

Medicaid Expansion in Oklahoma: Creating Jobs, Helping the State Budget, and Protecting Families

Results in Brief

The COVID-19 recession, aggravated by worldwide drops in oil prices, has eliminated hundreds of thousands of Oklahoma jobs. Major state budget cuts are likely as revenues plummet and state-funded costs rise.

Oklahoma voters have the opportunity to take a major step to address these serious economic problems on June 30, 2020, when they vote on State Question 802, an initiative that would expand Medicaid. Health care is one of the largest sectors in Oklahoma's economy. If Question 802 is approved, Medicaid expansion would provide an immediate boost to employment while increasing state revenue during what has become the most severe economic downturn in decades:

- » Expanding Medicaid would ensure health coverage for 279,000 uninsured Oklahomans, including many who have lost their jobs — and their job-based health insurance — during the COVID-19 pandemic.
- » It would also bring more than \$1.3 billion in federal health care dollars into Oklahoma, generating \$2.3 billion in new economic activity.
- » This increased economic activity would yield \$123 million in additional sales and income tax revenue to sustain Oklahoma's state and local budgets.
- » The influx of federal dollars would also create 26,000 Oklahoma jobs.

Introduction

On June 30, Oklahomans will vote on State Question 802. If they approve the initiative, the state will expand Medicaid to cover adults with incomes up to 138% of the federal poverty level, joining all but 13 other states.¹ With expansion, the federal government would pay 90% of the cost for newly eligible adults (except Native Americans, for whom the federal share for many services would rise to 100%). Regardless of what happens to the economy or how health care costs rise or fall, the federal government would remain legally obligated to pay its 90% (or 100% for Native Americans) share of the resulting expenses.

Medicaid expansion would provide a huge infusion of federal dollars to support Oklahoma's struggling economy. With expansion, many more federal dollars would buy health care within the state. The resulting increased economic activity would not only ensure that thousands of uninsured Oklahomans would have access to coverage, it would also create jobs and add revenue to state and local budgets, as we show in this report.

As we show below, Medicaid plays an important role shoring up the state's economy — a role that would become more powerful with expansion.

Oklahoma's Economy Is in Trouble

The nationwide recession has hit Oklahoma with special force. Like other states, Oklahoma has seen its economy devastated by the COVID-19 pandemic. But unlike most other states, Oklahoma's economy, heavily dependent on the fossil fuel industry, was also hit hard by the dramatic drop in oil prices in recent months. Just from February through April 2020, the number of unemployed Oklahomans more than quadrupled, rising from 58,430 to 242,677.²

State and local budgets cuts stemming from these dual crises will have the effect of further deepening the economic crisis in Oklahoma. State and local budgets have already begun to feel the effects of economic downturn. The state legislature recently approved fiscal year (FY) 2021 spending levels that were \$283 million less than budgeted amounts for FY 2020 (-3.5%).³ Cuts would have been deeper but for measures, such as tapping into savings accounts, that will provide less money in future years.

As we show below, Medicaid plays an important role shoring up the state's economy — a role that would become more powerful with expansion.

Medicaid Is Important to Oklahoma's Economy

Medicaid is a health coverage program that improves access to health care and protects families' financial security. But it also provides critical support to Oklahoma's health care industry, which employs 10% of the state's private-sector workers. During 2018, the most recent year for which data are available, 194,000 Oklahomans worked in health care — more than the 126,000 employed in mining and coal and gas extraction, the 133,000 who worked in construction, or the 150,000 employed in manufacturing.⁴ Medicaid and Medicare together provide roughly 40% of all health care funding for Oklahoma residents,⁵ underlining the critical economic role played by federal health programs in supporting this vital industry.

Economists classify Medicaid as an automatic economic stabilizer.⁶ When the economy declines, more people qualify for Medicaid, so more federal funding flows into a state. Those funds automatically generate economic activity that limits the downturn's depth. When states expand Medicaid to cover all low-income adults, leading national researchers find that Medicaid becomes more than twice as effective in combating the effects of the recession.⁷ In the next section, we apply that general analysis to facts on the ground in Oklahoma.

Medicaid Expansion Would Save 26,000 Oklahoma Jobs and Generate \$123 Million in New Budget Revenue Next Year

As the recession continues, more Oklahomans could lose their jobs. As noted earlier, approximately 243,000 Oklahomans were unemployed as of April 2020. Non-partisan projections show unemployment in the third quarter of 2020 going significantly higher.^{8,9} Passage of Question 802 would mitigate the impact of the impending budget crisis, adding 26,000 jobs over the next year and generating \$123 million in new budget revenue from increased private sector activity.¹⁰ If job losses are greater than predicted, the actual economic impact of expansion will be greater than what we estimate below.

