

Medicaid expansion associated with increased Medicaid revenue, decreased uncompensated care costs

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In a study appearing in the October 11 issue of *JAMA*, Fredric Blavin, Ph.D., of The Urban Institute, Washington, D.C., estimated the association between Medicaid expansion in 2014 and hospital finances by assessing differences between hospitals in states that expanded Medicaid and in states that did not expand Medicaid.

The Affordable Care Act expanded Medicaid eligibility for millions of low-income adults. The choice for states to expand Medicaid could affect the financial health of hospitals by decreasing the proportion of patient volume and unreimbursed expenses attributable to [uninsured patients](#) while increasing revenue from newly covered patients. However, whether Medicaid expansion has been associated with improved hospital profits is uncertain, particularly for hospitals that received generous support from state or local government for providing uncompensated care.

This study included data from the American Hospital Association Annual Survey and the Health Care Cost Report Information System from the U.S. Centers for Medicare & Medicaid Services for nonfederal general medical or surgical hospitals in fiscal years 2011 through 2014. The sample included between 1,200 and 1,400 hospitals per fiscal year in 19 states that expanded Medicaid in early 2014 and between 2,200 and 2,400 hospitals per fiscal year in 25 states that did not expand Medicaid (with sample size varying depending on the outcome

measured).

Expansion of Medicaid was associated with a decline of \$2.8 million in average annual uncompensated care costs per hospital. In addition, hospitals in states with Medicaid expansion experienced a \$3.2 million increase in average annual Medicaid revenue per hospital, relative to hospitals in states without Medicaid expansion. Medicaid expansion was also significantly associated with improved excess margins (a profitability indicator that includes all other sources of income, not just those from patient care) (1.1 percentage points), but not improved operating margins.

"For states still considering Medicaid expansion, these findings suggest that expansion may be associated with improvements in hospitals' payer mix and overall financial outlook. However, changes in financial outcomes for hospitals in any specific state will likely depend on a host of factors, such as the state's pre-ACA income and coverage distribution, Medicaid eligibility thresholds, Medicaid reimbursement levels, and the subsidies hospitals receive for providing uncompensated care," the author writes.

"Further study is needed to assess longer-term implications of this policy change on hospitals' overall finances."

More information: *JAMA*, [DOI: 10.1001/jama.2016.14765](https://doi.org/10.1001/jama.2016.14765)

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