

NCSL Midwest States Fiscal Leaders Meeting

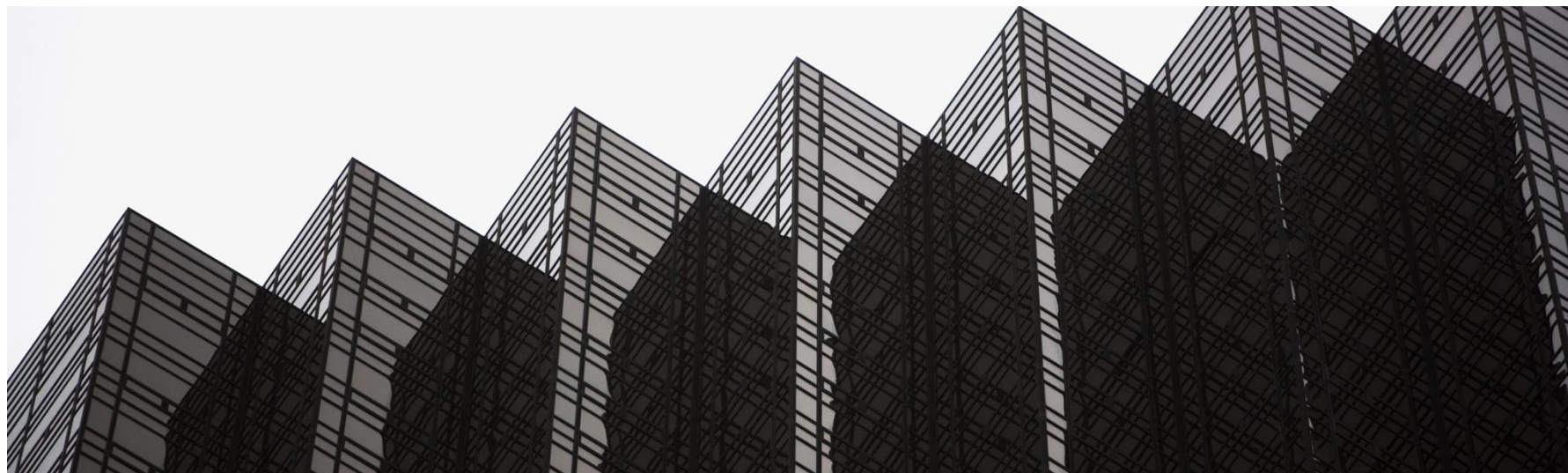
Gabriel Petek, CFA

U.S. States Group / U.S. Public Finance

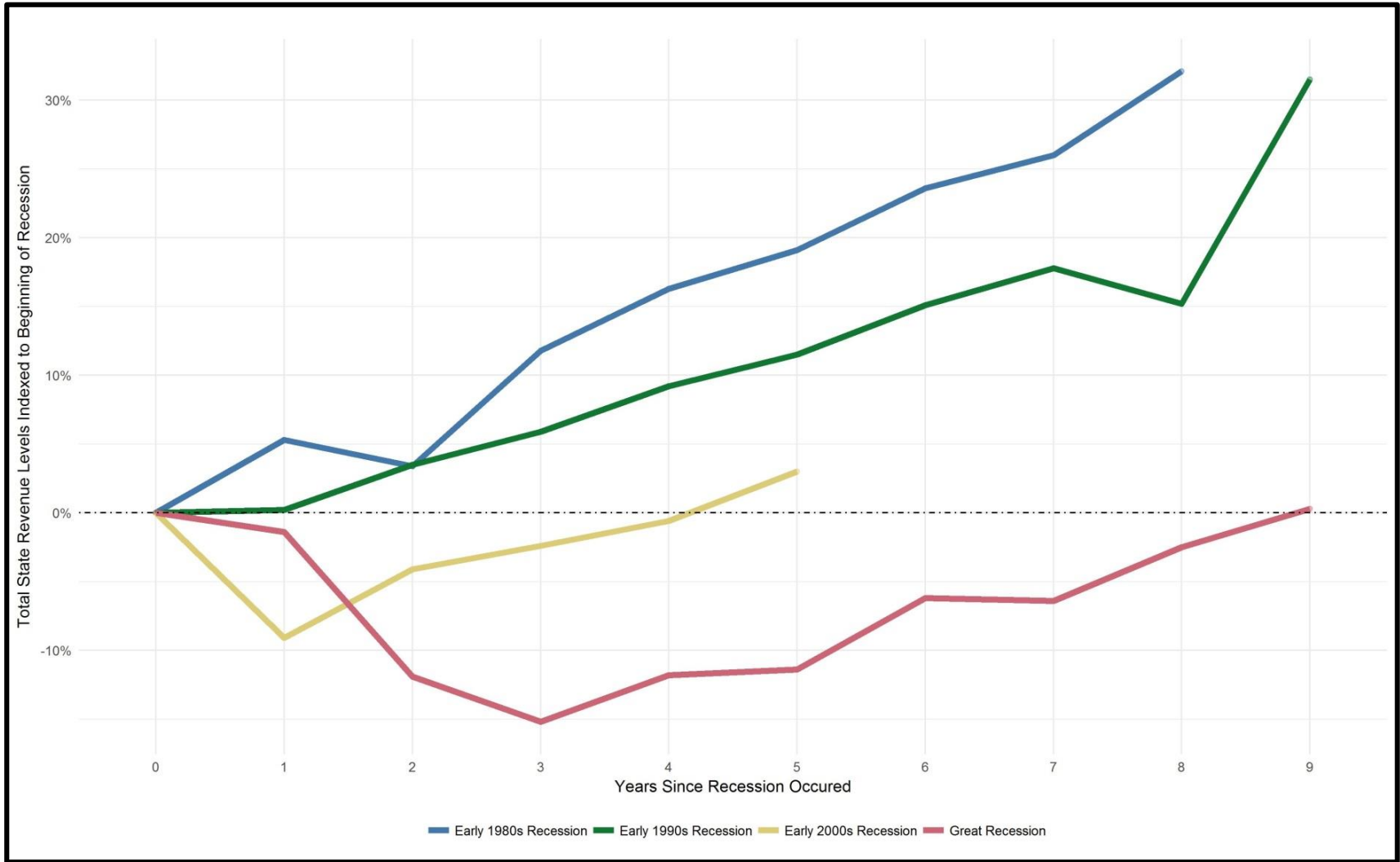
March 2, 2018

Medicaid: What State Fiscal Leaders Need To Know

Copyright © 2016 by S&P Global.
All rights reserved.

