The Case for Medicaid Expansion in North Carolina

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North Carolina’s refusal to expand its Medicaid program has left many thousands of North Carolinians without health insurance and has imposed unnecessary costs on all of the state’s residents through higher premiums in the state’s health insurance marketplace. Expanding Medicaid is the most efficient way to extend coverage to the state’s uninsured population, and expansion would bring a substantial amount of new federal money into the state. This money can serve as a catalyst for ambitious reforms to the Medicaid program that can lower costs, improve quality of care, and increase value for patients and taxpayers alike.

Most North Carolinians agree that everyone should have access to health care—to see a doctor when they are sick, to receive life-saving treatment in an emergency, and to access drugs and therapies that can cure or manage diseases that would otherwise be a death sentence. The question that divides the state is how to pay for this care. While most North Carolinians have insurance through their employer or through a government program such as Medicare or Medicaid, others remain uninsured. Individuals who are uninsured are not typically denied care outright, but they often delay care, tend to be charged more because they lack bargaining power, and are at risk of financial ruin from medical bills they cannot pay [1]. Eventually, the cost of care for uninsured individuals must be paid by someone, and it is shifted throughout our health system in an opaque and byzantine manner that raises costs for everyone. It is hard to imagine a more inefficient approach to paying for care.

North Carolina’s decision not to expand Medicaid with funds provided through the Patient Protection and Affordable Care Act (ACA) means that today approximately 390,000 North Carolinians who would become eligible under expansion remain uninsured [2, 3]. In addition, another 95,000 persons (mostly children) who are eligible under current rules but are not enrolled would likely gain coverage due to the increased attention that expansion would bring [2, 3]. Further, of those North Carolinians who have signed up for private insurance in the health insurance marketplace, approximately 200,000 have incomes just above the federal poverty level. These residents could be covered by Medicaid under expansion, thus helping to stabilize marketplace premiums by removing many sicker, low-income individuals [2].

Expanding Medicaid is a straightforward way to extend health coverage to many uninsured North Carolinians. Expansion makes financial sense for the state, and it could jump-start health reform that could benefit everyone in North Carolina.

Funding Medicaid Expansion

The federal government currently pays 66% of costs [4] for the more than 1.9 million [5] North Carolinians already enrolled in Medicaid. Accepting federal funds for Medicaid expansion would mean that 390,000 additional North Carolinians would immediately be eligible for Medicaid under financial terms favorable to our state [2, 3]. Prior to 2017, the federal government paid 100% of the cost of Medicaid expansion for newly eligible recipients. This percentage begins to gradually decrease in 2017, until the federal government pays 90% of expansion costs in 2020 and subsequent years. While it is true that North Carolina must pay 10% of the costs of expansion after 2020, a portion of our state’s share would simply replace costs the state already bears for the care of the uninsured population (see Table 1). Also, for each $1.00 that North Carolina invests in expansion, the state will receive $7.42 in federal dollars that would otherwise not be spent here [3]. It should be noted that a portion of federal tax dollars paid by North Carolinians already support Medicaid expansion in other states, but because our state has not expanded Medicaid, none of the money allocated for expansion flows back to North Carolina. In other words, North Carolina taxpayers pay a share of the costs of Medicaid in the 31 states (and the District of Columbia) that have chosen expansion, helping to cover about 16 million new Medicaid beneficiaries in other states.

Opponents of expansion express concern that the federal government’s level of support could be reduced in the future, leaving the state scrambling to fund the difference. Two facts mitigate this worry. First, there is no historical example
of the federal government reducing its funding commitment for a nationally recognized group of Medicaid beneficiaries [6]. Second, North Carolina can elect to discontinue expansion at any time in the future.

Reducing Premiums in the Health Insurance Marketplace

A recent study found that private insurance premiums in marketplaces in states that had not expanded Medicaid were 7% higher than in states that had expanded their Medicaid programs [7]. The reason for this difference is that, in states that have not expanded Medicaid, residents with incomes just above the federal poverty level have purchased private plans via the health insurance marketplace. Because low incomes are associated with poorer health and higher health care costs, the marketplace risk pools in non-expansion states have a higher proportion of low-income individuals whose higher costs of care drive up premiums for all people buying insurance plans in the state’s marketplace [7]. In North Carolina, there are around 200,000 persons who have bought private plans in the marketplace who could be covered by Medicaid if our state chose expansion [2]. Shifting such persons into Medicaid as part of expansion should help to stabilize premiums in the state’s marketplace, thus providing a better insurance alternative for all North Carolinians. Finally, those who earn below 100% of the federal poverty level fall into the so-called Medicaid gap; these individuals are too poor to receive assistance with premiums and out-of-pocket expenses for a private plan, yet they are not covered by Medicaid due to our state’s decision not to expand the program [8].

The impact of not expanding Medicaid on the risk pool puts the entire marketplace in jeopardy [9]. The big idea behind the ACA is that individuals would be good consumers of health insurance and that competition between insurance companies offering plans in the marketplace would hold down premium costs. Such competition would represent an especially big change in North Carolina, which had (and continues to have) a dominant private insurer. Currently, North Carolina’s marketplace is struggling from having too few healthy persons in our marketplace pool, while having many sicker, low-income persons who need coverage but may have been uninsurable prior to the ACA.

