty level equaled 3,113. This number represents a share of the total sample of 18.9 percent. The next step is to determine the actual population in Mississippi in 2019 that ranged from age 19 to 64 years old. These data are available from the U.S. Census Bureau for each age in the desired range. In 2019 this total population equaled 1,750,670 residents. We assume that the share of the 19- to 64-year-old population in the state with incomes below 138 percent of the federal poverty level corresponds to the same shares in the total sample in the American Community Survey data. Therefore, using the share mentioned above we found a total potential Medicaid expansion population in Mississippi in 2019 of 330,875 residents.

The preceding value represents only the *potential* Medicaid expansion population in 2019 and must be delineated further to get to a reasonable expectation of the expansion group. Other characteristics of respondents in the survey are used to further narrow the expansion group: number with any type of health insurance coverage, number with health insurance coverage through an employer, number with health insurance coverage purchased through the federal marketplace, and number with Medicaid coverage. Each of these groups is included because their participation rates in Medicaid will vary.

In the 2019 survey data, the share of respondents ages 19 to 64 with annual incomes below 138 percent of the federal poverty level who had any health insurance coverage was 68.6 percent. Therefore, the share of respondents with no health insurance coverage in 2019 was 31.4 percent. The share of respondents in the survey in 2019 with health insurance coverage through an employer equaled 23.4 percent. In the survey data a total of 10.3 percent of respondents purchased health insurance through the federal marketplace. The share of respondents with Medicaid coverage in the survey in 2019 was 33.5 percent. These shares are multiplied by the potential Medicaid expansion population defined above to get an estimated potential expansion population by coverage level.

The next step in estimating the Medicaid expansion population beginning in 2022 is determining how many individuals in the groups outlined above will enroll. We follow the take up percentages used by Becker (2019), which he based on data from the Urban Institute. According to these estimates 79 percent of those uninsured in expansion states that gain eligibility will enroll in Medicaid. The lowest take up rate assumed is 15 percent for those with employer-sponsored coverage who gain Medicaid eligibility. For those who purchase health insurance coverage from the federal marketplace, the take up rate is 85 percent. Finally, we conservatively assume 100 percent of those in the newly eligible population already enrolled in Medicaid remain enrolled following expansion.

The calculations for the estimated 2019 Medicaid expansion population in Mississippi are outlined in Table I below. The first row lists the total potential Medicaid expansion population in Mississippi in 2019 determined previously of 330,875 residents. The second row of Table I lists the share of respondents according to type of coverage, including no coverage, employer-based coverage, coverage purchased through the federal marketplace, and those already enrolled in Medicaid. The product of the total potential Medicaid expansion population and the share of respondents by type of coverage are listed in the third row of Table I. The take up rates by type of coverage discussed in the previous paragraph are listed in the fourth row. The fifth row lists the estimated expansion population by type of coverage, which is the product of the estimated potential expansion population by type of coverage and the assumed take up rate. The last entry in Table I is the total estimated expansion population for 2019 and equals the sum of the estimated expansion populations by type of coverage, which is 233,489 residents.

Table I. Estimated 2019 Medicaid expansion population by type of health insurance coverage.

	None	Employer	Marketplace	Medicaid
Estimated potential expansion population	330,875	330,875	330,875	330,875
Share of respondents by coverage	31.4%	23.4%	10.3%	33.5%
Estimated potential expansion population by coverage	104,056	77,484	34,012	110,752
Take-up rate assumed	79.0%	15.0%	85.0%	100.0%
Estimated expansion population by coverage	82,204	11,623	28,910	110,752
Total estimated expansion population	233,489			

The estimated expansion population for 2019 is used to derive the same population for 2020. The calculation of the estimated Medicaid expansion population for 2020 uses the projected population of the 19- to 64-year-old age group obtained from the Tax-PI software of 1,749,061 to get a total

potential Medicaid expansion population for the year. Tax-PI is a dynamic fiscal and economic impact model produced by Regional Economic Models, Inc. (2021), and is used to assess the economic impacts of Medicaid expansion in Mississippi, discussed later. The projected population is multiplied by the 18.9 percent share of survey respondents determined to have annual incomes below 138 percent of the federal poverty level in 2019. This calculation results in a potential Medicaid population for 2020 of 330,570. As in the previous estimate, this potential population is multiplied by the share of respondents in 2019 that reported no health insurance coverage, employer-based health insurance coverage, health insurance coverage purchased from the federal marketplace, and existing Medicaid coverage. Once these calculations are performed, the take up rates used previously are multiplied by the appropriate subgroup: 79 percent for the uninsured, 15 percent for those with employer-based coverage, 85 percent for those who purchased coverage from the federal marketplace, and 100 percent for those already covered by Medicaid. The four values found after multiplying by the take up rates are then summed to determine the estimated Medicaid expansion population for 2020 of 233,275. The preceding steps in this paragraph are repeated with projected population data for 2021 and the subsequent years included in the analysis to determine the respective estimated annual Medicaid expansion populations.

Estimating costs

After estimating both traditional and expansion Medicaid populations, the next step in the analysis is determining expected costs based on these population estimates. According to the Medicaid Budget and Expenditure System, total net expenditures in Mississippi for Medicaid in 2019 (federal and state) were \$5,506,770,865. These expenditures were utilized on behalf of a total Medicaid and CHIP enrollment of 621,025 residents. Therefore, dividing the latter number into the former number, per capita Medicaid expenditures in Mississippi in 2019 were \$8,867. Becker (2019) notes that, “Individuals who gain Medicaid coverage will utilize more health care services than when they were uninsured, but will consume fewer services than current adult Medicaid beneficiaries, who are disproportionately disabled.” Therefore, we assume that per capita costs of Medicaid expansion enrollees will equal two thirds of the costs of current Medicaid enrollees. This relationship is approximately the same as that reported by Becker between the health care expenditures of privately insured individuals and publicly insured individuals, both with family incomes below 138 percent of the federal poverty level. Thus, using the per capita expenditures for traditional Medicaid calculated above, estimated per capita Medicaid expenditures for the expansion group in Mississippi for 2019 are \$5,911. For subsequent years, we follow Becker and increase this amount by 2.6 percent annually.

Administrative costs represent the other component of the annual expenditures associated with Medicaid expansion in Mississippi. The Mississippi Division of Medicaid reported administrative expenditures in 2019 that were 3.1 percent of the total net expenditures for Medicaid cited in the previous paragraph. Becker assumes administrative costs equal 1.55 percent of total program costs, which he maintains likely overstates the administrative costs of expansion, which are expected to be less than those of the current Medicaid program. Based on this information, we conservatively assume annual administrative costs for Medicaid expansion in Mississippi equal 2.5 percent of net expenditures for expansion.

Using the data discussed up to this point, we calculate annual estimates of the total expenditures for Medicaid expansion in Mississippi. These are costs to the state before any savings in Medicaid or other areas of state government are considered, which are discussed later. Table 2 outlines the derivation of projected annual expenditures for Medicaid expansion in Mississippi from 2022 through 2027. The majority of Table 2 repeats the calculations of Table 1 in determining the estimated expansion enrollment for the years 2022 through 2027. The population projections from the Tax-PI software of the 19- to 64-year-old age group for each year are multiplied by the share of respondents in this age group in the 2019 ACS data who have annual incomes below 138 percent of the federal poverty level. This potential Medicaid expansion population for each year is multiplied by each of the shares of

respondents in the 2019 ACS data who were enrolled in Medicaid, had no health insurance coverage, had health insurance coverage through an employer, and purchased health insurance coverage through the federal marketplace. The number in each of these groups is multiplied by the respective take up percentages discussed previously. These products are then summed to get the total estimated expansion enrollment for each year. The total expansion enrollment in each year is multiplied by the estimated per capita expenditures for each year to get the total annual expenditures for Medicaid expansion in Mississippi. Each of these annual numbers is multiplied by 10 percent, the share of expansion expenditures for which the state is responsible under the ACA. The total annual expansion costs are multiplied by 2.5 percent as discussed previously to determine the annual administrative costs of Medicaid expansion in Mississippi. Finally, these last two amounts are summed to get the total estimated annual costs of Medicaid expansion in the state from 2022 to 2027. As seen in the last row of Table 2, these annual costs to the state range from almost \$186 million in 2022 to \$207 million by 2027. Our cost estimate for 2022 is slightly less than the \$207 million estimate for Mississippi for 2022 by Ku and Brantley (2021).

Estimating savings

The preceding section discussed estimates of the costs of Medicaid expansion in Mississippi without considering any potential savings to the state that result from participating in the program. This section outlines the primary sources of savings Mississippi could expect from Medicaid expansion.

Higher FMAP rate for two years

As discussed on page 3, the American Rescue Plan includes a provision that will increase the FMAP rate on the traditional Medicaid population by 5 percentage points for two years in states that have yet to expand Medicaid under the ACA once those states implement expansion. Since our analysis of Medicaid expansion in Mississippi begins in 2022, we assume the 5-percentage point increase in the FMAP applies to the costs of the traditional Medicaid population in the state for 2022 and 2023. Table 3 lists the derivation of the estimates of the expenditures for the traditional Medicaid population in Mississippi from 2020 to through 2023 under expansion.

The first column of Table 3 lists calculations of the cost of the traditional Medicaid program as estimated for 2020. The actual combined Medicaid and CHIP enrollment obtained from Data.Medicaid.gov is used in this calculation. The per capita expenditures amount of \$9,195 is the value of \$8,867 for 2019 increased by 2.6 percent as discussed on page 6. The FMAP rate of 77.0 percent was the actual rate used by the federal government for Mississippi in 2020. These values are used to compute a total cost of traditional Medicaid to Mississippi for 2020 of just over \$1.36 billion. The same calculation is performed for 2021 as seen in the second column of Table 3, with the only difference being that the enrollment for 2020 is decreased by 1.8 percent to account for an improving economy. In the fifth column of Table 3 the calculations for 2023 are similar, but since the FMAP rate for 2023 is not yet known we increase the 2022 rate by a conservative 0.5 percentage point to 78.8 percent, consistent with the recent history of the change in the FMAP in Mississippi.

We then use these values to calculate the cost of traditional Medicaid in Mississippi in 2022 of \$1,329,878,063, which essentially represents the status quo without expansion. Then we increase the FMAP by 5 percentage points to 83.3 percent and repeat the calculations to reach a cost of traditional Medicaid in the first year of expansion of \$1,023,454,547. The difference between these two amounts is \$306,423,517, which represents the savings in traditional Medicaid to the state in the first year of expansion. In the last column of Table 3 the FMAP of 78.8 percent is used and the “status quo” cost of traditional Medicaid in Mississippi without expansion is computed. This amount is slightly higher than in 2022 at \$1,340,570,896. Then the FMAP is increased by 5 percentage points to 83.8 percent and the

Table 2. Derivation of projected annual costs of Medicaid expansion in Mississippi, 2022 to 2027.

	2022	2023	2024	2025	2026	2027
[A] Estimated population 19-64 years old	1,743,700	1,737,199	1,728,458	1,720,249	1,716,101	1,712,610
[B] Share in 2019 ACS data with incomes below 138% FPL	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%
[C] Estimated population ages 19-64 with incomes below 138% FPL (A × B)	329,557	328,329	326,677	325,125	324,341	323,681
[D] Share enrolled in Medicaid in 2019 ACS data	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
[E] Number enrolled in Medicaid (C × D)	110,311	109,900	109,347	108,828	108,565	108,344
[F] Number assuming take up rate of 100% (E × 1.0)	110,311	109,900	109,347	108,828	108,565	108,344
[G] Share with no health insurance coverage in 2019 ACS data	31.4%	31.4%	31.4%	31.4%	31.4%	31.4%
[H] Number with no health insurance coverage (C × G)	103,642	103,255	102,736	102,248	102,001	101,794
[I] Number assuming take up rate of 79% (H × 0.79)	81,877	81,572	81,161	80,776	80,581	80,417
[J] Share with employer health insurance coverage in 2019 ACS data	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
[K] Number with employer health insurance coverage (C × J)	77,175	76,888	76,501	76,138	75,954	75,799
[L] Number assuming take up rate of 15% (K × 0.15)	11,576	11,533	11,475	11,421	11,393	11,370
[M] Share with marketplace health insurance coverage in 2019 ACS data	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
[N] Number with marketplace coverage (C × M)	33,877	33,750	33,581	33,421	33,341	33,273
[O] Number assuming take up rate of 85% (N × 0.85)	28,795	28,688	28,544	28,408	28,339	28,282
[P] Total estimated expansion enrollment (F + I + L + O)	232,560	231,693	230,527	229,432	228,879	228,413
[Q] Estimated per capita expansion expenditures	\$6,385	\$6,551	\$6,721	\$6,896	\$7,075	\$7,259
[R] Total estimated expansion expenditures (P × Q)	\$1,484,817,848	\$1,517,743,060	\$1,549,369,645	\$1,582,102,981	\$1,619,324,077	\$1,658,046,391
[S] Mississippi portion of expansion expenditures (R × 0.10)	\$148,481,785	\$151,774,306	\$154,936,964	\$158,210,298	\$161,932,408	\$165,804,639
[T] Estimated administrative costs of expansion in Mississippi (R × 0.025)	\$37,120,446	\$37,943,576	\$38,734,241	\$39,552,575	\$40,483,102	\$41,451,160
[U] Total estimated annual cost of Medicaid expansion in Mississippi (S + T)	\$185,602,231	\$189,717,882	\$193,671,206	\$197,762,873	\$202,415,510	\$207,255,799

calculations are repeated, again with the result of \$1,024,398,515. The difference between these two amounts is \$316,172,381, which represents the savings in traditional Medicaid to the state in the second year of expansion. The sum of the estimated savings in traditional Medicaid to Mississippi in the first two years of expansion from the 5-percentage point increase in the FMAP equals \$622,595,898. Based on the estimated annual costs of expansion to the state as determined in Table 2, the increase in the FMAP in the first two years of expansion therefore will fully offset the first 3.25 years of costs to the state without considering any other savings within or outside of the Medicaid program. Because we use more conservative numbers in our calculations, our estimate that the two-year 5-percentage point increase in the FMAP will cover 3.25 years of the costs of expansion in the state is almost a full year less than the 4.2 years for Mississippi estimated by Striar, Boozang, and Mann (2021). In their analysis of the American Rescue Plan provisions, the authors estimate the increase in the FMAP will offset at least three years of the costs of expansion in all states that have not expanded Medicaid.

Table 3. Derivation of projected savings in traditional Medicaid from two-year increase in FMAP rate.

	2020	2021	2022	2023
Traditional Medicaid enrollment	642,695*	631,126	619,766	616,667
Per capita expenditures	\$9,195	\$9,536	\$9,888	\$10,254
FMAP rate	77.0%*	77.8%*	78.3%*	78.8%
Total traditional Medicaid cost to Mississippi	\$1,360,432,252	\$1,338,432,973	\$1,329,878,063	\$1,340,570,896
FMAP + 5%	<i>n/a</i>	<i>n/a</i>	83.3%	83.8%
Traditional Medicaid cost to Mississippi with FMAP + 5%	<i>n/a</i>	<i>n/a</i>	\$1,023,454,547	\$1,024,398,515
Savings from FMAP + 5%			\$306,423,517	\$316,172,381
Total savings to Mississippi from FMAP + 5%				\$622,595,898

*actual value

Movement of disabled to expansion group

Another potential source of savings to the state from Medicaid expansion is the movement of disabled individuals from the traditional Medicaid group to the expansion group. That is, those individuals who currently receive Medicaid coverage based on a disability but who would receive coverage under expansion because their household income is below 138 percent of the federal poverty level. The savings occur because, as noted above, the FMAP for those covered in the expansion group is 90 percent while the FMAP for those in the traditional Medicaid group currently is less than 80 percent.

Using the same American Community Survey data described previously, we filtered the sample by individuals with household incomes below 138 percent of the federal poverty level in 2019 who also had Medicaid coverage. We then filtered the sample by those who responded that they have difficulty living independently, using this variable as a proxy for a disability designation. We also limited the sample to those individuals who were not covered by Medicare in 2019. Individuals who receive Social Security Disability Insurance must wait at least twenty-four months before they can obtain Medicare coverage and can receive Medicaid coverage during this period if they qualify. After filtering the sample according to these parameters, we find that 2.1 percent of those surveyed who had Medicaid coverage also met