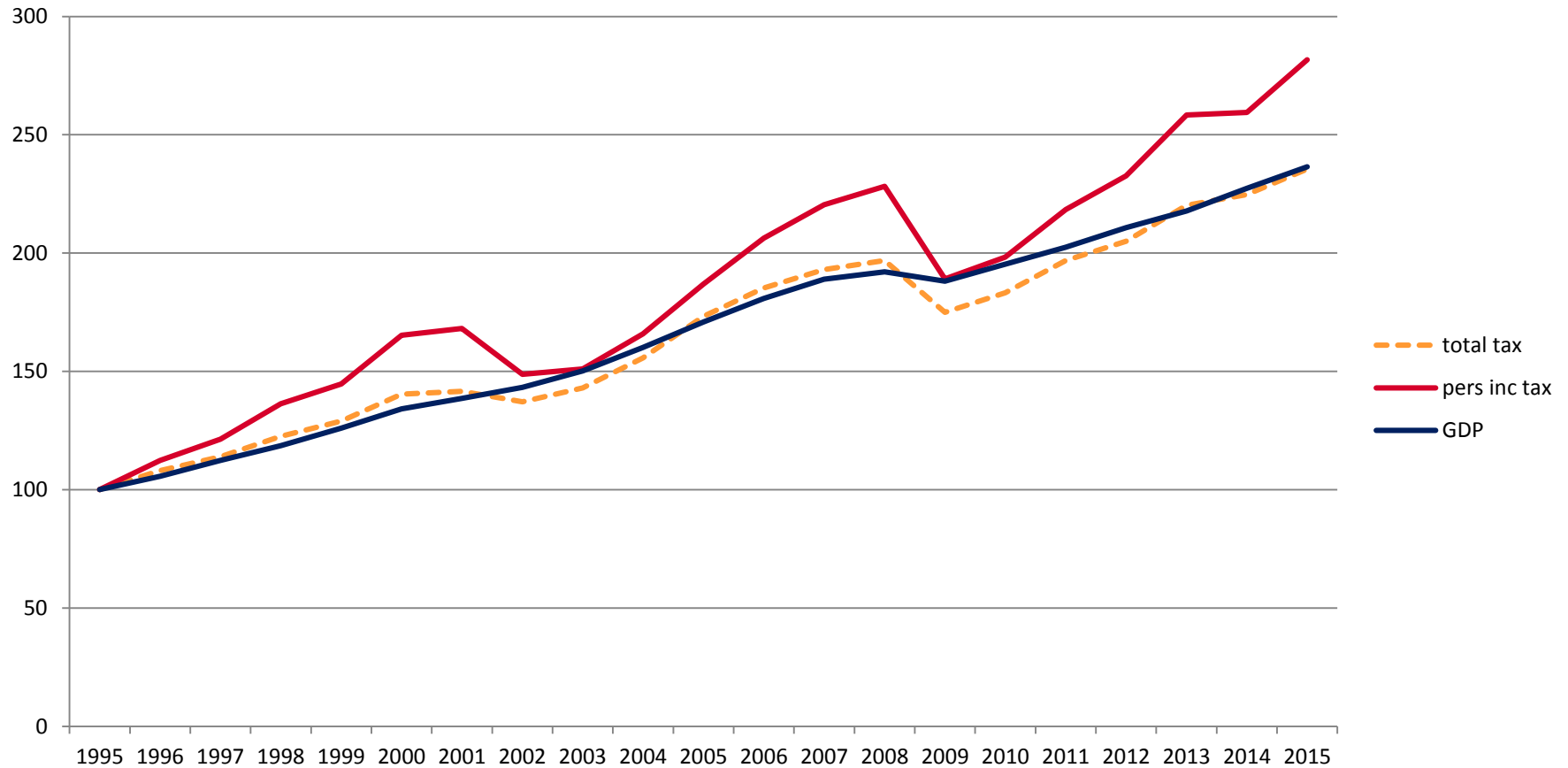


Revenue Recovery Has Lagged Prior Economic Expansions



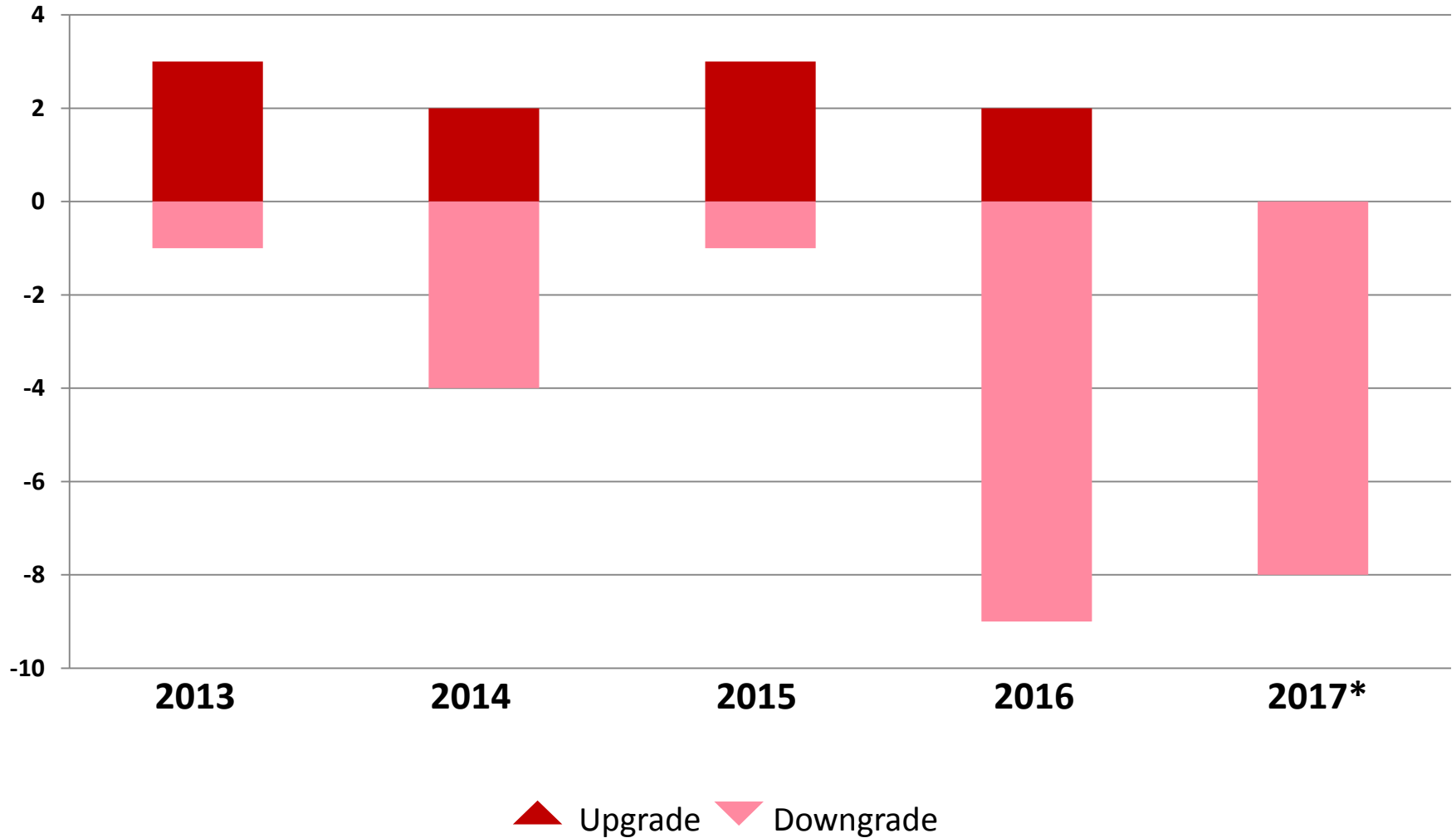
Source: National Association of State Budget Officers (Fiscal Survey of the States)

