



*The Waterfall Effect: Transformative Impacts of  
Medicaid Expansion on States*

**TALKING POINTS  
for  
Behavioral Health Organizations**

**Medicaid Expansion Is Good for State and Local Budgets**

- The Medicaid Expansion is an exceptionally generous deal for the states.
- The new Medicaid expansion initiative under the Affordable Care Act (ACA) will lead to significant state budget increases, as the federal government will pick up all costs associated with the expansion in the initial three years of the initiative (2014-16).
- Overall, states will see over \$300 billion in budget gains that will add to their surpluses or significantly reduce budget deficits.
- For the first four years of the expansion (2014-2017), the federal government will pay for nearly 100 percent of entire Medicaid expansion effort. The federal match will eventually level off to 90 percent in 2020 and remain at that amount going forward.
- Overall, the federal government will pick up more than 9 out of 10 Medicaid expansion dollars through 2020, where it levels off at 90 percent and remains at that percentage under the ACA law. It is a good deal for the states and they can opt out at any time under new federal rules issued in December 2012, without any financial penalty in the current Medicaid program for opting out of the new Medicaid expansion.
- The impact of the Medicaid expansion on state budgets is substantial. (The

federal government through the full implementation of the ACA will see the current budget deficit reduced by \$90 billion during the initial 10-year implementation, due to key financing and delivery reforms.)

- Moreover, as part of the overall state budget gains of \$300 billion, states will see budget increases in the delivery of public behavioral health services of nearly \$40 billion between 2014-2019.

### **Medicaid Expansion is Good for State Behavioral Health Systems**

- Between 2009 and 2013, the public behavioral health care systems have incurred nearly \$5 billion in funding cuts. With the federal government picking up nearly \$40 billion in mental health service costs, it presents a golden opportunity to **restore** funding that has been cut to the state public behavioral health care systems over the last 10 years.
- The new Medicaid expansion can **strengthen** overall behavioral health systems and individual programs such as prevention and community-based services, especially programs for children and young adults with behavioral health conditions.
- The tragic mass shootings over the last 5 years – from the Virginia Tech tragedy to the recent Newtown, Connecticut shooting – have been committed by young people. Research has demonstrated that prevention and early intervention strategies strengthen children's and families' mental health and resiliency, prevent or lessen the burden of illness, and help with the recovery from trauma.

### **Medicaid Expansion is Good for State and Local Economies**

- States that choose **not** to opt in to the expansion will see their tax dollars go to other states that expand coverage.
- The injection of new Medicaid expansion dollars will benefit statewide and local economies through increased revenues going to several stakeholders and increasing the tax base. It is estimated that the federal government could spend nearly \$900 billion in states on the Medicaid expansion from 2014-19. The federal government also will save money through the expansion due to offsets.

- A recent study shows that Michigan will see \$1 billion in new revenues due to the new Medicaid expansion effort under the first 10 years of implementation. Similar findings were found for the states of Florida and Texas based on independent studies conducted by non-partisan organizations.
- These new revenues are distinct from the government budget gains that states will witness.
- Medicaid Expansion reduces uncompensated care costs for health care providers. Increased coverage will significantly reduce the need for state funding of uncompensated care costs. Without the Medicaid expansion, states incur these funding losses. States will shift the cost of caring for the uninsured onto local taxpayers, health plans and employers, especially small firms. Thus, raising costs to other health care stakeholders.
- Disproportionate Share Hospital (DSH) funds that have been provided by the federal government will be dramatically reduced under the ACA. The DSH funds have historically helped reimburse hospitals for providing care to uninsured individuals and serves as a critical funding lifeline to the states. States will see significant funding cuts for treating the uninsured unless they opt in to the Medicaid expansion.

### **Medicaid Expansion is Good for People with Behavioral Health Conditions (and other individuals with chronic health conditions)**

- The Medicaid expansion will provide health insurance coverage to nearly 6.6 million people who are uninsured with behavioral health conditions between 2014 and 2019 (another 6.8 million uninsured individuals with behavioral health disorders will secure health coverage through **state health insurance exchanges** during the 2014-2019 period).
- Over one-third of the 13.4 million uninsured who have a behavioral health condition -- and who are eligible for coverage through the new Medicaid expansion and state exchanges -- are individuals with serious mental illnesses such as major depression, bi-polar disorder (historically known as “manic-depressive” disorder), schizophrenia, and severe anxiety and panic disorders.

- Under the ACA, 36 million people in total are expected to obtain health coverage through the Medicaid expansion – if all states participate – and through insurance exchanges between 2014 and 2019. These newly-covered people will receive comprehensive behavioral health benefits, as well as a robust medical benefits package. Moreover, the behavioral health benefits will be at parity, meaning those benefits are on par with medical and surgical benefits (similar deductibles, copays, co-insurance and annual/lifetime benefits).
- The expansion ensures that people with behavioral health conditions can access specialty and primary care services. Health insurance coverage is the pass-key to the system.
- The Medicaid expansion will help the most vulnerable people in our country obtain coverage. Studies have found that health care expansions for lower-income people improve their physical and mental health and reduced their financial strain over health care costs. The uninsured with behavioral health and chronic health conditions often forgo the care they need, and as a result, are more likely to end up in the emergency departments, hospitals and in jails – adding substantial costs to those state systems.

### **Medicaid Expansion Is Good for the Overall Health Care System**

- Medicaid Expansion relieves the financial burden on the safety-net health care system.
- Expanding Medicaid will reduce the financial burden on safety-net hospitals, which struggle on a daily basis to care for uninsured patients with medical and behavioral health conditions.
- The expansion will allow safety net hospitals to continue to provide care for all patients – the uninsured and those covered by Medicaid, Medicare, and private insurance.

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Release Date: 1/23/13  
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