the criteria of a household income below 138 percent of the poverty level, no Medicare coverage, and disability according to the variable for difficulty living independently. This approximation is likely a conservative estimate of the number of individuals in this group. To determine the savings to Medicaid in 2022 from moving these individuals to expansion coverage, we multiplied the 2.1 percent share by the estimated traditional Medicaid enrollment of 619,776 as reported in Table 3. This calculation results in a total of 13,259 individuals with incomes below 138 percent of the federal poverty level, no Medicare coverage, and who are disabled. This number is multiplied by the per capita medical costs of traditional Medicaid in 2022 of \$9,888, also reported in Table 3, to determine total estimated costs for this group of \$131,110,307. The share of these costs to the state is equal to 1 minus the FMAP for 2022 of 78.3 percent multiplied by the total costs, which equals \$28,450,937. The share of these costs to the state under Medicaid expansion equals 1 minus the FMAP of 90.0 percent multiplied by the total costs, which equals \$13,111,031. Thus, the estimated total savings to the state in 2022 if this group is moved to expansion coverage is \$15,339,906. These calculations are repeated for subsequent years through 2027 and are presented in Table 4. The annual savings gradually decrease each year as both the total traditional Medicaid enrollment falls and the FMAP rate on the traditional group increases. Through 2027 the annual savings average just under \$15 million. This amount is comparable to the annual savings reported by Becker (2019) from moving disabled Medicaid enrollees in Alabama to expansion coverage, which he notes Manatt Health estimates ranges from \$8 to \$11 million over the 2020 to 2023 period.

Table 4. Derivation of projected savings in traditional Medicaid from moving disabled to expansion.

	2022	2023	2024	2025	2026	2027
Traditional Medicaid enrollment	619,766	616,667	613,584	610,516	607,464	604,426
Share of disabled with incomes below 138% FPL	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Number of disabled with incomes below 138% FPL	13,259	13,193	13,127	13,061	12,996	12,931
Per capita expenditures	\$9,888	\$10,254	\$10,634	\$11,027	\$11,435	\$11,858
Total expenditures	\$131,110,307	\$135,281,581	\$139,585,565	\$144,026,479	\$148,608,682	\$153,336,667
FMAP	78.3%	78.8%	79.3%	79.8%	80.3%	80.8%
Mississippi share	\$28,450,937	\$28,679,695	\$28,894,212	\$29,093,349	\$29,275,910	\$29,440,640
FMAP of expansion	90%	90%	90%	90%	90%	90%
Mississippi share of expansion expenditures	\$13,111,031	\$13,528,158	\$13,958,556	\$14,402,648	\$14,860,868	\$15,333,667
Savings	\$15,339,906	\$15,151,537	\$14,935,655	\$14,690,701	\$14,415,042	\$14,106,973

Movement of pregnant women to expansion group

Much like the movement of disabled individuals from the traditional Medicaid group to the expansion group, pregnant women represent another potential source of savings. Currently, pregnant women in Mississippi with household incomes below 194 percent of the federal poverty level are eligible for Medicaid coverage up to sixty days after giving birth. Like disabled individuals, women with a pregnancy-based eligibility under traditional Medicaid with household incomes below 138 percent of the federal poverty level would receive coverage under expansion. The state would realize savings because as previously discussed the FMAP for those covered in the expansion group is 90 percent while the FMAP for those in the traditional Medicaid group through 2022 is less than 80 percent. We use the estimate by Manatt Health that 45 percent of pregnant women with traditional Medicaid coverage would move to the expansion group, as noted by Becker (2019).

According to the Mississippi Division of Medicaid, pregnant women represented approximately 2.0 percent of the traditional Medicaid population in the state in state fiscal year 2019 (Snyder 2020). We multiply our previously discussed estimated Medicaid enrollment for 2022 of 619,766 by 2.0 percent to reach an estimate of 12,395 pregnancy-eligible women for that year. We then multiply this number by 45 percent as noted in the previous paragraph to reach an estimate of 5,578 individuals who would move to Medicaid expansion in 2022. This number is multiplied by the per capita medical expenditures of traditional Medicaid in 2022 of \$9,888, reported in Table 3, to determine total estimated costs for this group of \$69,139,829. The share of these costs to the state is equal to 1 minus the FMAP for 2020 of 77.0 percent multiplied by the total costs, which equals \$15,003,343. The share of these costs to the state under Medicaid expansion equals 1 minus the FMAP of 90.0 percent multiplied by the total costs, which equals \$6,913,983. Thus, the estimated total savings to the state in 2022 if this group were moved to expansion coverage equals \$8,089,360. These calculations are repeated for subsequent years and Table 5 lists the estimated annual savings to the state each year from 2022 to 2027. The annual savings gradually decrease each year as both the total traditional Medicaid enrollment falls and the FMAP rate on the traditional group increases. The annual savings from 2022 to 2027 average just under \$8 million. These estimates are in line with those of Manatt Health for Alabama cited by Becker (2019) of \$11 million to \$13 million per year. Similarly, an analysis by Bachrach et al. (2016) reported Arkansas saved \$15.2 million in 2015 from moving pregnant women to expansion coverage.

Savings from enhanced federal matching funds

In Mississippi and other states, the Breast and Cervical Cancer Treatment Program is funded by the federal government and matched with state funds. The program provides Medicaid coverage for individuals over the course of their treatment who are under 65 years old, uninsured, and not eligible for Medicaid. When a state expands Medicaid, those individuals with household incomes below 138 percent of the federal poverty level who would have been covered by the Breast and Cervical Cancer Treatment Program receive coverage through expanded Medicaid, resulting in savings to the state. We estimate these savings to Mississippi beginning in 2019 to equal approximately \$2 million per year based on appropriations in state fiscal year 2019. Similarly, states that expand Medicaid can receive an enhanced federal match rate for family planning services. Those individuals with household incomes below 138 percent of the federal poverty level who would have qualified for the services can receive coverage through expanded Medicaid at a higher federal match rate, resulting in savings to the state. We estimate the savings to Mississippi starting in 2019 will equal around \$5.5 million per year based on appropriations in state fiscal year 2019. We assume relatively slow growth in these savings of 1.0 percent each year from 2019 through 2027, which results in average annual savings of almost \$5.8 million during this period.