Major State Tax Revenues and Nominal GDP Indexed to 1995



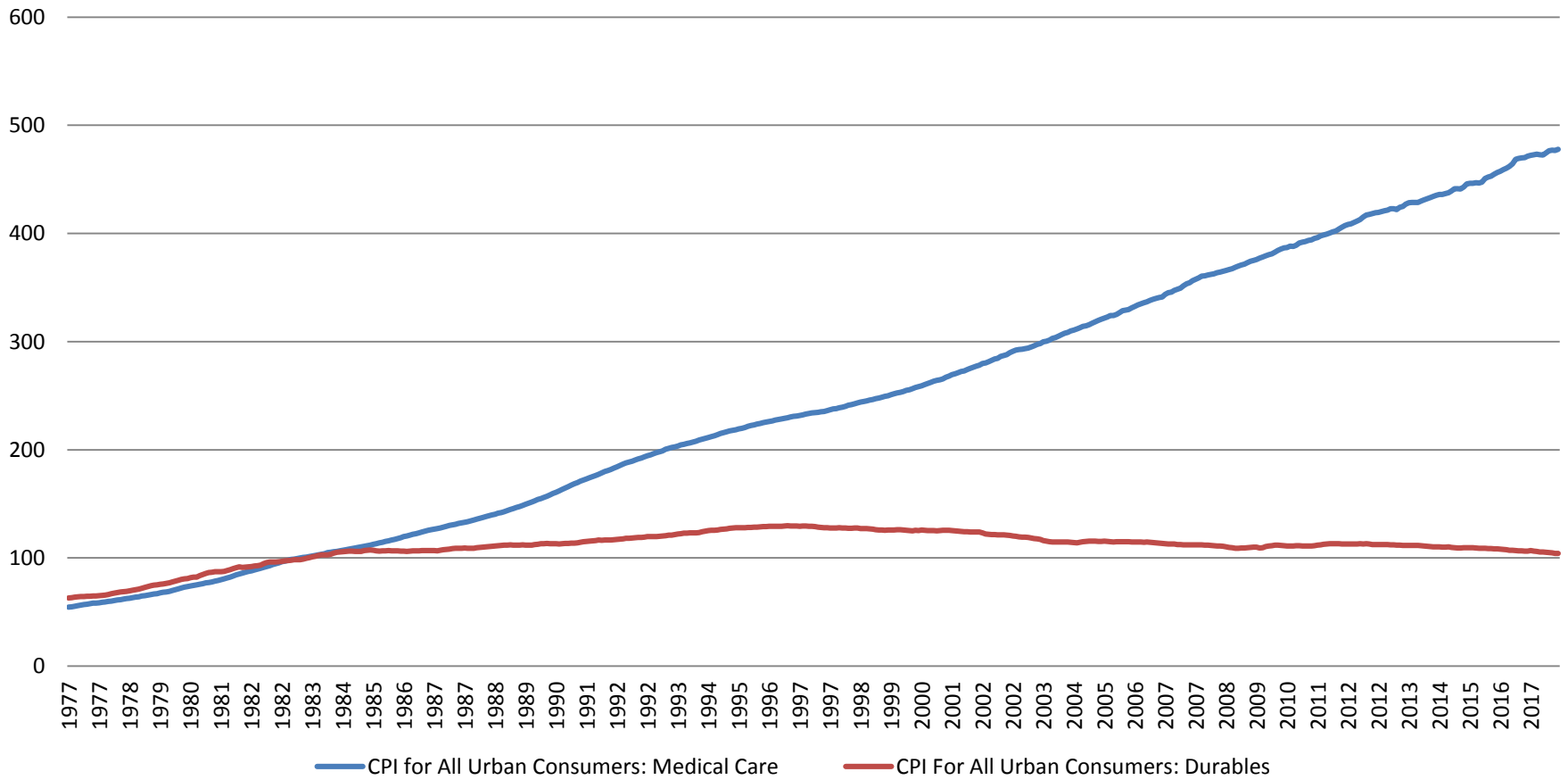
Source: Rockefeller Institute of Government

Ratings Movements For U.S. States

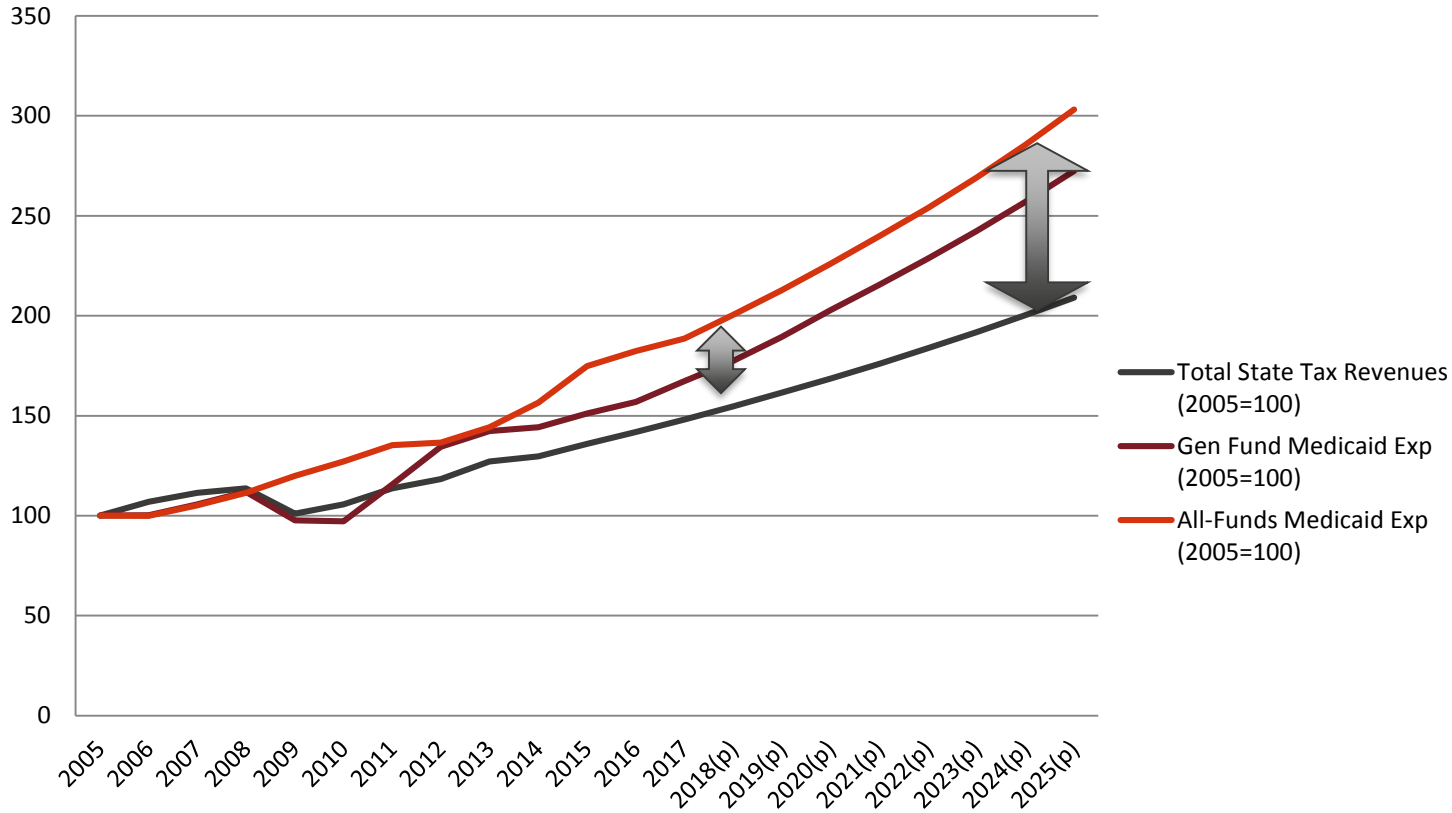


Source: S&P Global Ratings History of U.S. State Ratings 10/13/17. *As of 10/13/17. Includes multiple rating changes for same state within a year

CPI For Medical Care Vs. Consumer Durables (1983=100)



