

# Medicaid Expansion

## Recommendation

Expands Medicaid to provide access to affordable health insurance to more than 600,000 additional North Carolinians, including veterans, families with children, and others. Medicaid expansion would provide coverage for many working people who continue to feel the impacts of the COVID-19 pandemic.

## Statement of Need

Expanding Medicaid ensures access to affordable health insurance, increases access to health care, and bolsters rural hospitals.

- In 2019, 11.3% of North Carolinians lacked health insurance, representing over 1.1 million residents. Nationally, the uninsured rate in 2019 was 9.2%. North Carolina ranked 41<sup>st</sup> in uninsured rate in 2019.<sup>1</sup>
- Today, parents with children who earn less than 42% of the federal poverty line are eligible for Medicaid coverage; for a family of four, this amounts to \$11,655. Medicaid expansion would raise that amount to \$38,295, providing coverage to individuals and parents with children who earn less than 138% of the poverty line.
- The opioid epidemic continues to ravage communities. Medicaid expansion would play a critical role in providing coverage for substance abuse services.
- Hospitals are facing serious financial pressures in the wake of COVID-19, but these problems are not new. Uncompensated care (the cost of services that hospitals are required to provide regardless of an individual's insurance status or ability to pay) continues to drive up health care costs for all and strain our healthcare system, particularly in rural areas of the state. Medicaid expansion would bolster rural hospitals and address inequities in care statewide.

## Recommendation Detail

### No State Dollars Needed to Expand Medicaid

Medicaid expansion does not require additional state funding. The federal government pays 90% of the cost, while hospital assessments and the Prepaid Health Plan (PHP) premium taxes that health insurance companies in North Carolina pay would cover the remaining 10%. PHP premium taxes result from North Carolina's transition to Managed Care, and the portion of taxes attributable to the Expansion population is appropriated to Medicaid to offset some of the need for hospital assessments. While hospitals do pay for a share of Medicaid Expansion, they are a primary beneficiary of expansion due to increased revenue from the newly insured population.

### Savings from Existing General Fund Appropriations

States that have expanded Medicaid have seen savings to their General Fund budgets in other areas because certain services previously paid for with state dollars became eligible to be paid for by Medicaid. In North Carolina, these savings are expected to total \$71 million annually.

- Many individuals who are currently uninsured and receiving state-funded mental health or substance abuse services would be eligible for Medicaid under expansion. Having health insurance coverage supports these individuals' overall health and allows them access to medical care on a regular basis.

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<sup>1</sup> 2020 American Community Survey

- Incarcerated people who need inpatient hospital care could be covered by Medicaid, a significant cost that is currently the state's responsibility.
- Approximately 5,800 individuals already on Medicaid could be covered at a higher federal match rate.

### Expected Impact

Expanding Medicaid would provide insurance to an estimated 600,000 additional North Carolinians and have the following expected impacts:

- Brings significant additional federal funds to North Carolina that can be used for additional policy priorities. The American Rescue Plan Act included a provision for a temporary 5% increase to a state's base Federal Medical Assistance Percentage (FMAP) for states that newly expand Medicaid, generating almost \$1.5 billion for North Carolina over two years if Medicaid expansion is effectuated by September 1, 2022, totaling \$742 million in the first year alone.
- Injects over \$5 billion into the North Carolina economy, which will spur business activity and create jobs. Medical providers and healthcare workers on the frontline benefit from increased stability in their place of employment; in turn, the money they spend elsewhere ripples throughout the entire economy. The Center for Health Policy Research at The George Washington University estimated in a 2019 study that the additional infusion to North Carolina's economy would create 37,200 jobs and increase Gross State Product by \$2.9 billion.
- Increases economic activity, which translates to greater state and county tax revenues. State tax revenues would increase by \$200 million annually, while county tax revenues would increase by \$43 million annually. Crucially, the entire state would feel this impact and all counties, including rural ones, would benefit.