State spending on mental health and substance abuse treatment represents another potential source of savings if Mississippi participates in Medicaid expansion. As noted by Bachrach et al. (2016),

uninsured individuals who benefit from these services can receive coverage as part of the expansion group, which means federal funds are used for these services rather than state funds, which results in savings to the state. We determined the total savings to the state from replacing state funds with Medicaid funds for mental health and substance abuse treatments equaled approximately \$8.5 million in 2020, based on appropriations for the state fiscal year. Included in this total are Medicaid matching funds, funds for substance abuse programs, and physician services at community mental health centers.

Table 5. Derivation of projected savings in traditional Medicaid from moving pregnant women to expansion.

	2022	2023	2024	2025	2026	2027
Traditional Medicaid enrollment	619,766	616,667	613,584	610,516	607,464	604,426
Estimated share of pregnant women	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Number of disabled with incomes < 138% FPL	5,578	5,937	5,907	5,878	5,848	5,819
Per capita expenditures	\$9,888	\$10,254	\$10,634	\$11,027	\$11,435	\$11,858
Total expenditures	\$69,139,829	\$78,322,034	\$77,540,772	\$76,767,303	\$76,001,549	\$75,243,433
FMAP	78.3%	78.8%	79.3%	79.8%	80.3%	80.8%
Mississippi share	\$15,003,343	\$16,604,271	\$16,050,940	\$15,506,995	\$14,972,305	\$14,446,739
FMAP of expansion	90%	90%	90%	90%	90%	90%
Mississippi share of expansion expenditures	\$6,913,983	\$7,832,203	\$7,754,077	\$7,676,730	\$7,600,155	\$7,524,343
Savings	\$8,089,360	\$8,772,068	\$8,296,863	\$7,830,265	\$7,372,150	\$6,922,396

As with services for pregnant women discussed in the previous section, we assume relatively slow growth in these savings of 1.0 percent each year from 2019 through 2027. The average savings to the state from 2022 to 2027 under Medicaid expansion equal approximately \$8.9 million. Becker (2019) notes savings for mental health and substance abuse programs from Medicaid expansion can vary widely across states. He cites the Manatt Health estimate for Alabama of \$33.1 million per year. Bachrach et al. (2016) report a range of savings of \$9.0 million in Kentucky to \$180.0 million in Michigan in 2014.

Savings from health care costs for prisoners

Multiple studies of Medicaid expansion in different states note the potential for states to realize savings in their correctional services budgets. The Medicaid program specifically excludes payments for medical care of any inmates housed in public prisons. Medicaid will, however, provide payments for an inmate that receives care of a minimum of twenty-four hours at a medical facility outside of a state's correctional system. Thus, when a state participates in Medicaid expansion, it can supplement its budget for corrections by the total amount spent on inpatient medical care of inmates at outside medical facilities. In Mississippi, the state appropriated approximately \$7.6 million in fiscal year 2020 for invoices for medical services for inmates (Mississippi Legislature, Senate 2020, S2936). We use this amount as a basis for estimating the potential savings to corrections in the state under Medicaid expansion. As the state's budget for medical services in its correctional system has been relatively flat in recent years, we conservatively increase the amount above by 1.0 percent each year starting in 2021. Therefore, in the first year of Medicaid expansion in 2022 we estimate the state can expect to save approximately \$7.8

million in its corrections budget. The state saves an average of roughly \$8 million a year from 2022 to 2027. According to Bachrach et al. (2016) most states have experienced relatively modest savings in corrections spending. For 2014 they reported Colorado saved \$5 million, Kentucky saved \$5.4 million, and Washington State saved \$0.7 million. Becker (2019) cites the Manatt Health estimate that Alabama would save \$12.2 million per year for inpatient care of prisoners under Medicaid expansion.

Savings from reductions in uncompensated care costs

Medicaid expansion could potentially reduce uncompensated care costs in Mississippi, which are substantial. According to the Mississippi Hospital Association, total uncompensated care costs in the state totaled \$616 million in 2019 (Moore 2020). This amount is comparable to the values reported by the Medicaid and CHIP Payment and Access Commission (MACPAC) for federal fiscal years 2017 and 2018. According to MACPAC total hospital uncompensated care costs for Mississippi in 2017 were \$606 million and in 2018 were \$592 million. As a share of hospital operating expenses these costs in Mississippi are relatively high, amounting to 7.6 percent in 2017 and 7.4 percent in 2018, which ranked fourth and sixth, respectively, among all states. Notably, in 2017 and 2018 Hawaii was the only state that was also a Medicaid expansion state that had uncompensated care costs that were a higher share of hospital operating expenses than Mississippi.

Ward (2020) observes, “. . . Medicaid expansion significantly reduces the amount of uncompensated care.” He finds that Medicaid expansion reduced uncompensated care costs in Arkansas by an estimated \$45 million in fiscal year 2021, equal to 24 percent of the total expected costs of expansion to the state in 2020. Bachrach et al. (2016) note in expansion states hospitals’ uncompensated care costs were reduced by 21 percent in 2014. Furthermore, they estimate that in state fiscal year 2015 Medicaid expansion reduced uncompensated care costs in Arkansas by \$17.2 million, in Kentucky by \$11.8 million, and in Maryland by \$13.6 million. Uncompensated care costs decreased 34 percent among hospitals in expansion states according to Blavin (2017). In a 2016 study Dranove, Garthwaite, and Ody estimate, based on the experience of states that expanded Medicaid, uncompensated care costs would be 30 percent less in non-expansion states if these states had expanded Medicaid during the same period. Finally, in a study specific to uncompensated care costs in Louisiana following Medicaid expansion, Callison et al. (2021) state: “On average, hospital uncompensated care costs fell by 33 percent in Louisiana after Medicaid expansion compared with costs for hospitals in nonexpansion states.” Based on this previous research, we conservatively assume uncompensated care costs in Mississippi would decline by an average of 25 percent per year following Medicaid expansion. We assume these costs increase 1.0 percent per year. Thus, in 2022, the first year of Medicaid expansion analyzed, we estimate uncompensated care costs in the state would equal approximately \$634.7 million. A 25 percent reduction in these costs that we assume under Medicaid expansion means the state would save around \$158.7 million in 2022. Over the 2022 to 2027 period, assuming the annual 2.6 percent increase in costs, the state would save an average of approximately \$169.3 million per year in uncompensated care costs from Medicaid expansion.