State Revenues Vs. Medicaid Expenditures



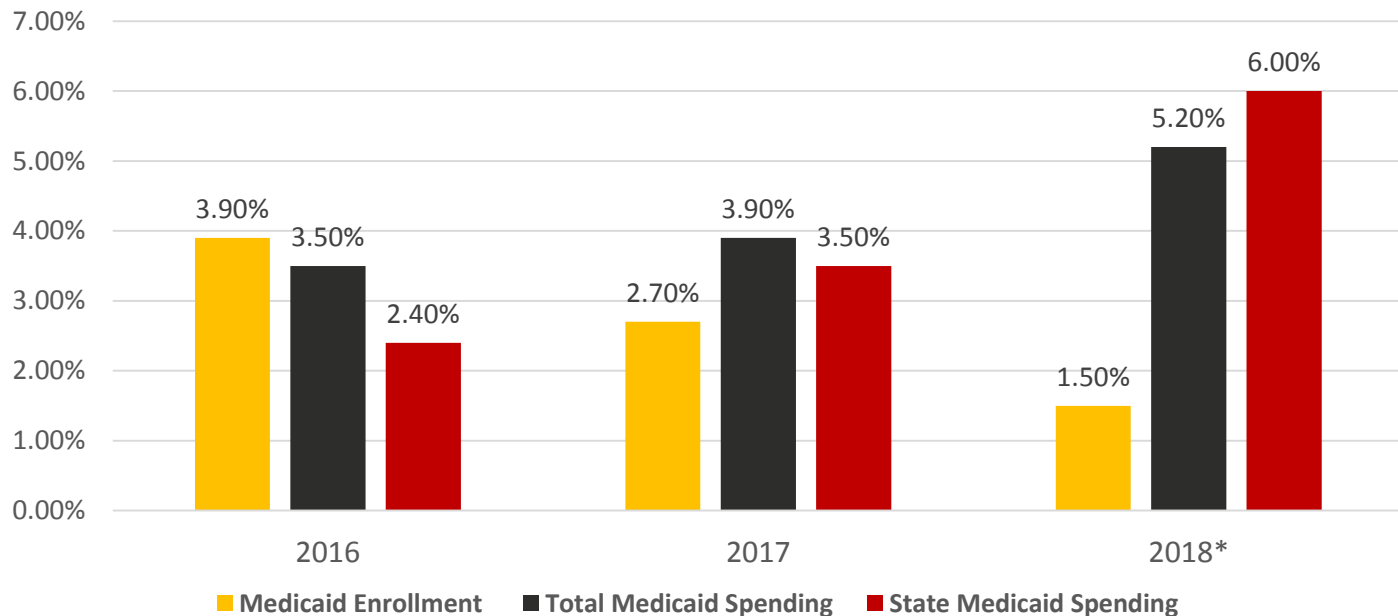
Source: Rockefeller Institute of Government
Source: NASBO Expenditure Reports

Rising Medicaid Costs

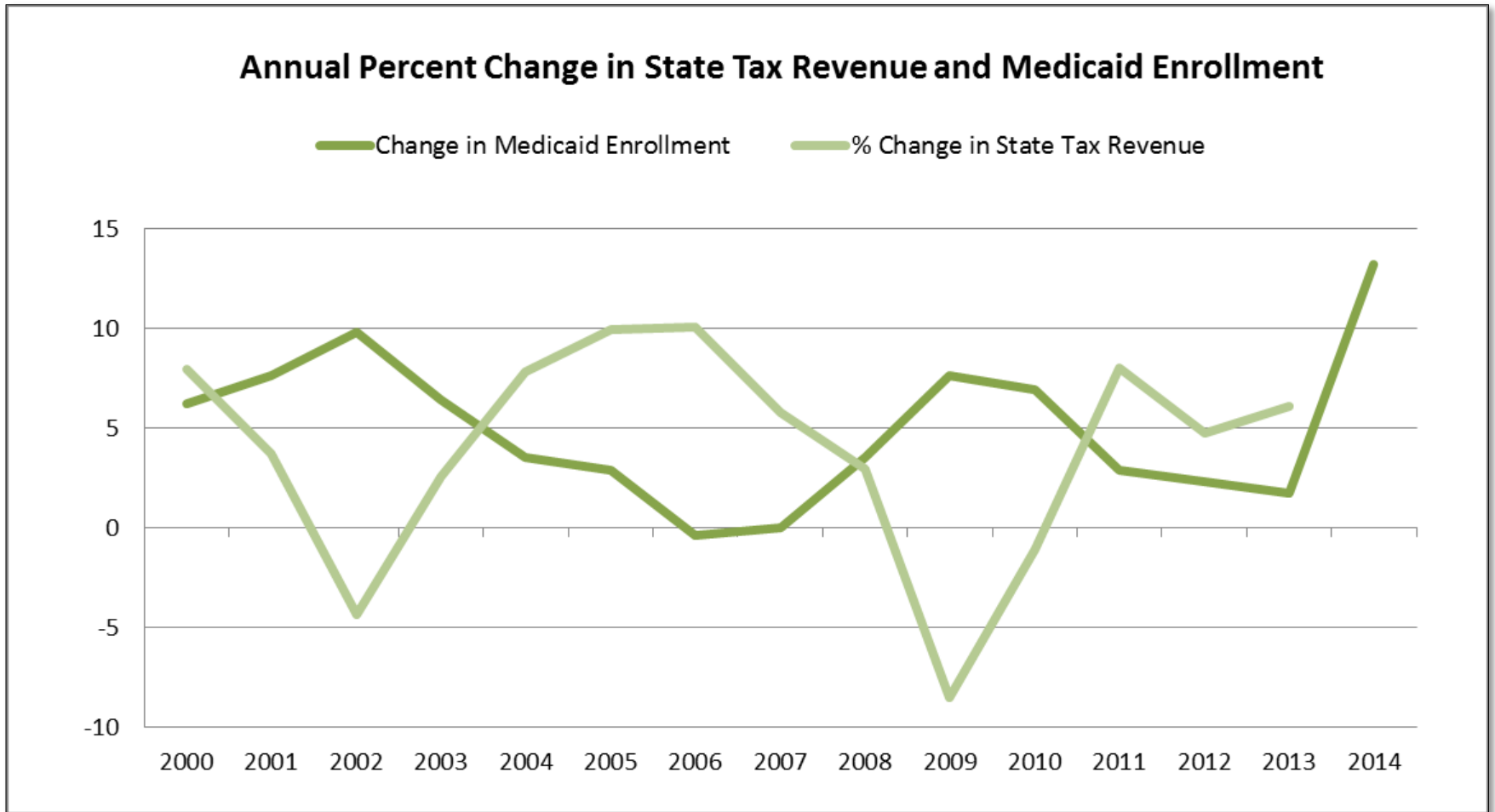
Factors driving higher spending growth include:

- Faster growth in the aged and disabled enrollment groups that account for large share of program spending
- Increasing cost of prescription drugs
- Provider rate increases

