



# Saving Lives through Medicaid Expansion



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## **Introduction**

A primary goal of the Patient Protection and Affordable Care Act (ACA)<sup>1</sup> was to expand health insurance coverage and reduce the number of uninsured Americans. It sought to do so by eliminating barriers to healthcare access such as eliminating pre-existing condition exclusions, and eliminating lifetime coverage limits. But the law was also designed to expand coverage availability through subsidies for middle-class families buying insurance on the marketplace and the expansion of Medicaid.

To expand Medicaid enrollment, the law allows the state to receive increased Federal Funding if they extended Medicaid coverage to individuals living below 138% of the Federal Poverty Level. Currently Medicaid eligibility in North Carolina was limited to pregnant women, children under the age of 21, parents or caretakers of dependent children, the disabled, and the elderly who financially qualify for assistance.

The Federal Government offered to cover 100% of the cost of the expansion until 2016 then the rate would drop to 90%.<sup>2</sup> The non-expansion Medicaid matching rate for North Carolina currently has the Federal Government covering roughly 66% of the costs and the state paying the other 34%.<sup>3</sup>

In a 7-2 decision, the US Supreme Court gave the States the ability to opt out of the Medicaid expansion.<sup>4</sup> Former Governor Pat McCrory and the GOP led General Assembly took advantage of the Supreme Court decision and signed legislation in 2013 prohibiting the state from accepting Medicaid expansion, making North Carolina one of nineteen states, that has refused to accept the Medicaid expansion under the ACA.

This paper is one of a series of papers exploring policy changes that can effectively make North Carolina more competitive and equitable. This paper focuses on the economic, social, demographic, and health outcome consequences of our state's refusal to expand Medicaid.

## **The Economics of Expanding Medicaid**

The North Carolina General Assembly in their passage of the 2013 legislation preventing the expansion of Medicaid, cited concern with the tax burden to the state of expanding Medicaid. This stated response was a clear misunderstanding of the law because at the time expansion would have cost the state nothing. Expanding Medicaid would not have created any new spending liability for the State. Although a distant argument could be made that by refusing Medicaid North Carolina reduced the U.S. tax burden, that benefit was spread across the entire country. North Carolina taxpayers continued to pay their share of expansion costs for the 31 states which did

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<sup>1</sup> Patient Protection and Affordable Care Act, 42 U.S.C. § 18001 et seq. (2010).

<sup>2</sup> <http://www.hhs.gov/healthcare/rights/law/index.html>

<sup>3</sup> The Henry J. Kaiser Family Found., *Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier*, KFF, <http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier>.

<sup>4</sup> *National Federation of Independent Business v. Sebelius*. 132 S. Ct. 2566 (2012).

choose to expand without receiving any of the economic benefits.<sup>5</sup> As a result North Carolina has already lost out on over \$8.1 billion in federal funding, compared to what it could have earned had it expanded Medicaid.<sup>6</sup>

Starting in 2020 when federal matching rates level out at 90% estimates state expanding Medicaid would directly cost the state \$600 million each year.<sup>7</sup> This is dependent on a number of estimates such as how many people sign up and what their health care will cost. Early projections from states who decided to expand Medicaid show that that newly eligible people cost 38% less than existing Medicaid enrollees.<sup>8</sup> This amount would be offset by the secondary benefits to the state.

Outside of increasing the number of North Carolinians with access to health coverage, one secondary financial benefits of expanding Medicaid include job creation and economic stimulus. Estimates are that North Carolina could add roughly 43,000 jobs across multiple industries.<sup>9</sup> Job growth within states that expanded Medicaid was on average triple that of the states who refused to expand Medicaid.<sup>10</sup>

With fewer uninsured North Carolinians, Medicaid expansion will also lower the amount of uncompensated care. Uncompensated care is not free care, because patients and employers ultimately pay more in private insurance premiums to defray the losses that hospitals and doctors incur in treating patients without insurance. It is estimated that \$60 million a year in uncompensated care is paid by taxpayers as offsets of state and local government owned hospitals and medical schools.

Expanding Medicaid would allow for the state to restructure money already spent on other programs. Over a third of the North Carolinians who qualify for Medicaid expansion are enrolled under an existing coverage category. By re-enrolling them under the expansion, the Federal Government pays a higher share of their coverage costs. Expanding Medicaid can reduce costs in other state programs including mental health, substance abuse treatment, and treating people who are incarcerated.

The 10% of the costs that the state is to pay for new enrollees under Medicaid Expansion is estimated to be roughly \$600 million. After calculating the increased tax revenue from the tens of thousands of jobs created, reduced uncompensated care cost and reduced costs of existing State

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<sup>5</sup> Mark A. Hall & Edwin Shoaf, Health Law and Policy Program, Wake Forest School of Law, *Medicaid Expansion in North Carolina: A Frank Discussion* (January 2016), <http://hlp.law.wfu.edu/files/2016/01/Expansion-Issues-final-2b.pdf>

<sup>6</sup> Leighton Ku, et al., Ctr. For Health Policy Research, The George Washington School of Pub. Health, *The Economic and Employment Cost of Not Expanding Medicaid in North Carolina a County-Level Analysis*. (2014).

<sup>7</sup> Hall & Shoaf, *supra* note 5.

<sup>8</sup> Laura Snyder, et al., "Medicaid Expansion Spending and Enrollment in Context: An Early Look at CMS Claims Data for 2014" (Kaiser Family Foundation, Jan. 2016). <http://kff.org/medicaid/issue-brief/medicaid-expansion-spending-and-enrollment-in-context-an-early-look-at-cms-claims-data-for-2014/>.

<sup>9</sup> Ku, *supra* note 6.

<sup>10</sup> Dee Mahan, "Medicaid Expansion's Possible Effects on Health Sector Employment Growth" (Families USA, Aug. 2014).

Government healthcare programs, the difference between what the financial cost and financial benefit is within a statistical margin of error.<sup>11</sup>

### **Better health outcomes for North Carolinians**

Estimates indicate 244,000 uninsured North Carolinians fall into the Medicaid coverage gap.<sup>12</sup> These are individuals who do not make enough money to afford a marketplace plan, but they make too much to qualify for Medicaid as currently implemented by the state. Over 400,000 North Carolinians could benefit from Medicaid expansion, this could cut the current uninsured rate in North Carolina in half.<sup>13</sup>

Health insurance coverage is vital to preventative medicine, and ensures that health issues are treated immediately rather than festering until they reach a point where costly emergency procedures are required. Expansion in other states revealed a notable increase in the likelihood of having a personal physician (12.1%), likelihood of a checkup (16.1%), and decreased reliance on emergency care as the primary source of health care (6.1%).<sup>14</sup> Community Health Centers saw a 46% increase in visit rates for states that expanded Medicaid and a 41% increase in preventative health services.<sup>15</sup> States that expanded Medicaid saw a 20% increase in dental visits, 16% increase in receiving a mammogram, and 14% increase in receiving a clinical breast exam.<sup>16</sup>

It is only through removing the financial barriers to care that these individuals went for preventative procedures. A DHHS review found that 78% of post expansion Medicaid enrollees would not have been able to afford their care if expansion had not occurred. This financial barrier that North Carolinians continue to face, causes unnecessary preventable deaths. By one study, estimates the amount of deaths caused by the refusal to expand Medicaid number is between one and two thousand each year. And beyond preventing unnecessary deaths, Medicaid expansion would improve the quality of life for tens of thousands. One Harvard study concluded that without expanding Medicaid North Carolina would have:

- 45,571 cases of untreated depression
- 27,044 diabetics without diabetes medication
- 14,776 individuals facing catastrophic medical expenses<sup>17</sup>

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<sup>11</sup> Hall & Shoaf, *supra* note 5.

<sup>12</sup> *Close the Coverage Gap*. (2015). Retrieved August 16, 2017, from North Carolina Community Health Center Association: <http://www.ncchca.org/?page=288>

<sup>13</sup> John Holahan, et al. The Kaiser Commission on Medicaid and the Uninsured, *The Cost of Not Expanding Medicaid*. (2013).

<sup>14</sup> Benjamin D. Sommers et al., *Changes in Utilization and Health Among Low-Income Adults After Medicaid Expansion or Expanded Private Insurance*, 176 JAMA INTERNAL MED. 1501-1509 (2016).

<sup>15</sup> U.S. Dep't of Health and Human Services, *Impacts of the Affordable Care Act's Medicaid Expansion on Insurance Coverage and Access to Care 3* (2016).

<sup>16</sup> Kosali Simon, et al., *The Impact of Health Insurance on Preventative Care and Health Behaviors: Evidence from the 2014 ACA Medicaid Expansion* 19 (Nat'l Bureau of Econ. Research, Working Paper No. 22265, 2016).

<sup>17</sup> Sam Dickman et al., *Opting Out of Medicaid Expansion: The Health and Financial Impacts*, HEALTH AFFAIRS BLOG (Jan. 30, 2014), <http://healthaffairs.org/blog/2014/01/30/opting-out-of-medicaid-expansion-the-health-and-financial-impacts>.

## **Conclusion**

The arguments against the expansion of Medicaid are weak and political in nature. The state has elected to refuse tens of billions of federal dollars, hundreds of millions in tax revenue, hundreds of millions of savings in uncompensated care, tens of thousands of jobs, and thousands of lives by refusing to expand Medicaid in 2014. We can no longer continue down that path. The elected officials within the General Assembly owe it to the people who put them there to expand Medicaid coverage.