Disproportionate share hospital payments

Related to uncompensated care costs are disproportionate share hospital (DSH) payments. These are payments that Medicaid requires states to make to hospitals that have a relatively large share of Medicaid and low-income patients. The federal government provides each state with an allotment for DSH payments each year, and the size of these allotments differs considerably across states. DSH payments are relevant in the context of Medicaid expansion because the ACA originally scheduled reductions of the total amount designated for the payments to states to begin in 2014. The ACA intended for all states to participate in Medicaid expansion, reducing the number of uninsured and the level of uncompensated care, thereby decreasing the amount spent on DSH payments. Once Medicaid expansion became optional for states, however, Congress repeatedly delayed the scheduled reduction in

DSH payments. Current law stipulates the reductions in DSH allotments will begin in federal fiscal year 2024. Each year from 2024 to 2027, the total DSH allotment is scheduled to decrease by \$8 billion, which according to MACPAC (2021) represents 58 percent of expected DSH allotments in 2024³. In Mississippi, the total combined DSH allotment in federal fiscal year 2021 was \$215.4 million after adjustments for emergency coronavirus assistance. The federal government’s share of this allotment was \$180.8 million, or about 84 percent. According to MACPAC, this \$180.8 million represented 30.6 percent of hospital uncompensated care costs in Mississippi in fiscal year 2018. MACPAC also reports in fiscal year 2024 Mississippi’s expected combined DSH allotment is \$247.4 million, with \$192.4 million provided by the federal government. The expected reduction in the federal government’s portion of the allotment in 2024 is \$131.6 million, a decrease of 68.4 percent. Thus, as U.S. law is currently written, Mississippi and other states will experience considerable reductions in federal funds received for uncompensated care that could translate into decreases in funds for some hospitals, particularly those known as “safety net” hospitals that are legally required to treat any individual regardless of his or her insurance status or ability to pay. These reductions are scheduled to occur regardless of the status of Medicaid expansion in a state and we do not incorporate DSH payment reductions in our analysis of the costs and savings of Medicaid expansion. However, we include the preceding discussion because as previously noted Medicaid expansion is expected to decrease uncompensated care costs, which could mitigate the impacts to the state and ultimately hospitals of any reductions in federal DSH allotments.

Table 6. Summary of estimated annual savings by source from Medicaid expansion in Mississippi.

	2022	2023	2024	2025	2026	2027
FMAP + 5%	\$306,423,517	\$316,172,381	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Movement of disabled	\$15,339,906	\$15,151,537	\$14,935,655	\$14,690,701	\$14,415,042	\$14,106,973
Movement of pregnant women	\$8,089,360	\$8,772,068	\$8,296,863	\$7,830,265	\$7,372,150	\$6,922,396
Breast and Cervical Cancer Treatment Program	\$2,006,059	\$2,026,119	\$2,046,381	\$2,066,844	\$2,087,513	\$2,108,388
Family planning services	\$5,666,656	\$5,723,322	\$5,780,555	\$5,838,361	\$5,896,744	\$5,955,712
Mental health and substance abuse programs	\$8,779,730	\$8,867,527	\$8,956,202	\$9,045,764	\$9,136,222	\$9,227,584
Inpatient care of prisoners	\$7,792,888	\$7,870,817	\$7,949,525	\$8,029,020	\$8,109,310	\$8,190,403
Reductions in uncompensated care	\$158,666,354	\$162,791,679	\$167,024,263	\$171,366,894	\$175,822,433	\$180,393,816
Total savings	\$512,764,470	\$527,375,450	\$214,989,444	\$218,867,849	\$222,839,414	\$226,905,272

³ Nevertheless, MACPAC notes that under current law no reductions in DSH allotments are scheduled after fiscal year 2027 and that higher, unreduced state DSH allotments will resume in fiscal year 2028.

Summary of savings

Table 6 below summarizes the annual savings to the state from Medicaid expansion by source from 2022 to 2027 as estimated in this section. In the first two years of Medicaid expansion analyzed, 2022 and 2023, the FMAP rate on the traditional Medicaid population is increased by 5 percentage points as discussed on page 10. This increase results in savings of more than \$300 million in both years, and the total savings in 2022 are almost \$513 million and in 2023 the total savings are just over \$527 million. In years 2024 to 2027 the annual savings range from approximately \$215 million to \$227 million. Significantly, between 75 and 80 percent of the total savings to the state from Medicaid expansion in these years are derived from reductions in uncompensated care costs. Thus, the estimate of these reductions becomes the critical factor in how much savings the state realizes from expansion after the first two years. Based on the assumptions we make about both the costs and the savings of Medicaid expansion to the state, we conclude that from 2024 to 2027 the costs and savings roughly offset one another. However, the savings from the increased FMAP rate in the first two years alone could fund more than three full years of Medicaid expansion costs based on our estimates if policymakers chose to use the funds for this purpose.

