

North Carolina's Medicaid Choice: Options and Implications

In 2013, Governor Pat McCrory and the North Carolina General Assembly chose not to expand Medicaid to those with incomes below 133% of the federal poverty line. Consequently, North Carolina today is among a minority of 24 states not receiving federal Medicaid expansion funding. Some states in this minority such as New Hampshire and Utah are moving towards accepting funding. As the 2014 General Assembly session nears, the question of whether to accept the federal Medicaid dollars likely will be debated again. This fact sheet provides a brief overview of key issues for North Carolina policymakers and stakeholders to consider.

COVERAGE OR NO COVERAGE?

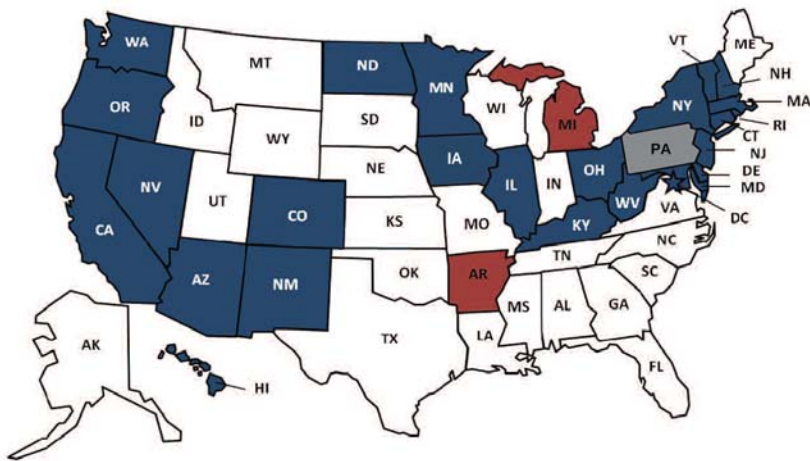
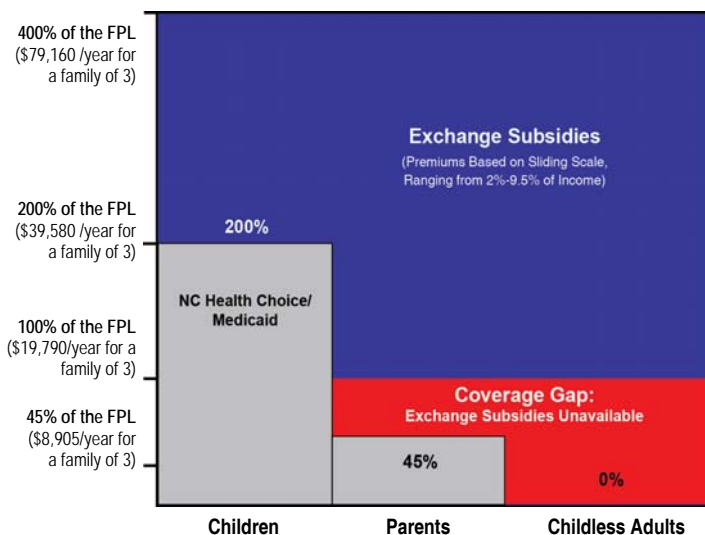
States not drawing down the federal dollars now have a coverage gap for their most vulnerable adults (Figure 1). In North Carolina's case, this includes adults in poverty if there is no child in the household and parents with incomes above 45% of the federal poverty level (FPL).

While the newly eligible for Medicaid includes adults up to 133% of the FPL, adults above 100% of the FPL can get tax credits to purchase coverage in the new insurance marketplaces if they don't have Medicaid coverage. Those below the poverty line will remain uncovered.

According to a study done by the Kaiser Family Foundation, 319,000 North Carolinians are now in this coverage gap because the state has not taken up the Medicaid option. The NC Institute of Medicine estimates 500,000 North Carolinians in total – both in and slightly above the coverage gap - would qualify for Medicaid under an expansion. North Carolina has one of the highest rates of uninsured adults in the country – 24%.

Another study finds that North Carolina's decision not to extend Medicaid significantly blunts the ability of the Affordable Care Act (ACA) to reduce the number of uninsured North Carolinians. With the Medicaid expansion, 69% of uninsured North Carolinians would have a path to coverage; only 38% have a path to coverage if the state continues to refuse the federal funding.^{(1),(2)}

FIGURE 1. With its 2013 decision to forego Medicaid expansion, North Carolina now faces a coverage gap for its most vulnerable adults. If North Carolina were to choose Medicaid expansion, 69% of uninsured North Carolinians would have a path to coverage; without it, only 38% have a path to coverage.