Jump-Starting Health Reform

Medicaid expansion is not a panacea, but it could be a catalyst for health reform beyond simply expanding access to care. North Carolina needs a health reform approach that expands coverage; addresses costs; stabilizes risk pools in a way that provides more options to consumers; and improves quality of care, not only for Medicaid recipients but for all persons. Governor McCrory submitted an 1115 Medicaid waiver on June 1, 2016, that seeks to transform Medicaid from a primarily fee-for-service model to one that seeks to move away from fee-for-service care and toward capitation in a manner that could improve value [10]. While I do not agree with all aspects of the waiver, I have tried to give it the benefit of the doubt and to identify common goals for health reform and ways in which the envisioned plan could improve the value we receive for what we pay for care [11].

Increasing the value we get for our health care dollars is perhaps the key health policy goal writ large for our nation. In my 2012 book, Balancing the Budget is a Progressive Priority, I argue that addressing health care costs is the only way to develop a sustainable federal budget in the long run, and that universal coverage is a necessary but not sufficient condition for doing so [12, 13]. Simply put, we will not undertake the hardest steps on cost control without having a more straightforward means of guaranteeing at least basic access to care for all persons. There are a number of different innovative policy reform ideas that North Carolina may pursue, but successful implementation of any of them is going to be complicated if we do not insure as many people as possible, as quickly as possible, because caring for the uninsured population imposes costs on the state’s health system that are higher than necessary, opaque, and borne unevenly throughout the health system and tax base. The uncertainty and unpredictability caused by an unnecessarily large uninsured population makes it difficult for stakeholders such as providers and payers to make confident decisions about the.

### TABLE 1.
Projected State and Federal Fiscal Effects of Medicaid Expansion in North Carolina, 2017–2026

<table>
<thead>
<tr>
<th></th>
<th>State effects</th>
<th>Federal effects</th>
<th>Net federal dollars gained for each estimated new state dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher caseload costs</td>
<td>Uncompensated care savings</td>
<td>Net estimated costs</td>
</tr>
<tr>
<td>Moderate enrollment scenario</td>
<td>+6.2</td>
<td>-1.3</td>
<td>+4.9</td>
</tr>
<tr>
<td>High enrollment scenario</td>
<td>+6.8</td>
<td>-1.7</td>
<td>+5.2</td>
</tr>
</tbody>
</table>

Note. All values are in billions of dollars except for the far-right column. Costs shown in the table are cumulative from 2017–2026. Positive values are increases in costs for the state or federal government, while negative values are cost reductions.

Source: Table adapted from Dorn and Buettgens [3]. Moderate enrollment scenario data are from Table 1 and high enrollment scenario are from Table 2. The uninsured increases noted in the text are taken from the lower estimate.
way forward and creates obstacles to successful reform.

There is a political component to Medicaid expansion that cannot be ignored. The legitimate differences of opinion about the best way forward for health policy in North Carolina and the political opposition to President Obama have caused our state to largely sit out health reform so far, and we are now bearing the consequences of inaction [14]. Our state must now fully engage health reform. Expanding Medicaid would stabilize the health environment in North Carolina by infusing the state with extra federal dollars for health care, thus setting the stage for advancing additional reforms to reduce total costs and increase the quality of health care for all North Carolinians. We will only accomplish ambitious transformation of our health system if Republicans, Democrats, and Independents own responsibility for reform.

For Democrats, expanding insurance coverage is the paramount health policy goal. The McCrory administration outlined their goals in a June 2016 Medicaid waiver application that they said would increase budgetary predictability and move away from fee-for-service payment for the existing Medicaid program, which would be a key step toward increasing value for Medicaid expenditures. There are aspects of the waiver that will likely find favor with the new governor, who is responsible for running Medicaid, and other aspects that will not, but there is bipartisan consensus that delivery system changes are needed. When I wrote this article in Fall 2016, I expected a Republican majority in the North Carolina General Assembly, a Governor Cooper, and a President Clinton. While “2 outa 3 ain’t bad,” there is now tremendous uncertainty regarding the direction that federal health reform efforts will take, which has obvious implications for Medicaid expansion and health reform generally in North Carolina. As the reality of removing Medicaid expansion from states comes into focus, I suspect that some type of Medicaid-type expansion opportunity for states will remain. There is almost certainly no more financially advantageous means of expanding coverage that will be available to North
Carolina. The details are crucial, but infusion of more federal resources into our state could help to jump-start the broader insurance and delivery system reform efforts that our state needs.

Independents want to see both sides work together practically to solve problems. A deal between the 2 sides should be readily available, and hammering out a Medicaid reform plan that expands coverage while restructuring the program to address costs and improve quality of care would set the state on a path to a higher-value health system. If we advance bold new reform ideas and commit to evaluating and sharing what works and what does not, we could not only improve our own health care system but become a model for other states, especially in the South. That outcome would make all Tar Heels proud. NCMJ

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References