Medicaid Annual Average Rates of Growth

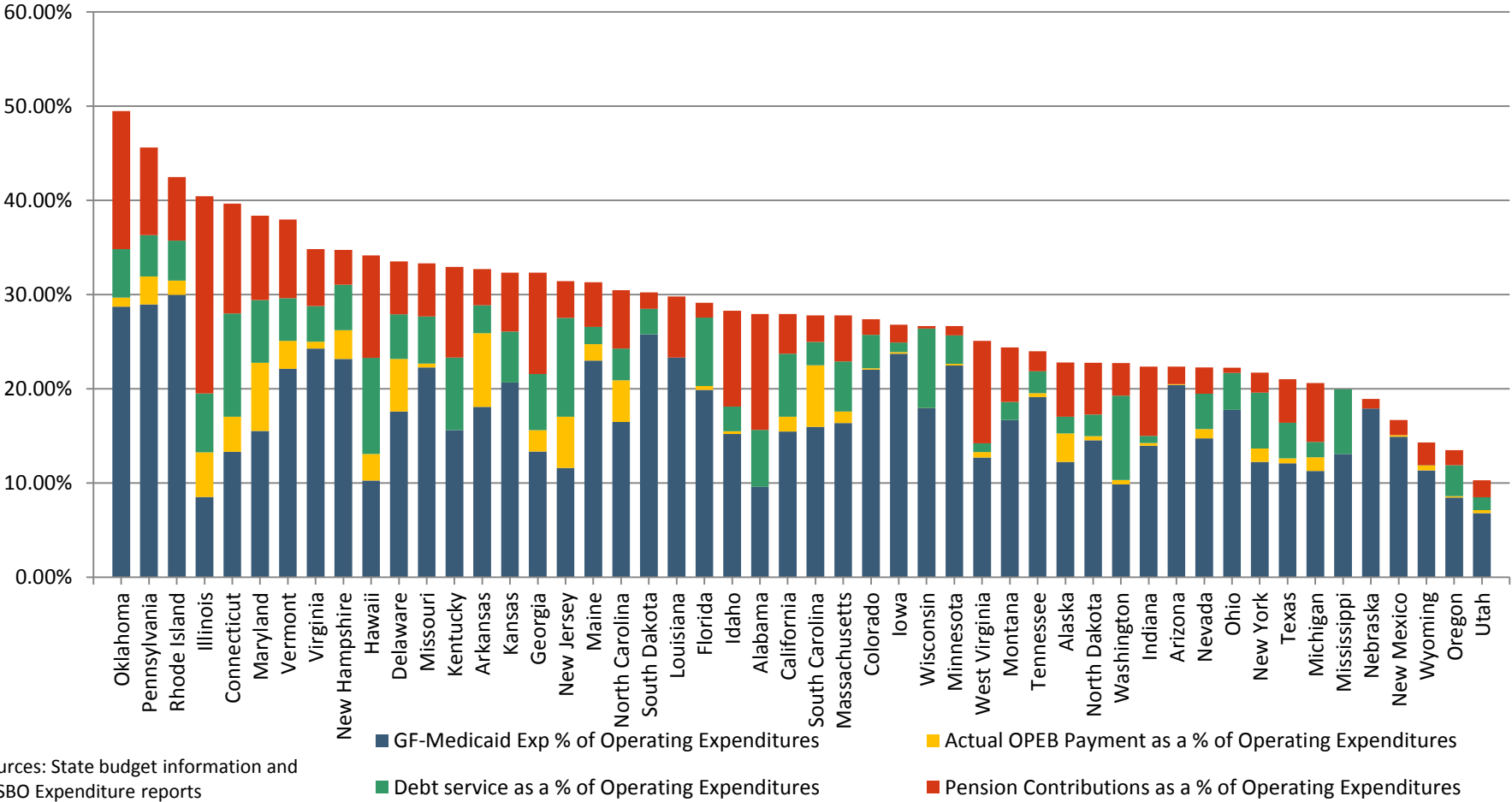


States Are Institutionally Ill-Suited To Fund Entitlements



Source: U.S. Census Bureau, Center for Medicare and Medicaid Services

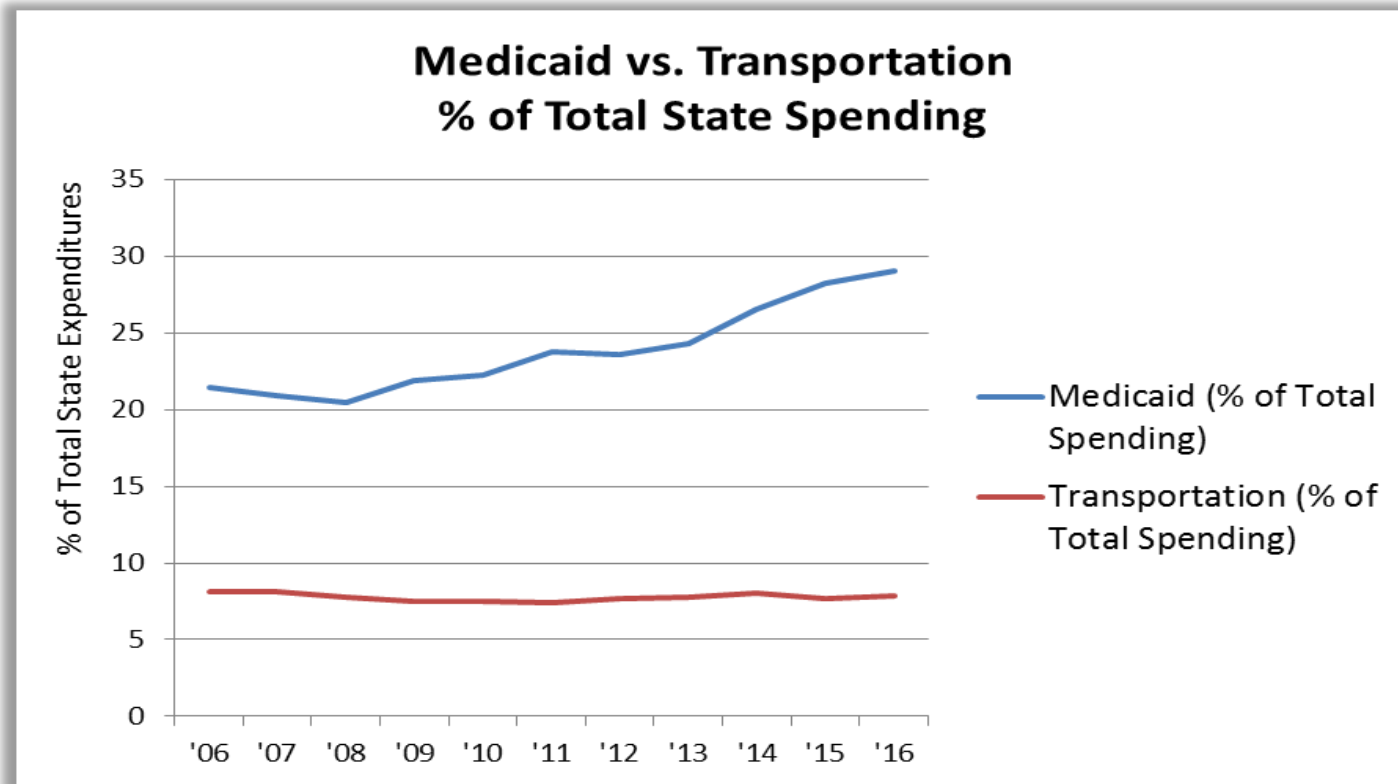
Combined Medicaid, Debt Service, And Pension And OPEB Contributions Share Of General Fund Expenditures



