



MEDICAID WORKS:

Protect Colorado's Budget and State Economy

Health First Colorado, Colorado's Medicaid program, is a public health insurance program that pays for necessary health care services for low-income Coloradans and Coloradans living with disabilities. By investing in health care services and supports, Health First Colorado improves health outcomes, reduces unnecessary costs to the health system, and supports a strong Colorado economy. Health First Colorado is also an efficient program; spending far less than what private insurers pay for enrollees of similar health status.ⁱ

Despite Health First Colorado's successes and efficient use of funds, opponents of Medicaid have proposed drastic cuts to federal funding for the program. Federal Medicaid funding currently comprises 60 percent of Health First Colorado's budget.ⁱⁱ Funding reductions will force Colorado lawmakers to make hard decisions about where to cut eligibility, services, provider rates, or a combination of the three.

To build the case for Medicaid, Colorado Center on Law and Policy has compiled **Medicaid Works**, a series of fact sheets that outline some of the reasons Health First Colorado is so important to our state.

This fact sheet explains how Colorado's economy and state budget would be harmed if federal lawmakers drastically cut Medicaid by converting the program's funding into a block grant or per-capita cap.

Why federal funding for Health First Colorado is important for Colorado's state budget:

- **Federal funding for Health First Colorado adds billions of dollars to Colorado's state budget.** Current federal law requires the federal government to pay over 50 to over 90 percent of the costs of providing critical health care services to Coloradans that qualify for Health First Colorado. In fiscal year 2015-16, federal funding for Health First Colorado increased our state budget by over \$4 billion.ⁱⁱⁱ
- **Federal funding for Health First Colorado reduces pressure on the state's General Fund.** A state constitutional provision known as TABOR ensures that even modest increases in the allocation of state dollars to Health First Colorado will require cuts to other state priorities that already have lean budgets, including K-12 education, no matter how well the state's economy is performing. Federal Medicaid dollars increase the state's budget for Health First Colorado without cutting in to funds for other Colorado priorities.

Why federal funding for Health First Colorado is important for Colorado's economy:

- **Federal funding for Health First Colorado grows Colorado's economy.** The impact of the Medicaid expansion illustrates the positive effect federal Medicaid funding has on Colorado's economy. As a result of the expansion, the state economy grew by \$3.82 billion (1.14 percent) by the end of the first full fiscal year after implementation.^{iv} Furthermore, growth as a result of the expansion is expected to continue.
- **Federal funding for Health First Colorado creates jobs.** The impact of the Medicaid expansion is illustrative here as well. As a result of the expansion, Colorado's economy now supports over 31,074 additional jobs and average annual earnings per household have increased by \$643.^v
- **Health First Colorado supports the health of low-wage workers.** Seventy-five percent of non-disabled adults enrolled in Health First Colorado work in low-wage jobs.^{vi} Low-wage workers have difficulty affording basic needs and low-wage jobs often do not provide employer-sponsored health insurance or afford sick leave. Health First Colorado is therefore a vital source of health coverage for Coloradans that work in low-wage jobs. A healthy workforce is critical to a high performing Colorado economy.
- **Low-income children that have access to services through Health First Colorado are more likely to grow up to be productive adults.** Recent studies have shown Medicaid eligibility early in life reduces adult mortality and disability rates,^{vii} and improves economic outcomes.^{viii}

How funding caps would harm Colorado's budget and economy:

Currently, federal law requires the federal government to cover at least half of the cost of providing services for those enrolled in Health First Colorado. For individuals covered as a result of the Affordable Care Act's Medicaid expansion, over 90 percent of costs are covered by the federal government. Capping federal funding for Health First Colorado by converting the funding into a block grant or a per-capita cap would eliminate those guarantees and would drastically reduce federal support for the program over the next several years. Existing proposals to cap Medicaid funding are expected to reduce the federal government's contribution to state Medicaid programs by over \$1 trillion nationwide over the next 10 years, and that is without taking into consideration proposals to cut or eliminate the ACA's Medicaid expansion which brought nearly \$1.1 billion federal dollars into the state during the first full fiscal year of the expansion.^{ix}

Federal funds currently make up 60 percent of Health First Colorado's budget. Drastic cuts in that funding will shift the cost of providing care to Colorado and require Colorado lawmakers to substantially increase the General Fund contribution to Health First Colorado or cut eligibility, services, provider rates or a combination of the three.

If faced with these cuts, Colorado lawmakers will need to make hard choices regarding a program that pays for critical health care services for children living in poverty, low-wage workers, older Coloradans and Coloradans living with disabilities. Health First Colorado also provides a critical funding stream for hospitals and other providers that serve low-income Coloradans and other underserved communities.

The proposed cuts will mean the loss of billions of federal dollars for our state budget and economy; dollars that create jobs and that support the healthy development of Colorado children and the health and productivity of Colorado workers.

ⁱ Lisa Clemans-Cope, John Holahan and Rachel Garfiled, *Medicaid Spending Growth Compared to Other Payers: A Look at the Evidence*, (Washington, DC: The Kaiser Family Foundation, April 2016) <http://kff.org/report-section/medicaid-spending-growth-compared-to-other-payers-issue-brief/>.

ⁱⁱ Colorado Department of Health Care Policy and Financing, *Joint Budget Committee Hearing: Executive Director's Office*, Slide Presentation (December 14, 2016) <https://www.colorado.gov/pacific/sites/default/files/HCPF%20EDO%20JBC%20Hearing%20Presentation%2012.14.16.pdf>.

ⁱⁱⁱ Colorado Department of Health Care Policy and Financing, *FY 2017-18 Budget Request – Schedule 2* <https://www.colorado.gov/pacific/sites/default/files/HCPF%2C%20FY18%2C%20Schedule%202%20Summary%20o%20Long%20Bill%20.pdf>.

^{iv} Charles Brown, Steven B Fisher, Ph.D., Phyllis Resnick, Ph.D. (Colorado Futures Center), *Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY2015-16 through FY 2034-35*, (Denver, CO: The Colorado Health Foundation, June 2016) http://www.coloradohealth.org/sites/default/files/documents/2017-01/Medicaid_Expansion_Full_ONLINE_.PDF.

^v Id.

^{vi} Colorado Department of Health Care Policy and Financing, *Joint Budget Committee Hearing: Executive Director's Office*, Slide Presentation (December 14, 2016) <https://www.colorado.gov/pacific/sites/default/files/HCPF%20EDO%20JBC%20Hearing%20Presentation%2012.14.16.pdf>.

^{vii} Dana P. Goldman, Jayanta Bhattacharya, Daniel F. McCaffrey, et al. *Effect of Insurance on Mortality in an HIV-Positive Population in Care*. *Journal of the American Statistical Association* 96, no. 455 (2001):883-894; Benjamin D. Sommers, Katherine Baicker, and Arnold M. Epstein. *Mortality and Access to Care among Adults after State Medicaid Expansions*, *New England Journal of Medicine* 367 (2012):1025-1034.

^{viii} Rourke L. O'Brien and Cassandra Robertson, *Medicaid and Intergenerational Economic Mobility*. (Madison, WI: University of Wisconsin-Madison, Institute for Research on Poverty (IRP) Discussion Paper No. 1428-15, April 2015); Sarah Miller and Laura Wherry. *The Long-Term Effects of Early Life Medicaid Coverage*. (Ann Arbor, MI: University of Michigan Working Paper, August 2015); Sarah Cohodes, Daniel Grossman, Samuel Kleiner and Michael M. Lovenheim. *The Effect of Child Health Insurance on Schooling: Evidence from Public Insurance Expansions*. (*Journal of Human Resources*, 2015); David W. Brown, Amanda Kowalski and Ithai Z. Lurie. *Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?* (National Bureau of Economic Research Working Paper, No. 20835, January 2015).

^{ix} Edwin Park. *Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured*, (Washington, DC: Center on Budget and Policy Priorities, November, 2016), http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave#_ftn5.