Economic impacts

The remaining portion of the report analyzes the impacts to economic output, employment, personal income, and population expected if Mississippi enters the expanded Medicaid program. URC uses a dynamic fiscal and economic impact model known as Tax-PI to conduct an evaluation of the effects of Medicaid expansion. Tax-PI includes elements of input-output and general equilibrium models, among others, and is an appropriate tool to assess the effects of a potential policy change as it provides results at a statewide level. Tax-PI is calibrated specifically to the economic and fiscal environment in Mississippi and Regional Economic Models, Inc. (2021) claims Tax-PI “captures the direct, indirect, and induced fiscal and economic effects of taxation and other policy changes over multiple years.” The direct effect is the change the user specifically enters into the model, while the indirect and induced effects are those forecast by the model that occur as a result of the direct effect. Tax-PI also provides results on an annual basis for a specified number of years into the future. Essentially the model will evaluate the economic and revenue effects from a policy change relative to a baseline scenario that assumes a continuation of current policies.

Table 7. Summary of estimated changes in revenue by source from Medicaid expansion in Mississippi*.

Source	2022	2023	2024	2025	2026	2027
Sales tax	\$4,599,606	\$9,572,761	\$10,449,364	\$11,323,834	\$12,037,727	\$12,691,627
Individual income tax	\$8,206,180	\$17,389,328	\$19,005,978	\$20,021,134	\$20,657,358	\$21,106,616
Corporate income tax	\$2,335,873	\$4,789,523	\$4,991,281	\$5,118,140	\$5,193,535	\$5,255,342
Use tax	\$608,421	\$1,266,253	\$1,382,207	\$1,497,879	\$1,592,311	\$1,678,806
All other taxes	\$3,840,654	\$4,180,753	\$4,458,873	\$4,650,367	\$4,807,344	\$2,824,937
Total	\$19,590,735	\$37,198,619	\$40,287,703	\$42,611,353	\$44,288,276	\$43,557,329

*2012 dollars. URC calculations.

The economic impacts of Medicaid expansion in Mississippi result from the influx of revenues the state receives from the federal government for 90 percent of the costs of the Medicaid expansion population and, in the first two years of expansion, the 5-percentage point increase in the FMAP on the traditional Medicaid population. Economic impacts also result from the additional spending by the state for 10 percent of the cost of the Medicaid expansion population; however, as Tables 2 and 6 indicate, this additional spending is more than offset by the savings in state spending that occur from expansion. Table 7 lists the annual changes to revenue from 2022 to 2027 by selected sources resulting from

Medicaid expansion in the state. These increases in tax revenues occur because of the additional Medicaid spending in the health care sector and therefore are considered indirect effects. Firms and individuals receive income and purchase goods that generate tax revenues to the state. These purchases lead to other economic activities that continue throughout the Mississippi economy, generating additional tax revenues. The total indirect increases in revenues to the state each year from 2022 to 2027 due to Medicaid expansion are relatively modest as seen in Table 7. Listed in the sixth column of Table 7, the largest annual increase in revenue of approximately \$44.3 million occurs in 2026. The largest source of indirect additional revenue is the individual income tax, listed in the third row of Table 7, which accounts for roughly half of the total increase in revenues each year.

Table 8 lists the estimated changes in real GDP, employment, personal income, and population in Mississippi due to Medicaid expansion according to the results of the Tax-PI model. The second row of Table 8 lists the changes in real GDP each year from 2022 to 2027 in 2012 dollars. Medicaid expansion increases the state's real GDP each year between about \$719 million and \$783 million. This largest increase occurs in 2025 and is equal to approximately 0.8 percent of Mississippi's total real GDP in 2019. The overall impact of Medicaid expansion on the state's economy is therefore positive. In one sense this impact is relatively modest; then again, between 2011 and 2019 Mississippi real GDP grew an average of 0.5 percent per year, so the additional increases to real GDP that would occur because of Medicaid expansion would mark an improvement from the state's recent history.

Table 8. Estimated changes in real GDP, employment, personal income, and population from Medicaid expansion in Mississippi.

Category	2022	2023	2024	2025	2026	2027
Real GDP*	\$718,777,284	\$758,436,856	\$779,427,151	\$782,966,346	\$780,997,920	\$776,962,823
Employment	10,894	11,363	11,526	11,433	11,273	11,081
Personal income	\$539,220,566	\$620,247,875	\$684,649,232	\$733,567,714	\$774,952,539	\$812,351,185
Population	3,299	5,787	7,757	9,285	10,505	11,505

* 2012 dollars. URC calculations.

The third row of Table 8 lists the change in employment in the state each year from 2022 to 2027 due to the effects of the additional spending from Medicaid expansion. According to the Tax-PI results, Mississippi would add an average of almost 11,300 jobs a year from Medicaid expansion. This number of jobs equals about 1.0 percent of total employment in the state in 2019. While a 1.0 percent increase in employment may appear relatively moderate, between 2010 and 2019 total nonfarm employment in Mississippi increased by an average of 0.7 percent per year. Thus, a full percentage point increase in employment each year from Medicaid expansion would represent a substantial increase from recent history in the state. As one might expect, the Tax-PI analysis indicates almost 60 percent of the jobs created by the additional Medicaid spending are found in the Health Care and Social Assistance sector. An important caveat, however, is this estimate represents *potential* jobs. Many healthcare jobs in Mississippi are currently unfilled as patient needs in locations throughout the state—including some of the poorest areas—exceed the capacity of available medical professionals (Zhang et al. 2020). Thus, in order for the additional spending from Medicaid expansion to increase the number of jobs in the state by the estimate of the Tax-PI model, the supply of healthcare workers would need to increase from its current level by nearly 5.0 percent per year. An increase in Medicaid enrollees in theory could attract additional medical personnel and facilities to the state if these enrollees are viewed as a sustainable source of patients. Additionally, the results of the Tax-PI model find that the state's labor force participation rate is essentially unchanged each year from 2022 to 2027 by entering Medicaid expansion.