Sources: State budget information and NASBO Expenditure reports

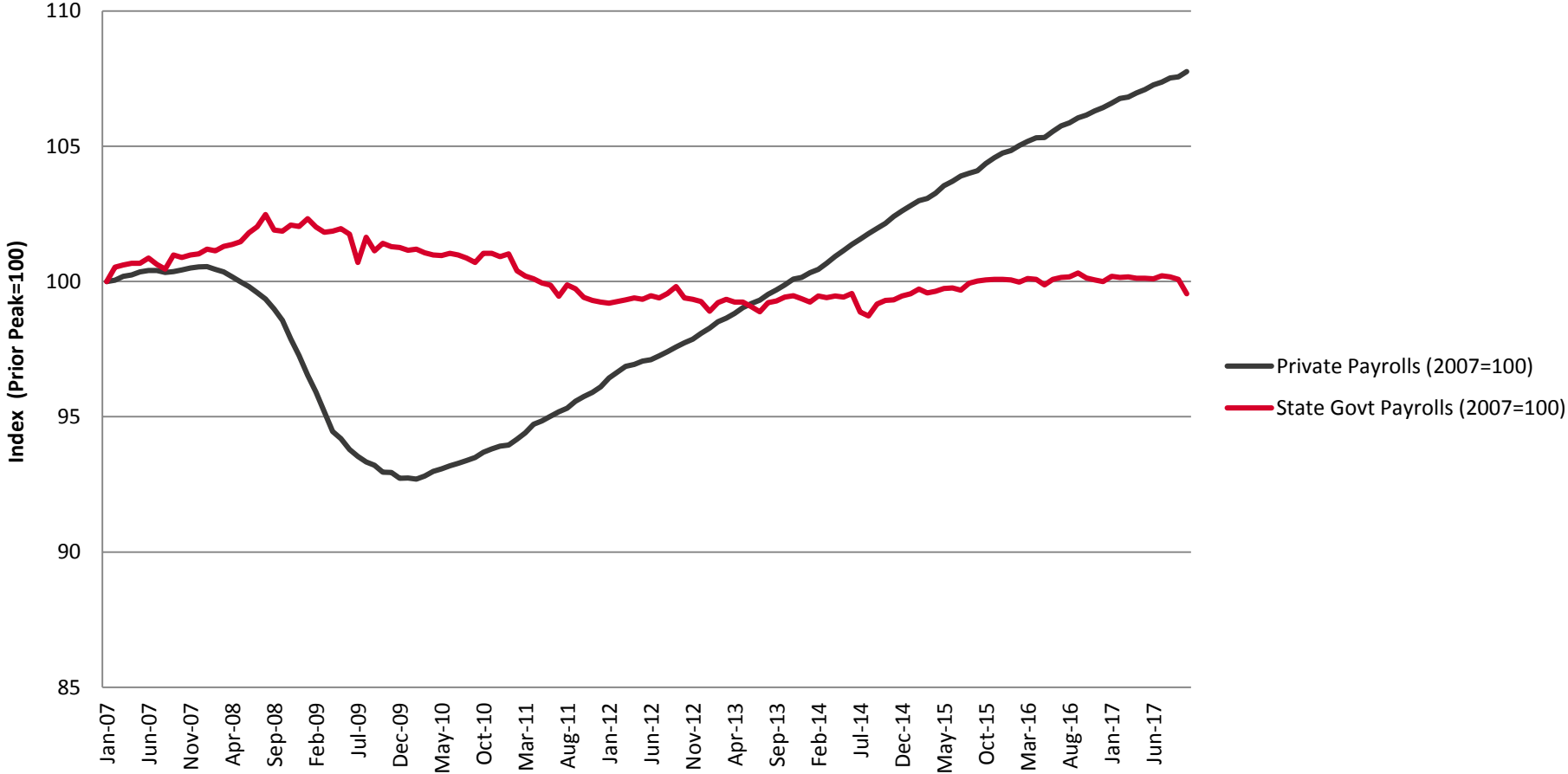
Medicaid's Crowding Out Effect

While many states recognize the importance of transportation funding, it competes with other growing spending priorities, such as Medicaid.



