



HEALTH CARE

POLICY BRIEF

The Fiscal Impact of “Medicare for All” in Arizona

“...‘MEDICARE FOR ALL’ IS A BRIDGE TOO FAR. INDEED, CATASTROPHICALLY TOO FAR FOR ARIZONA TAXPAYERS WITH ESTIMATES GOING AS HIGH AS \$45 BILLION ANNUALLY.”

INTRODUCTION

As our world shrinks, so too do the usual borders between state and federal policy considerations. Recently, the concept of “Medicare for All” - a proposal to expand the federal Medicare program to everyone regardless of health care coverage status - has made its way onto the long list of ideas being exported from Washington D.C. to states. A simple analysis using basic assumptions on how such programs are managed tell us “Medicare for All” is a bridge too far. Indeed, catastrophically too far for Arizona taxpayers with estimates going as high as \$45 billion annually.

SUMMARY

If a “Medicare for All” option was expanded to only the state’s uninsured population, new state costs would equal an estimated \$4.3 billion per year. This amount is considered a conservative starting point and would continue to increase each year. In order to pay for the program, the state sales tax rate would need to be doubled, or the state income tax would need to be doubled (for all taxpayers), or some alternative tax plan would need to be designed.

The negative economic consequences of such a large required tax increase would result in significant job losses and a reduction in spending on other economic fundamentals including education, infrastructure, and public safety. The depressed economic growth would result in fewer tax collections, thus requiring another round of tax increases. The cycle would continue until the program became insolvent. There does not

appear to be an economic scenario where this proposal will not cause irreparable fiscal harm to the state within one or two years.

If “Medicare for All” was truly extended to “all” Arizona residents (versus only the uninsured), the annual cost would rise to \$45 billion. For perspective, the state’s General Fund budget is less than \$10.5 billion. The program would immediately become insolvent.

“IF ‘MEDICARE FOR ALL’ WERE TRULY EXTENDED TO ‘ALL’ ARIZONA RESIDENTS...THE PROGRAM WOULD IMMEDIATELY BECOME INSOLVENT.”

ARIZONA’S CURRENT HEALTH CARE LANDSCAPE

In Arizona, the Arizona Health Care Cost Containment System (AHCCCS) was established in 1982 as the State’s Medicaid program to provide health care for low-income residents. AHCCCS is an integrated care model that utilizes contracted health plans to coordinate and pay for medical services for 1.9 million individuals and families that are delivered by more than 70,000 public and private health care providers.¹ AHCCCS provides medical, behavioral and long-term care services to its membership in a mandatory managed care model.²

Federal funding provides the majority of the support, at 75 percent of the system’s funding. The next closest, the state’s General Fund, provides 16 percent.³

For perspective on costs, data was collected on current state government health care expenditures, per capita health care expenditures, population figures, and the number of individuals covered versus not covered by insurance. Data was collected at the U.S. and state levels.

According to the U.S. Census Bureau, 6.3 million state residents were covered by private or government insurance as of 2017 – leaving roughly 667,000 persons, or 9.5 percent, of the state’s population uninsured.⁴

ARIZONA HEALTH INSURANCE COVERAGE, 2017

	AGE 0-17	AGE 18-64	AGE 65+	TOTAL
Total Population	1,662,000	4,114,000	1,227,000	7,003,000
Insured	1,556,000	3,580,000	1,200,000	6,336,000
Uninsured	105,000	535,000	27,000	667,000

Source: U.S. Census Bureau

The Henry J. Kaiser Family Foundation (KFF) estimated health care spending per capita in Arizona to be \$6,452 in 2014.⁵ This figure included hospital care, physician and clinical services, prescription drugs, nursing home care, dental services, and other components. By multiplying the number of uninsured by the health care spending per capita in Arizona, it can be estimated that the cost to provide health care to those currently uninsured would be at least \$4.3 billion. This figure is very conservative and would rise each year with health care inflation and population growth.

**COST TO COVER ARIZONA UNINSURED, 2017
BASELINE ESTIMATE**

TOTAL UNINSURED	ARIZONA PER CAPITA COST	TOTAL COST
667,000	\$6,452	\$4,303,484,000

Sources: U.S. Census Bureau; Henry J. Kaiser Family Foundation

As a check to the aforementioned cost estimate, a calculation by age group was considered. KFF provides a breakdown of the per capita expenditure by age group for the United States. Utilizing these figures for an alternative calculation, and then multiplying it by Arizona’s age breakdown of uninsured residents, the cost to the state would be \$3.6 billion to provide health care. This figure was expected to be lower than the initial baseline estimate of \$4.3 billion due to cost differences between the states, but it is within the expected scale.

**COST TO COVER ARIZONA UNINSURED COMPARED
TO U.S. AGE GROUP AVERAGES, 2017
ANALYSIS CHECK**

	AGE 0-17	AGE 18-64	AGE 65+	TOTAL
Uninsured	105,000	535,000	27,000	667,000
Per Capita Cost	\$2,846	\$5,314	\$15,161	\$5,324
Total Cost	\$298,815,000	\$2,842,978,200	\$409,352,300	\$3,551,145,500

Sources: U.S. Census Bureau; Centers for Medicare & Medicaid Services

Applying the \$6,452 per capita figure provided by KFF across Arizona’s entire population of 7 million⁶ residents shows that it would cost in excess of \$45 billion to provide Medicare for all of Arizonans.

COST TO COVER ALL ARIZONA RESIDENTS, 2017*

	AGE 0-17	AGE 18-64	AGE 65+	TOTAL
Total Population	1,662,000	4,114,000	1,227,000	7,003,000
Per Capita Cost	\$6,452	\$6,452	\$6,452	\$6,452
Total Cost	\$10,723,224,000	\$26,543,528,000	\$7,916,604,000	\$45,183,356,000

Sources: U.S. Census Bureau; Henry J. Kaiser Family Foundation

*Totals may not add due to rounding.

ADDITIONAL CONSIDERATIONS

A number of qualitative issues also need to be considered when exploring the fiscal feasibility of a proposed state level plan. For example, Medicaid typically compensates providers at the lower end of the spectrum as compared to Medicare payments. This would push costs lower than those noted in this report. However, individuals not currently covered by insurance also tend to have more expensive health care problems. Adding these individuals would put upward pressure on the average cost estimates.

Furthermore, health care inflation far exceeds the broader measures of economic inflation and future changes in costs will be unpredictable. There is also uncertainty in the extent hospitals will be able to accommodate changes to the system of this magnitude.

This is a serious issue, but proposed solutions must be fiscally sustainable.

CONCLUSION

In order to provide health care to those 667,000 Arizonans currently uninsured would require a new revenue stream of about \$4.3 billion. To provide health care to every Arizonan through a “Medicare for All” program could cost in excess of \$45 billion, a number more than four times the size of current General Fund expenditures for all of Arizona government.

There does not exist an economic scenario where the implementation of “Medicare for All” is fiscally feasible.

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ACKNOWLEDGMENTS

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