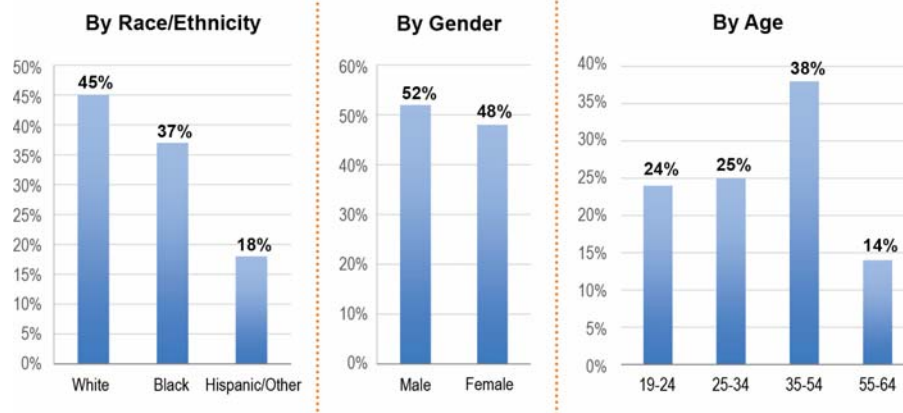
STATUS OF MEDICAID EXPANSIONS

- Moving forward at this time (23 states and D.C.)
- Moving forward with a Section 1115 Waiver (2 states)
- Agreement not final (1 state)
- No action

SOURCES: State decisions on the Medicaid expansion as of February 2014. Based on data from the Centers for Medicare and Medicaid, Kaiser Family Foundation and state legislative scan.

WHO IS AFFECTED BY THE GAP IN NORTH CAROLINA'S COVERAGE?

North Carolinians of all ages and races are affected by the coverage gap. Young families are impacted: 20% of those in the gap are adults with dependent children. Many work in low-wage jobs that do not provide health benefits. 539,000 households in North Carolina had income below 133% of FPL.



SOURCES: "The Impact of the Coverage Gap in States not Expanding Medicaid by Race and Ethnicity", The Kaiser Family Foundation, December 2013; Kenney, G et al. *Opting into the Medicaid Expansion Under the ACA: Who are the Uninsured Adults Who Could Gain Health Insurance Coverage?* Urban Institute, August 2012; "Characteristics of Poor Uninsured Adults who Fall in the Coverage Gap," The Kaiser Family Foundation, December 2013; U.S. Census. NOTE: A breakdown of Hispanic North Carolinians in the coverage gap is not available in the data as of publication.

HOW MUCH MONEY IS AT STAKE?

A conservative estimate using North Carolina Institute of Medicine data finds that as of January 1, 2014, North Carolina is losing out on almost \$5 million a day by not accepting federal Medicaid dollars. This number will grow over time, as more people would have continued to enroll if the state had moved ahead.⁽³⁾

NC MEDICAID PROGRAM SUCCESS IN CONTAINING COSTS, IMPROVING QUALITY

Recently the North Carolina General Assembly's Fiscal Research staff presented information showing that **North Carolina per capita spending on Medicaid has declined by over 11% since 2008**. This is unprecedented and one of the best cost control records in the country.

Over the same period **national per capita spending on Medicaid increased by 6%**.⁽⁴⁾ Another study by the Kaiser Family Foundation has found that **North Carolina has the lowest overall growth in Medicaid costs of any state in the nation**, despite the economic downturn and increasing numbers of people in poverty in North Carolina.⁽⁵⁾

North Carolina's Medicaid program has also won national awards for high-quality and cost effective care from entities such as the Healthcare Leadership Council.⁽⁶⁾

HOW ARE OTHER STATES MOVING FORWARD?

Of the 26 states and D.C. that are accepting the federal funds in 2014, 23 are doing so through a state plan amendment (SPA) option or the continuation of a pre-existing waiver that meets ACA coverage standards.

The SPA approach provides states with considerable flexibility on matters such as the benefits package (which can be modeled on a commercial package and differ from the state's adult package already in place), delivery system (i.e., mandating managed care without a waiver) and some options to charge cost-sharing (but not premiums).

Two states (Arkansas and Michigan) have recently been approved to conduct Section 1115 research and demonstration waivers to expand coverage to their newly eligible population using enhanced federal match and alternative approaches. These experiments include using Medicaid dollars to purchase private coverage through the new insurance marketplaces (AR, IA), incentivizing healthy behaviors (IA), and establishing a new form of health savings accounts (MI). One state (Wisconsin) received federal approval to revise its existing public coverage structure to do a partial expansion for adults below the poverty line (many of whom were already covered) at the regular Medicaid match rate.

ENDNOTES 1) Rudowitz, R. A Closer Look at the Uninsured Eligible for Medicaid KCMU (December 2013). 2) Buettgens, M et al. Eligibility for Assistance and Projected Changes in Coverage Under the ACA: Variation Across States Urban Institute (October 2013) 3) North Carolina Institute of Medicine, Examining the Impact of the Patient Protection and Affordable Care Act in North Carolina (2013) www.nciom.org . 4) "See State report today: NC Medicaid is a national success story on containing costs (so why does the Governor think it's "broken"?)" - See: <http://pulse.ncpolicywatch.org/2014/01/14/state-report-today-nc-medicaid-is-a-national-success-story-on-containing-costs-so-why-does-the-governor-think-its-broken/> 5) Kaiser Family Foundation, Average Annual Growth in Medicaid Spending, <http://kff.org/medicaid/state-indicator/growth-in-medicaid-spending/> 6) "HLC presents Community Care of North Carolina with Wellness Frontiers Award," <https://www.hlc.org/newsroom/hlc-presents-community-care-of-north-carolina-with-wellness-frontiers-award/>

AUTHOR: Adam Searing, JD, MPH, Health Director, NC Justice Center. NOTE: Substantial portions of this brief were adapted from work by Joan Alker, Executive Director of the Center for Children and Families at the Georgetown University Health Policy Institute.