A new study out of Michigan concludes that the state’s Medicaid expansion is to the state’s financial advantage. When the legislature approved the expansion in 2013, it required that Michigan achieve other health care savings and revenue to offset the state match required starting Jan. 1, 2017 – or the state would reverse its expansion.

The University of Michigan study concludes that the state’s Medicaid expansion boasted the state’s economy and budget between 2014 and 2016 and will continue to do so through 2021. The study, published Jan. 4, 2017, in the New England Journal of Medicine, offered these findings from its economic analysis:

- Over 30,000 new jobs will be created each year, 2014-2021, one-third of them in the health care sector and 85 percent of them in the private sector.
- The jobs will yield $2.3 billion more in personal spending by Michigan residents.
- Approximately $150 million in income and sales tax revenue will be collected by the state each year.
- Michigan will save $235 million in annual spending for state mental health programs and correctional health programs because of expansion.
- The new economic activity generates sufficient additional state revenue to offset all the state’s new spending (match) in 2017 and about 37 percent of the costs in 2021.

Enrollment in Michigan’s expanded Medicaid stabilized at about 600,000 in 2016, higher than the initial estimate of 400,000.

The authors of the study discussed potential limitations of their findings. The study assumes a 90 percent federal match rate or more. If the rate declines, or disappears entirely, the financial benefits to the Michigan state budget would decline correspondingly.

While the authors warn that specific calculations of economic benefits would differ from state to state, they conclude that “similar economic benefits are almost certainly accruing to the other 30 states that have expanded Medicaid, but not to the 19 states that haven’t done so.”

The table below shows the detailed calculations from the University of Michigan study: