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***New Report Shows Medicaid Expansion Initiative will Result in Significant Budget Gains and Increased Revenues for States, and Substantial Reductions in the Number of Uninsured Americans***

*NASMHPD Analysis Highlights Expansion Effort under the Affordable Care Act is a Good Deal for States*

Alexandria, VA, Jan. 14, 2013. A comprehensive evaluation of several policy studies show a significant, positive fiscal impact for states that choose to opt in to the new Medicaid expansion program under the Affordable Care Act (ACA), with total state budget gains up to \$300 billion between 2014 and 2023.

The Supreme Court ruled last June that the federal government cannot withhold current Medicaid funds from states that refuse to expand their Medicaid programs to cover individuals with incomes up to 138 percent of the federal poverty level. The new Medicaid expansion provision in the ACA is now a purely voluntary provision for states.

The major report conducted by the National Association of State Mental Health Program Directors (NASMHPD), also notes that states will see increased revenues flowing through their economies as a result of a “multiplier effect” where several businesses benefit from the infusion of new Medicaid dollars. Moreover, if all states participate in the new Medicaid expansion program, millions of uninsured Americans will secure health insurance coverage, with 13.4 million people with serious mental illness and other behavioral health conditions obtaining coverage through the expansion and the new state health insurance exchanges.

According to the multiple studies NASMHPD reviewed in *The Waterfall Effect: Transformative Impacts of Medicaid Expansion on States*,” the significant budget gains that states will experience through the new Medicaid expansion are due to seven major policy initiatives that primarily transfer costs from the states to the federal government under the ACA, including uncompensated care and mental health costs.

Robert W. Glover, Ph.D., NASMHPD’s Executive Director said, “The Medicaid expansion makes sense for states to opt in to the new program. And with the federal government picking up nearly \$40 billion in mental health services, this will be a major opportunity to **restore** monies that have been cut to the state public behavioral health care systems over the last 10 years.” Between 2009 and 2012 alone, state mental health agencies have incurred nearly \$5 billion in funding cutbacks to vital programs serving the needs of people with serious mental illness.

Although some states will see initial costs for implementing the Medicaid expansion or see an enrollment uptick in the current program, these expenditures will be significantly offset by budget gains due to the Medicaid expansion beginning in 2014. The expansion will lead to state budget increases, as the federal government will pick up all costs associated with the expansion under the initial three years of the initiative (2014-16). In 2017, the federal match will only drop to 95 percent. By 2020, the federal Medicaid match will settle in at 90 percent and remain at that level going forward.

The Medicaid expansion also will generate extensive economic activity by bringing substantially new revenues into individual states, thereby creating new jobs and expanding incomes due to a multiplier revenue effect throughout state economies. Some states have estimated that over \$1 billion dollars in new revenues will be generated through the new expansion effort. For example, the State of Michigan estimates that it will see statewide financial gains of \$1 billion overall between 2014 and 2023 due to the impact of the increased federal Medicaid match.

At the same time that significant economic activity will be generated by the new Medicaid expansion, the new initiative will provide health insurance coverage to 17 million people who were previously uninsured, if all states participate in the new expansion. Another 18 million people who were previously uninsured will receive coverage through the private health insurance marketplace known as “health insurance exchanges.” About 13.4 million people who have behavioral health conditions will secure coverage through the new Medicaid expansion program (6.6 million people) and through the insurance exchanges (6.8 million people) beginning in 2014 through 2019.

Dr. Glover noted that, “The Medicaid expansion will help vulnerable people in our country especially individuals with serious mental illness obtain coverage. Studies have found that health care expansions for lower-income people improved their physical and mental health and reduce health care costs.”

For a copy of the NASMHPD study, please go to [www.nasmhpd.org](http://www.nasmhpd.org)

NASMHPD is the only member organization representing state executives responsible for the \$37 billion public mental health service delivery system serving nearly 7 million people annually in all 50 states, 4 territories, and the District of Columbia.



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