Passage of Question 802 would help shore up Oklahoma's faltering economy. Before the current recession began, Urban Institute researchers estimated how taking up the Medicaid expansion would impact Oklahoma's Medicaid coverage rates, nominal state costs, and receipt of federal matching dollars. More recently, Institute researchers analyzed the impact of unemployment on Medicaid enrollment, differentiating between expansion and non-expansion states. We apply these two study results to estimate how Medicaid expansion would affect Oklahoma under current economic conditions. The Appendix below explains our methods in detail.

Table 1 shows our results. We find that Medicaid expansion would increase the number of Oklahomans with Medicaid coverage by 279,000; bring \$1.34 billion in new federal Medicaid dollars to Oklahoma; and increase the state's nominal cost for Medicaid by \$125 million.

Table 1. Under Current Economic Conditions, the Impact of Medicaid Expansion on Oklahoma Enrollment, Nominal State Cost, and Annual Federal Funding

	Enrollment	Nominal State Cost	Federal Funding
Medicaid without expansion	734,800	\$1.98 billion	\$4.87 billion
Medicaid with expansion	1,013,900	\$2.11 billion	\$6.22 billion
Difference	+279,000	+\$125 million	+\$1.34 billion

Sources: NCCI analysis of Urban Institute findings (2018 and 2020) and American Community Survey data for 2018, IPUMS USA, University of Minnesota, www.ipums.org.

Note: Estimates may not sum due to rounding. See appendix for more details.

Although the state’s nominal share of Medicaid costs would rise, data from other states that have expanded Medicaid show that actual state costs would likely remain stable or decline. The nearly universal experience is that a state’s share of expansion costs is equaled or exceeded by state savings on non-Medicaid programs such as treatment of poor, uninsured residents’ mental health and substance-use disorders; funding of uncompensated care for safety net providers; health care costs for uninsured prisoners in jails and prisons; state spending on public employee and retiree health costs that result from hospital cost-shifting to cover the uncompensated cost of serving the uninsured; and increasing federal matching rates for some Medicaid costs that otherwise would have qualified for a lower federal rate.¹¹

Based on leading macroeconomic research, each additional dollar of federal funding in a state generates \$1.70 in total economic activity, as the direct recipients of federal money spend it on other goods and services.¹² The additional \$1.34 billion in federal funding from Oklahoma’s Medicaid expansion would thus generate \$2.28 billion in new economic activity, which in turn would yield the following results:

- » An additional \$123 million in state and local revenue, helping Oklahoma policymakers address budget shortfalls. This is based on Census Bureau data that reflects the relationship between (1) total statewide personal income and (2) state and local sales and income tax receipts in Oklahoma.¹³
- » The creation of 26,000 additional jobs. This is based on U.S. Commerce Department reports about total economic activity¹⁴ and employment¹⁵ in Oklahoma.

Conclusion

The best reasons to implement Medicaid expansion involve nearly 280,000 state residents who would gain health coverage as a result. Particularly important during the COVID-19 health crisis, families need coverage that protects their health and ensures their financial security if they need to access care for any reason. As a public health matter, it is imperative that as many people as possible have the ability to seek care immediately when they begin to feel sick. By promoting early testing and treatment, Medicaid expansion would limit the spread of disease, protecting Oklahomans from every walk of life. Medicaid expansion would also safeguard Oklahomans’ peace of mind by providing financial security from unpaid medical bills, all while shoring up the state’s health-care infrastructure — a particularly important result in rural areas.

Along with the public health threats posed by COVID-19, Oklahoma’s serious economic downturn has rightly captured policymakers’ attention. Purely from the standpoint of sustaining the state’s economy and budget during what could soon become the deepest recession in living memory, it is now more urgent than ever for Oklahoma to join the vast majority of other states in benefiting from Medicaid expansion. Jobs as well as lives are on the line.

