

Medicaid Spending & the ACA

Medicaid is a state-run program that provides health care services to poor, elderly and disabled populations.

States are not obliged to operate Medicaid programs, but Congress offers matching grants to states that do. The grants are apportioned according to a formula that is based on a state's median, per-capita income level. Federal funding is guaranteed to cover 50% of costs, and, in FY24, Mississippi receives the highest reimbursement rate, at 77.27% percent.

The federal contribution rate is called the Federal Medical Assistance Percentage, or FMAP. For FY 2024, Nevada's FMAP is 62.24%. This means that Nevada taxpayers are directly liable for only 39% of the program's costs, although indirectly they finance the remainder in their capacity as federal taxpayers.

Notwithstanding the federal contributions, Medicaid imposes a large and growing liability on the state budget. Nationwide, Medicaid spending has quickly grown to become the largest item in state budgets.¹

Nevada will pay \$2.427 billion out of the state general fund to support Medicaid during the 2023–2025 budget cycle, a 124% increase over the past decade.² Eligibility rules were expanded in 2013 to include single, childless adults and all other individuals earning up to 138% of the federal poverty level, which has driven enrollment growth. Nevada's Medicaid costs have grown proportionately.

Key Points

Medicaid spending was already on an unsustainable trajectory prior to eligibility expansion. Nevada Medicaid spending has risen faster than state economic output. If left unchecked, this means Medicaid spending would eventually crowd out all other government functions in Nevada, including public safety and schools.

Eligibility expansion has imposed much higher Medicaid costs on Nevada taxpayers. The federal Affordable Care Act was designed to expand medical coverage to the uninsured by pushing more individuals into state Medicaid programs. It does this in two ways.

First, it offered financial incentives for states to expand eligibility, bringing 239,000 additional enrollees into Nevada Medicaid by 2014. For the first three years, state taxpayers did not directly pay for care received by these new enrollees as it was paid by federal taxpayers. Beginning FY 2017, however, federal contributions began to decline. By FY 2023, the enhanced FMAP for the newly eligible population fell to 73.86% percent.

Second, the individual mandate included in the ACA induced about 65,000 new enrollments by individuals who were eligible under the old rules, but, for whatever reason, elected not to enroll. For these enrollees, only the standard FMAP applied – meaning that state taxpayers immediately began facing a new liability.

Enrollment growth has outpaced early projections, which forecast 802,000 by 2023.³ Enrollment reached 904,158 by July 2022, representing more than 28% percent of the state population.

¹National Association of State Budget Officers, "The Fiscal Survey of the States," 2015.

²Nevada Legislature, Legislative Counsel Bureau, "Appropriations Reports."

Recommendations

Implement a comprehensive re-design of Medicaid. If Nevada policymakers are intent on retaining the eligibility expansion they agreed to in 2013 pursuant to the ACA, then the imperative of a Medicaid redesign to improve the program's cost-effectiveness grows even more pronounced.

Enrollment growth over the next decade poses an insurmountable challenge for Nevada's budget and may force major spending reductions in other areas while providing only substandard health care to thousands of Nevada citizens. Fundamental restructuring of the state's Medicaid delivery systems is imperative. Options for a Medicaid redesign are discussed in the Medicaid Reform section.

³ Jagadeesh Gokhale et al., "The Impact of ObamaCare on Nevada's Medicaid Spending," Nevada Policy Research Institute policy study, 2011.

Medicaid Enrollment, 2014 – 2021

State	Total Medicaid Enrollees – Jan 2014	Total Medicaid Enrollees – Sep 2021	Medicaid Expansion (Non-Mandatory) Enrollees	Percentage Change in Enrollment, 1/14 – 9/21	Proportion of Enrollees Eligible Under Expansion Rules
Alabama	997,545	1,215,453	N/A	21.8%	N/A
Alaska	107,200	239,925	67,620	123.8%	28.2%
Arizona	1,422,774	2,236,948	630,603	57.2%	28.2%
Arkansas	863,204	975,640	329,745	13.0%	33.8%
California	13,052,635	13,812,733	4,485,856	5.8%	32.5%
Colorado	889,665	1,529,934	553,428	72.0%	36.2%
Connecticut	699,811	1,119,287	375,815	59.9%	33.6%
Delaware	195,087	259,042	80,477	32.8%	31.1%
Dist. Of Col.	224,559	270,662	122,761	20.5%	45.4%
Florida	3,739,985	4,885,774	N/A	30.6%	N/A
Georgia	1,612,339	2,379,859	N/A	47.6%	N/A
Guam	37,262	37,038	4,564	-0.6%	12.3%
Hawaii	275,994	425,360	163,101	54.1%	38.3%
Idaho	270,679	422,530	105,899	56.1%	25.1%
Illinois	2,724,044	3,134,754	892,462	15.1%	28.5%
Indiana	1,069,100	1,827,297	515,196	70.9%	28.2%
Iowa	499,120	725,581	234,666	45.4%	32.3%
Kansas	354,821	421,782	N/A	18.9%	N/A
Kentucky	950,515	1,467,416	573,657	54.4%	39.1%
Louisiana	1,252,778	1,907,829	689,576	52.3%	36.1%
Maine	300,720	353,763	88,645	17.6%	25.1%
Maryland	1,023,255	1,470,371	410,114	43.7%	27.9%
Massachusetts	1,643,200	1,973,925	441,598	20.1%	22.4%
Michigan	1,791,236	2,861,917	948,129	59.8%	33.1%
Minnesota	944,960	1,259,989	262,335	33.3%	20.8%
Mississippi	646,080	785,517	N/A	21.6%	N/A
Missouri	790,140	1,093,396	N/A	38.4%	N/A
Montana	147,003	280,707	108,233	91.0%	38.6%
Nebraska	234,004	341,569	52,983	46.0%	15.5%
Nevada	349,578	775,463	320,021	121.8%	41.3%
New Hampshire	132,034	222,842	81,569	68.8%	36.6%
New Jersey	1,380,965	1,903,233	694,677	37.8%	36.5%
New Mexico	616,808	946,613	290,144	53.5%	30.7%
New York	2,082,549	7,174,591	2,397,814	244.5%	33.4%
North Carolina	1,801,573	2,567,190	N/A	42.5%	N/A
North Dakota	74,837	107,903	26,025	44.2%	24.1%
Ohio	2,460,832	3,303,833	762,132	34.3%	23.1%
Oklahoma	757,290	939,117	184,723	24.0%	19.7%
Oregon	955,483	1,188,935	647,406	24.4%	54.5%
Pennsylvania	2,063,775	3,358,770	1,063,891	62.7%	31.7%
Rhode Island	224,402	285,651	90,339	27.3%	31.6%
South Carolina	1,025,519	1,444,733	N/A	40.9%	N/A
South Dakota	105,290	123,627	N/A	17.4%	N/A
Tennessee	1,337,148	1,740,256	N/A	30.1%	N/A
Texas	3,900,610	5,331,864	N/A	36.7%	N/A
Utah	313,500	445,714	103,496	42.2%	23.2%
Vermont	187,050	193,604	73,461	3.5%	37.9%
Virginia	870,729	1,721,459	581,281	97.7%	33.8%
Washington	1,419,916	2,024,227	751,049	42.6%	37.1%
West Virginia	440,852	613,518	214,962	39.2%	35.0%
Wisconsin	1,172,221	1,440,621	N/A	22.9%	N/A
Wyoming	67,369	74,376	N/A	10.4%	N/A
Totals	62,500,045	87,644,138	20,420,453		

Source: U.S. Dept. of Health and Human Services, Center for Medicaid Services, Quarterly Medicaid Enrollment Data.