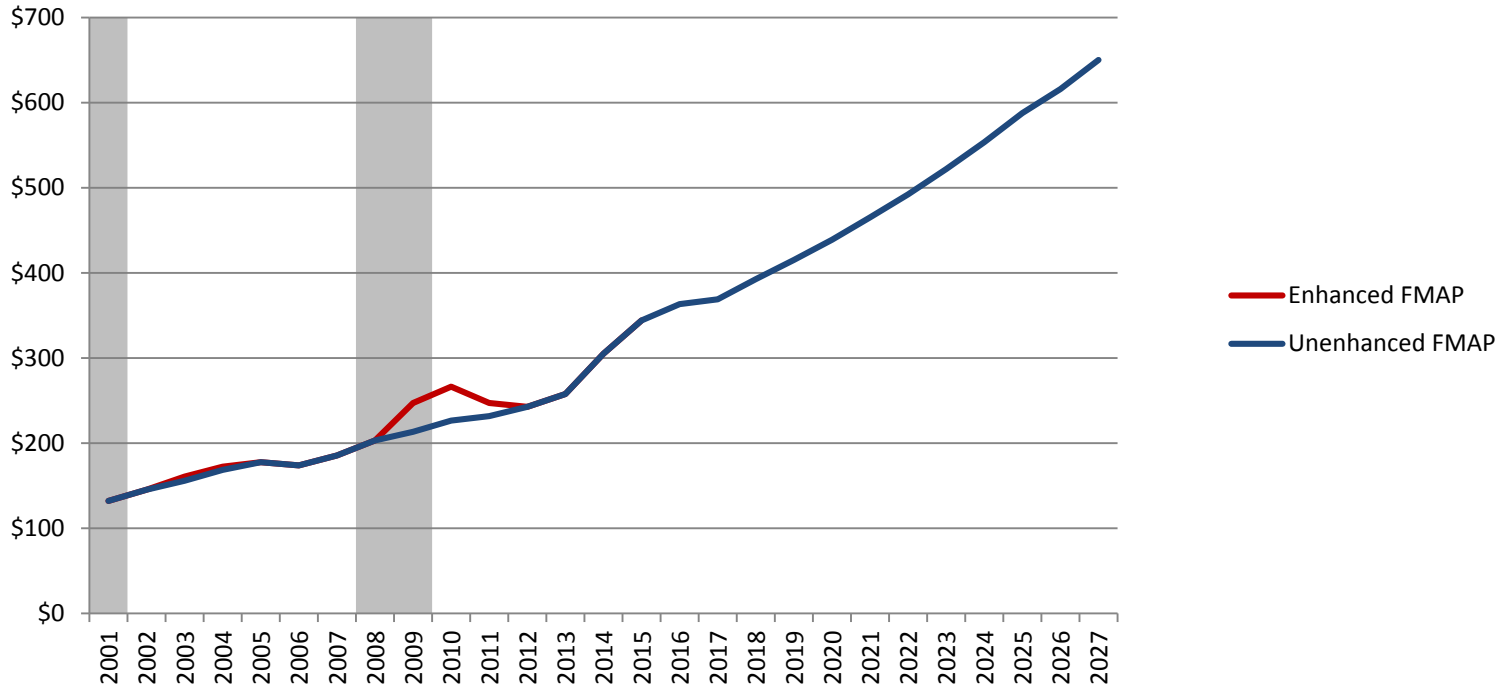
Source: NASBO State Expenditure Report

Total Private Payrolls Vs. State Government Payrolls



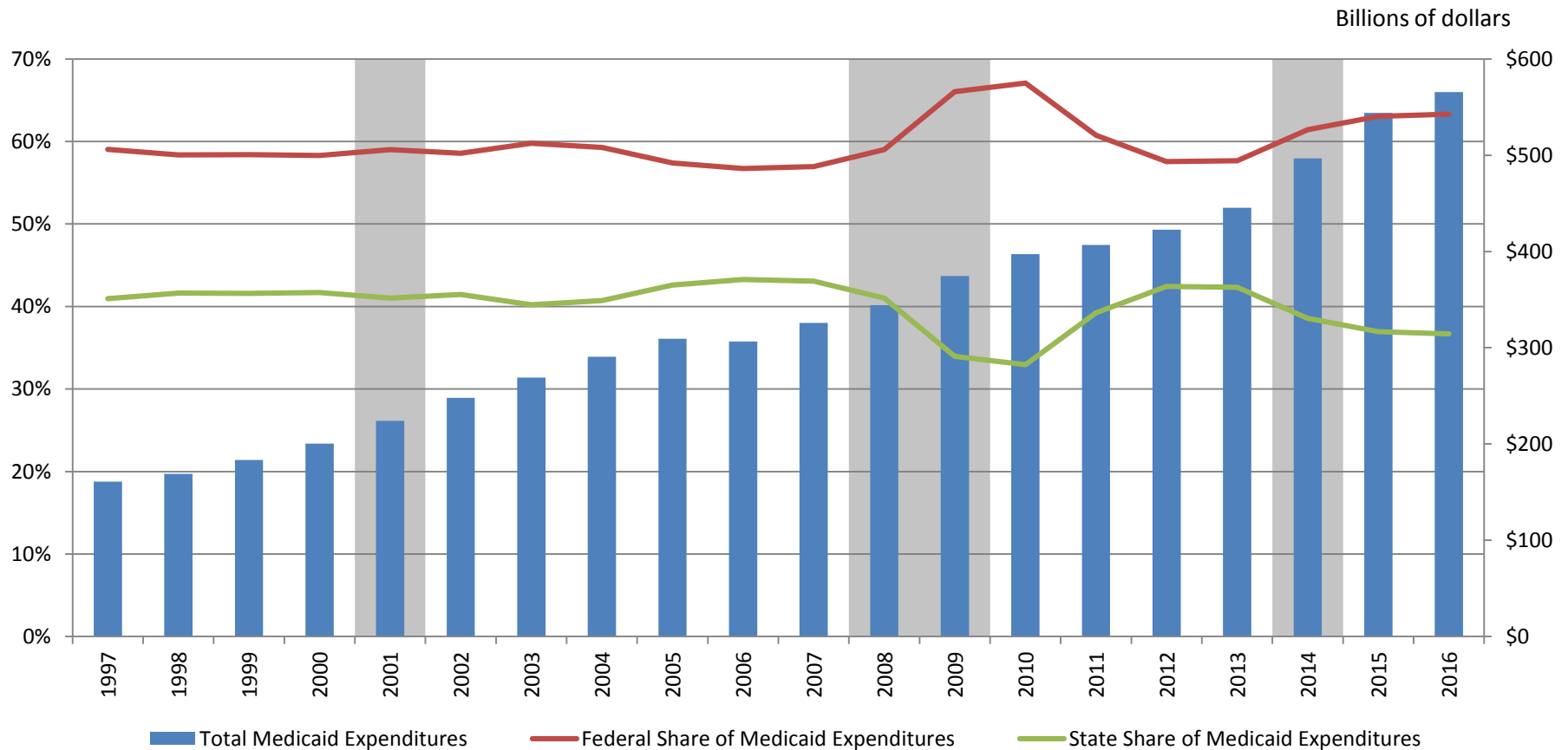
Source: Bureau of Labor Statistics

Federal Medicaid Funding With and without Enhanced FMAP Under ARRA



SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.
S&P calculations

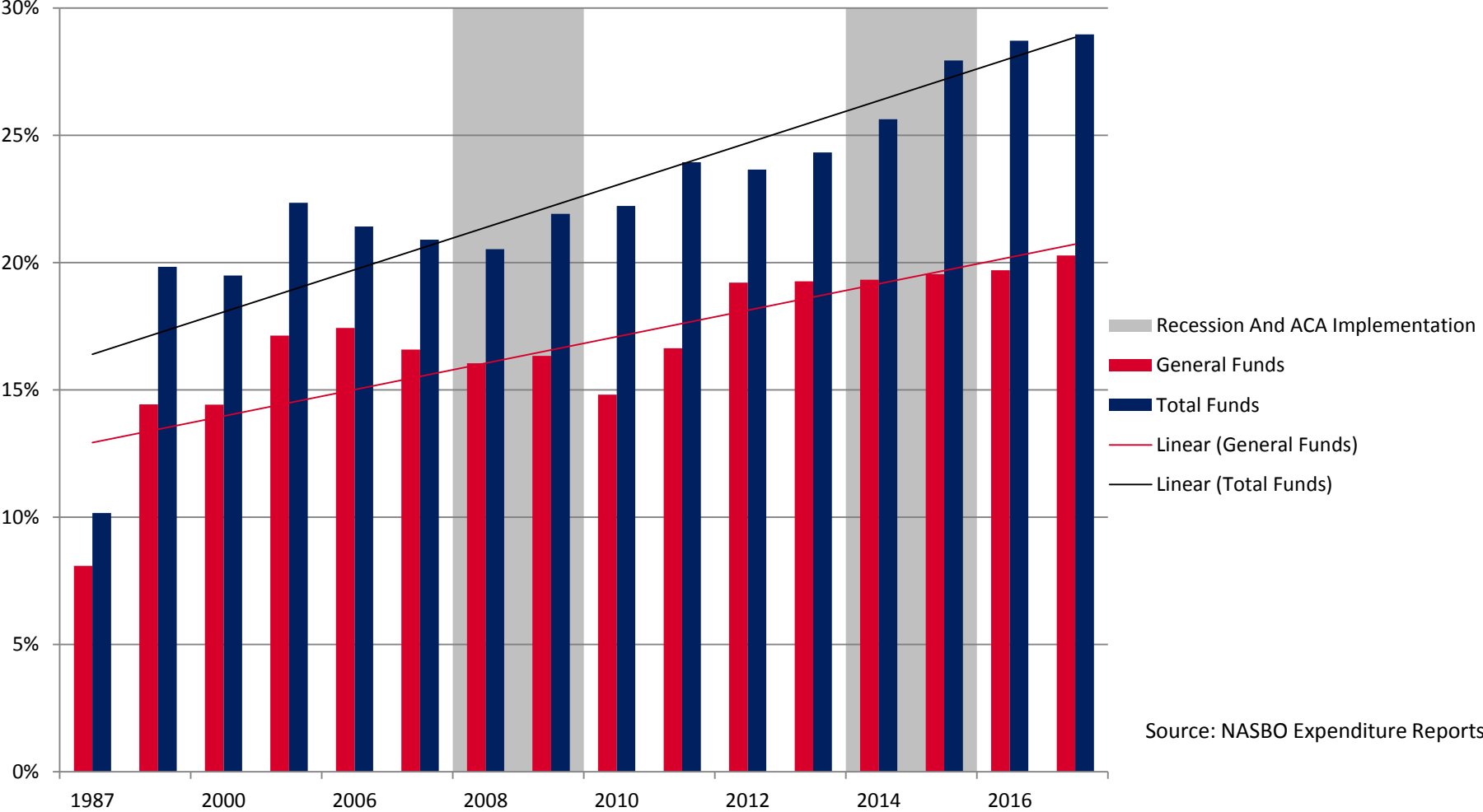
Federal And State Medicaid Spending Shares from 1997 to 2017



SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

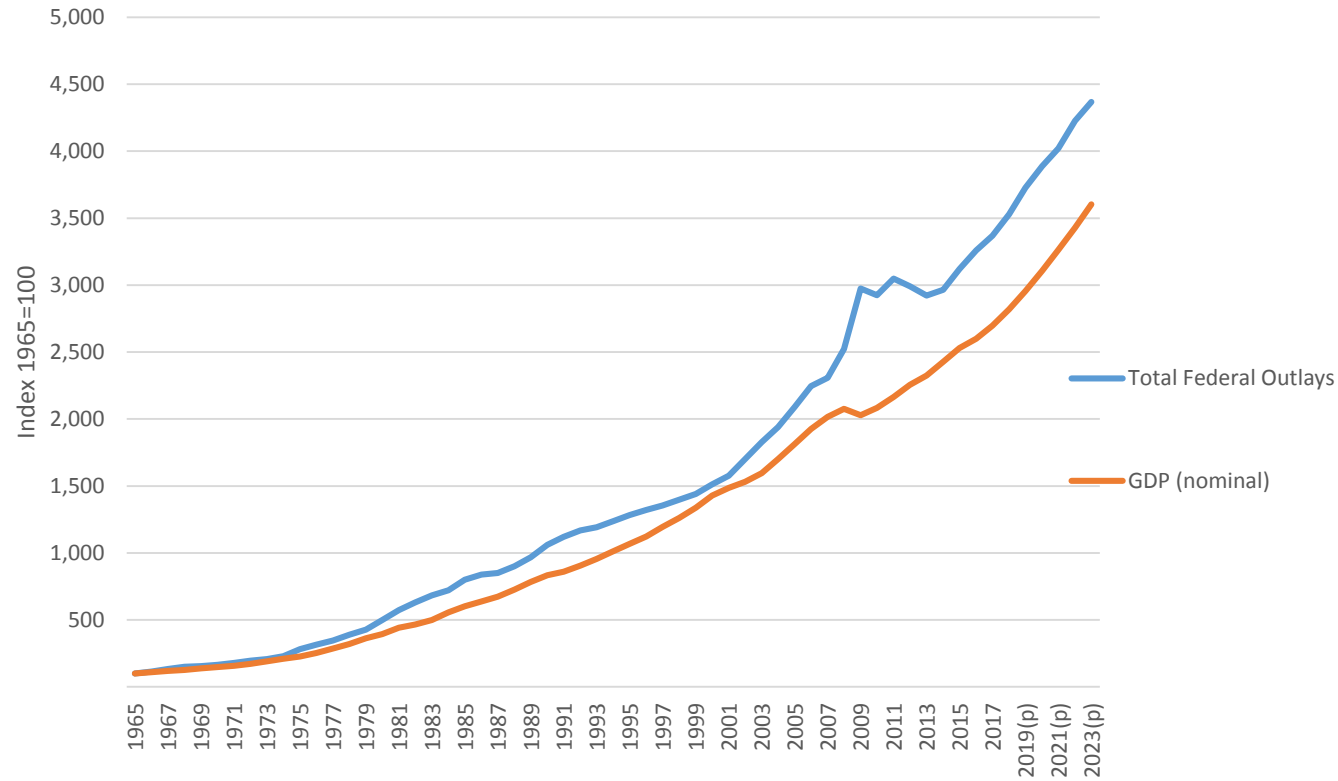
Shaded areas reflect periods of economic recession (2001, 2008-2009) and the ACA implementation (2014)

Medicaid Spending from 1987 to 2017



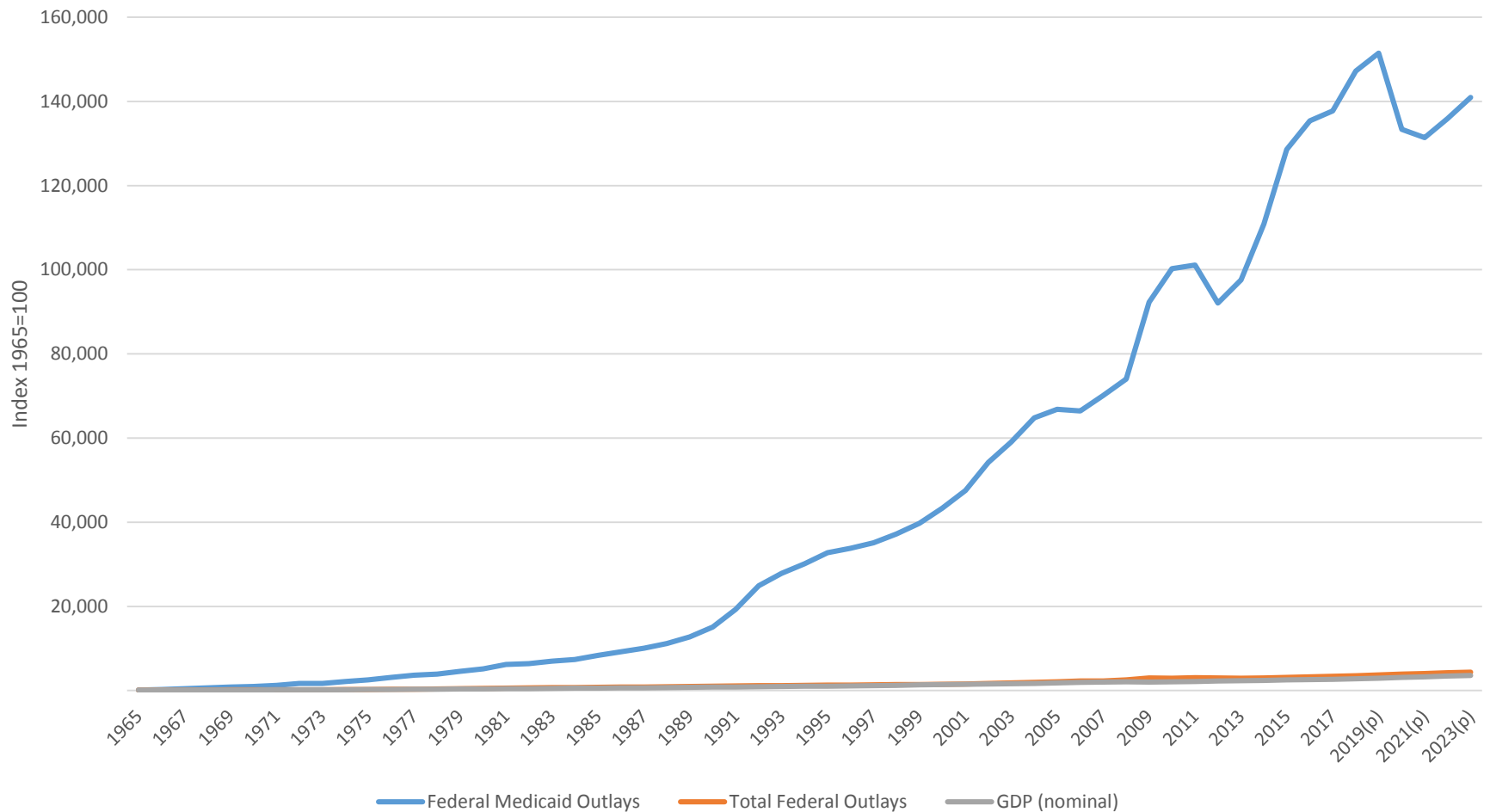
Source: NASBO Expenditure Reports

Total Federal Outlays, U.S. GDP



Source: White House OMB

Total Federal Outlays, Federal Medicaid Outlays, U.S. GDP



Source: White House OMB