Appendix: Analysis Details

We began our analysis with Urban Institute research published in 2018, which estimated the impact of Medicaid expansion in Oklahoma. Adjusting those estimates to reflect the high proportion of Native Americans among uninsured Oklahomans eligible for fully federally funded Medicaid under expansion,¹⁶ we find that expansion before the COVID-19 recession would have increased the state's receipt of federal Medicaid funding by \$1.1 billion (Appendix Table 1).¹⁷

Appendix Table 1. Pre-COVID Estimated Impact of Medicaid Expansion on Oklahoma Enrollment, Nominal State Cost, and Federal Funding: 2019

	Enrollment	Nominal State Cost	Federal Funding
Medicaid without expansion	695,000	\$1.92 billion	\$4.72 billion
Medicaid with expansion	927,000	\$2.03 billion	\$5.84 billion
Difference	233,000	\$104 million	\$1.12 billion

Sources: Urban Institute 2018, National Center for Coverage Innovation at Families USA analysis of American Community Survey data for 2018. IPUMS USA, University of Minnesota, www.ipums.org.

Note: Estimates may not sum due to rounding.

A more recent Urban Institute study found that 35.8% of unemployed workers receive Medicaid in expansion states, compared to 16.4% in states that do not expand.¹⁸ Applying those results to April 2020 unemployment levels among Oklahoma residents, expansion would provide Medicaid to 47,000 additional newly unemployed workers (Appendix Table 2).

Appendix Table 2. Increased Medicaid Enrollment Resulting from COVID-19 Recession in Oklahoma, by Expansion Status and Job Loss Scenario: 2020

	Impact of Current Job Losses on Medicaid Enrollment
Medicaid without expansion	39,800
Medicaid with expansion	86,900
Difference	47,100

Sources: Urban Institute 2020, calculations by National Center for Coverage Innovation at Families USA.

We then adjust the results in Appendix Table 1 to reflect a current-law increase in Medicaid enrollment of 39,800 people and an increase under expansion of 86,900. Assuming that newly unemployed individuals have characteristics similar to new enrollees under expansion as estimated by the Urban Institute before the COVID-19 pandemic, we assumed average total costs (state plus federal share) of recession-driven enrollees would equal the average cost (state plus federal share) of new enrollees under expansion, as estimated by the Urban Institute's pre-COVID-19 analysis for Oklahoma. For the non-expansion

analysis of cost and coverage under current economic conditions, we defined the federal percentage of recession-driven enrollment as the federal share of current-law spending reflected in the Urban Institute's pre-COVID-19 estimates. For the expansion analysis of cost and coverage under current economic conditions, we defined the federal percentage of the additional recession-driven enrollment resulting from expansion as the federal share of new expansion enrollee costs reflected in the Urban Institute's pre-COVID-19 estimates.