The fourth row of Table 8 lists the change in personal income in Mississippi each year from 2022 to 2027 due to the increase in spending from Medicaid expansion according to the results of the Tax-PI

model. These amounts are given in current dollars, or unadjusted for inflation. BEA defines personal income as “the income received by, or on behalf of, all persons from all sources.” The effects of Medicaid expansion on personal income in Mississippi are similar to those of real GDP. The additions to personal income are larger each year from 2022 to 2027 and range from approximately \$539 million to \$812 million. This largest increase in 2027 represents 0.7 percent of total personal income in Mississippi in 2019.

The fifth and final row of Table 8 lists the changes to the population of Mississippi according to the results of the Tax-PI model from the increased spending of Medicaid expansion. The additions to the population are larger each year from 2022 to 2027 and range from about 3,300 to 11,500 new residents. The largest increase of 11,500 residents in 2027 represents about 0.4 percent of the state’s population in 2019. While the increases in population are not particularly large, they would represent a considerable shift from the trend of the past decade according to the most recent U.S. Census (2020), which reported Mississippi’s population declined 0.2 percent between 2010 and 2020. The population increases largely stem from the additional jobs created by expansion as discussed previously.

In summary, the analysis by the Tax-PI model from REMI, Inc., finds that the economic impacts to Mississippi from entering Medicaid expansion are positive from 2022 to 2027. The forecasted annual increases in real GDP, personal income, and population that result from the increased spending due to Medicaid expansion are all less than 1.0 percent of their 2019 levels. Despite the relatively modest size of these increases, they nevertheless would represent substantial improvements compared to the trends experienced by the state in recent years. The largest expected economic impact of Medicaid expansion in Mississippi arguably is on payroll employment, which is forecast to increase roughly 1.0 percent each year from 2022 to 2027. However, the majority of these forecasted jobs are in the health care sector, and the state has been unable to meet the current demand for health care workers due to the limited number of individuals employed in this field. Thus, the realization of much of the increase in employment forecasted to occur following Medicaid expansion—as well as the full benefits of the program—is contingent on increasing the supply of health care workers in Mississippi. Current residents would either need to receive the necessary education and training and then enter the medical field or health care workers from outside the state would need to move to Mississippi to expand the pool of available personnel.

Summary and Conclusions

This report presents a fiscal and economic analysis of Medicaid expansion in Mississippi under the Affordable Care Act as well as the recently enacted American Rescue Plan. While such an analysis requires a number of assumptions, where possible we have tried to clearly state these assumptions and provide references for the reasons behind them. Different assumptions from those we make that might be equally reasonable could lead to different results.

We find that Medicaid expansion in Mississippi would increase Medicaid enrollment in the state by approximately 228,000 to 233,000 individuals between 2022 and 2027. This additional population consists of individuals ages 19 to 64 with household incomes below 138 percent of the federal poverty level. The federal government covers 90 percent of the expenditures for the expansion population beginning in 2022 while Mississippi is responsible for the remaining 10 percent. We estimate the annual costs to the state from Medicaid expansion before considering any savings range from approximately \$186 million to \$207 million from 2022 to 2027. These costs include Mississippi’s portion of Medicaid expenditures for the expansion group and the administrative costs the state incurs because of expansion. Mississippi will be able to save funds from a variety of sources if the state enters Medicaid expansion according to our estimates. These sources include the movement of disabled individuals from traditional Medicaid coverage to the expansion group, the movement of pregnant women from traditional Medicaid coverage to the expansion group, inpatient care of prisoners, and reductions in

uncompensated care costs at hospitals. We estimate these total annual savings range from approximately \$206 million to \$227 million between 2022 and 2027—roughly offsetting the annual costs to the state from Medicaid expansion over the same period. Significantly, in each year from 2022 to 2027 in our analysis, between 75 and 80 percent of the total savings results from reductions in uncompensated care costs at hospitals. Therefore, based on our investigation the most critical factor in determining the total savings to the state from Medicaid expansion is how much uncompensated care costs will be reduced. In addition, under the provisions of the American Rescue Plan, which increases the FMAP rate on traditional Medicaid by 5-percentage points in new expansion states during the first two years of expansion, we estimate Mississippi will save around \$306 million and \$316 million in 2022 and 2023, respectively, if the state enters Medicaid expansion. Based on our cost estimates, the state could fully fund over three years of expansion costs from the FMAP savings if leaders chose to do so. Thus, based on our estimates of the costs and savings associated with Medicaid expansion, Mississippi could enter Medicaid expansion in 2022 and incur little to no additional expenditures for at least the first decade of expansion.

According to the estimates of the Tax-PI model the impacts on state revenues and the overall economy from Medicaid expansion in Mississippi are positive. Between 2022 and 2027 we estimate the most the state will receive in a given year in additional annual revenues as a result of Medicaid expansion is around \$44 million, a relatively modest increase. The largest portion of these additional revenues will come from the increase in individual income tax revenues. We estimate Medicaid expansion will increase the state's real GDP each year from 2022 to 2027 between about \$719 million and \$783 million; the latter figure equals about 0.8 percent of real GDP for Mississippi in 2019. The Tax-PI model estimates find Mississippi would add an average of almost 11,300 jobs a year from Medicaid expansion from 2022 to 2027; the majority of these jobs would occur in the Health Care and Social Assistance sector. The average annual increase in jobs equals around 1.0 percent of total employment in the state in 2019. The annual increases to personal income in Mississippi as a result of Medicaid expansion according to the Tax-PI model are similar to those for real GDP. These increases from 2022 to 2027 range from approximately \$539 million to \$812 million. The largest increase occurs in 2027 and represents 0.7 percent of total personal income in Mississippi in 2019. Finally, the Tax-PI model estimates Medicaid expansion would increase the population of the state by about 3,300 to 11,500 new residents per year between 2022 and 2027. This largest increase equals about 0.4 percent of the state's population in 2019.

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