

New Cato Study: ObamaCare’s Medicaid Mandate Imposes Staggering Costs on States

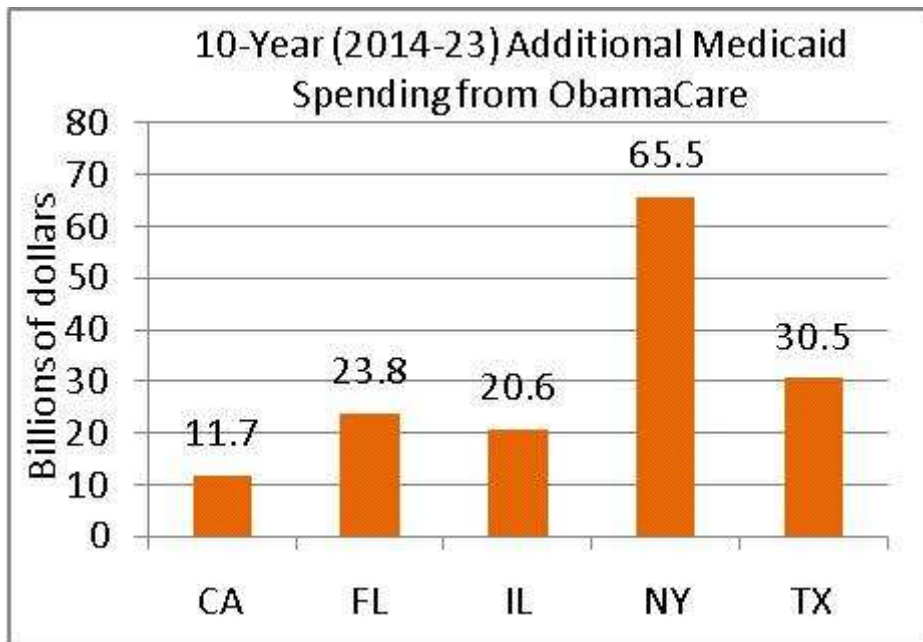
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ObamaCare requires each state to open its Medicaid program to all legal residents earning up to 138 percent of the federal poverty level. Supporters estimate this mandate will cost state governments little: the [Kaiser Family Foundation](#)’s worst-case-scenario estimates suggest that state Medicaid spending would rise by just 1.2 percent in New York and 5.1 percent in Texas between 2014 and 2019.

In a new working paper titled, “[Estimating ObamaCare’s Effect on State Medicaid Expenditure Growth](#),” Cato Institute Senior Fellow Jagadeesh Gokhale shows that those estimates are generally far too low. Gokhale finds that the five most-populous states — California, Florida, Illinois, New York, and Texas — will struggle to cope with the rising Medicaid spending even without ObamaCare’s Medicaid mandate. But ObamaCare increases that burden significantly:

In its first year of full implementation (2014), ObamaCare will increase state spending on Medicaid by 0.9 percent in California, 11.3 percent in Florida, 24.6 percent in Illinois, 10.7 percent in New York, and 21.8 percent in Texas.

The cost grows over time. The following chart shows the burden that ObamaCare’s Medicaid mandate will impose on these states over the first 10 years of full implementation:



Compared to a world without ObamaCare, state Medicaid spending will rise by 4.5 percent in California, 24.2 percent in Florida, 32.1 percent in Illinois, 22.9 percent in New York, and 24.1 percent in Texas over the first 10 years of full implementation.

On a per-taxpayer basis, ObamaCare's Medicaid mandate is also highly inequitable:

for every \$1 in costs imposed on each working-age California adult, Floridians and Texans will pay nearly \$4, Illinoisans will pay nearly \$6, and New Yorkers will pay nearly \$12.

Gokhale explains that the Kaiser Family Foundation's projections are lower because they assume that ObamaCare's individual mandate will not significantly increase enrollment among people who were eligible for Medicaid but not enrolled under the pre-ObamaCare rules. Consistent with [other research](#), Gokhale assumes the individual mandate will encourage people to enroll in Medicaid even if they would not face financial penalties for being uninsured.