Endnotes

- ¹ Kaiser Family Foundation, “Status of State Action on the Medicaid Expansion Decision.” *State Health Facts*, May 29, 2020. <https://www.kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>
- ² Bureau of Labor Statistics, “States and selected areas: Employment status of the civilian noninstitutional population, January 1976 to date, seasonally adjusted.” *State Employment and Unemployment (Monthly)*, May 22, 2020. <https://www.bls.gov/web/laus/ststdsadata.zip>
- ³ Schinn, P., “FY 2021 Budget Highlights.” Oklahoma Policy Institute, updated June 2, 2020. <https://okpolicy.org/fy-2021-budget-highlights/>
- ⁴ The text’s figures for health-care employment include health and personal-care stores, ambulatory care, hospital care, and nursing and residential figures. Bureau of Economic Analysis, SAEMP25N Total Full-Time and Part-Time Employment by NAICS Industry (2018). Last updated September 24, 2019 — new statistics for 2018; revised statistics for 2014–2017. <https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1>
- ⁵ Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence: 1991–2014 (2014 aggregate estimates for personal health care expenditures, Medicaid expenditures, and Medicare expenditures). Last updated November 21, 2017. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsResidence>
- ⁶ See, for example, Lucking, B. and Dan Wilson, “U.S. Fiscal Policy: Headwind or Tailwind?” *Federal Reserve Bank of San Francisco Economic Letter 2012–20*, July 2, 2012. <https://www.frbsf.org/economic-research/files/el2012-20.pdf>; Fiedler, M., Jason Furman, and Wilson Powell III, “Increasing Federal Support for State Medicaid and CHIP Programs in Response to Economic Downturns.” USC-Brookings Schaeffer Initiative for Health Policy, May 16, 2019. <https://www.brookings.edu/research/increasing-federal-support-for-state-medicaid-and-chip-programs-in-response-to-economic-downturns/>
- ⁷ Jacobs, P. D., Steven C. Hill, and Salam Abdus, “Adults Are More Likely To Become Eligible For Medicaid During Future Recessions If Their State Expanded Medicaid.” *Health Affairs* 36, No. 1 (2017): 32–39.
- ⁸ During the second and third quarters of 2020, unemployment rates would average 15.1% and 15.8%, respectively, declining to 11.5% for 2020’s final calendar quarter and 2021, according to the Congressional Budget Office (CBO). National job losses would reach 25.6 million and 24.6 million in the second and third quarters of 2020, respectively, dropping to 17.0 million by the year’s final quarter. Congressional Budget Office, “Interim Economic Projections for 2020 and 2021,” May 2020. <https://www.cbo.gov/system/files/2020-05/56351-CBO-interim-projections.pdf>
- ⁹ If CBO’s projections prove true, economic forecasting models built by the Economic Policy Institute (EPI) show that 263,000 formerly employed Oklahomans will be out of work by the third quarter of 2020, with the number falling to 182,000 by 2020’s final quarter. If the model is modified to assume that 10% of all job losses come disproportionately from industries involving gas and oil extraction and mining, job loss estimates for Oklahoma rise to 400,000 and 277,000, respectively, under CBO’s third and fourth quarter economic projections. EPI’s model takes into account COVID-19’s likely impact, by industry, and the role played by each industry in state job markets. Wolfe, J., and David Cooper. “States are projected to lose more jobs due to the coronavirus; 14 million jobs could be lost by summer.” Economic Policy Institute, March 25, 2020, “COVID19_state_interactive_job_loss-1” spreadsheet, https://www.epi.org/files/uploads/COVID19_state_interactive_job_loss-1.xlsx
- ¹⁰ The additional revenue is due to increased private-sector economic activity triggered by the new federal dollars brought into the state from expanding Medicaid.
- ¹¹ Gruber, J. and Benjamin D. Sommers. “Paying for Medicaid — State Budgets and the Case for Expansion in the Time of Coronavirus.” *New England Journal of Medicine*, June 11, 2020. 382; 24:2280-2282, DOI: 10.1056/NEJMp2007124; Guth, M., Rachel Garfield, and Robin Rudowitz, “The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review.” Kaiser Family Foundation, March 17, 2020. <https://www.kff.org/medicaid/report/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review/>

¹² Chodorow-Reich, G. “Geographic Cross-Sectional Fiscal Spending Multipliers: What Have We Learned?” *American Economic Journal: Economic Policy*. Vol. 11, No. 2, May 2019 (pp. 1–34).

¹³ US Census Bureau, 2000, updated annually. *Annual Survey of State and Local Government Finances, 1977–2017*. Compiled by the Urban-Brookings Tax Policy Center. Washington, D.C.: Urban-Brookings Tax Policy Centers (2017). <https://www.taxpolicycenter.org/statistics/state-and-local-general-revenue-percentage-personal-income>

¹⁴ U.S. Department of Commerce, Bureau of Economic Analysis. “SAGDP1 Gross Domestic Product (GDP) summary, annual by state. Current-dollar Gross Domestic Product (GDP) (Millions of current dollars).” *Regional Data: GDP and Personal Income. Interactive Data Tables*, April 7, 2020. State GDP numbers were available through 2019, but employment numbers were not available beyond 2018. We therefore extrapolated average GDP dollars per Oklahoma job for 2019 by trending forward the average annual change in ratio of GDP to employment from 2015 to 2018. <https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1>

¹⁵ U.S. Department of Commerce, Bureau of Economic Analysis. “SAINC4 Personal Income and Employment by Major Component: Total employment (Number of jobs).” *Regional Data: GDP and Personal Income. Interactive Data Tables*, March 24, 2020. <https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1>

¹⁶ In 2018, 12.4% of uninsured Oklahoma adults with incomes at or below 138% of federal poverty level were American Indian or Alaska Native, compared with 1.7% among all states combined that the Urban Institute Report classified as non-expansion states. National Center for Coverage Innovation at Families USA analysis of American Community Survey data for 2018, IPUMS USA, University of Minnesota, www.ipums.org

¹⁷ Buettgens, M. “The Implications of Medicaid Expansion in the Remaining States: 2018 Update.” Urban Institute, May 17, 2018. <https://www.urban.org/research/publication/implications-medicaid-expansion-remaining-states-2018-update>

¹⁸ Gangopadhyaya, A. and Bowen Garrett. “Unemployment, Health Insurance, and the COVID-19 Recession.” Urban Institute, March 31, 2020. <https://www.urban.org/research/publication/unemployment-health-insurance-and-covid-19-recession>

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