

HOW TO BUILD An Economy that Works for All



CLOSE THE GAP

Support individuals and families – and promote the state economy – by closing the coverage gap

There are 20 million individuals across the United States who gained health coverage due to the success of the Affordable Care Act, our current law. There are many unknowns when it comes to the future of the ACA given the outcome of the recent presidential election—it is unclear yet how individuals' coverage will be affected or whether lawmakers will repeal parts of or replace the law entirely. This makes it doubly uncertain how the coverage gap will be addressed, given how difficult it will be to close the Medicaid gap if there are varying opinions on how to proceed with the current law.

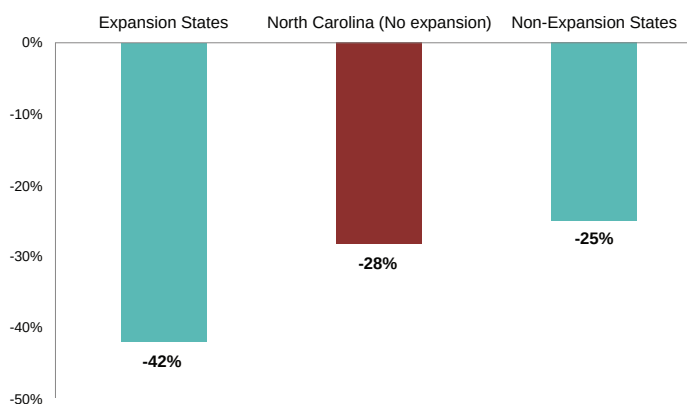
However, 31 states, in addition to the District of Columbia, have already closed the coverage gap—including states with conservative leadership, such as Vice President-Elect Mike Pence, who approved the expansion of Medicaid as governor of Indiana. These lawmakers have already recognized that the good health of their residents leads to personal, community-level, and state-level economic gains. Time will tell whether closing the coverage gap in North Carolina will be possible under new national leadership. But the benefits will unquestionably be significant, as laid out in this brief.

North Carolina lawmakers have failed to fully implement the Affordable Care Act so that up to 500,000 parents, young adults, workers, and veterans could experience the health, financial, and social benefits due to

comprehensive health care coverage. While North Carolina has experienced a 28 percent decrease in the uninsured rate since the first open enrollment in 2013, the failure to expand Medicaid in our state means the Tar Heel state lags behind 31 states and the District of Columbia when it comes to making greater strides to reduce the overall uninsured rate¹.

FIGURE 1: Failure to Close the Coverage Gap Leaves NC Behind

Percent Decrease from 2013 to 2015 in Total Uninsured Rate by Expansion Status (%)



SOURCE: American Community Survey

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What is the coverage gap?

When states fail to expand Medicaid, a coverage gap emerges as individuals and families either make too little to qualify for financial assistance on

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the Marketplace or too much for Medicaid coverage. Closing the coverage gap is a provision in the ACA that would extend Medicaid eligibility to low-income individuals and families with incomes up to 138 percent federal poverty level.² In 2016, 138 percent poverty means an annual income of \$16,394 for an individual and \$33,534 for a family of four.³

In North Carolina, we know that over half of individuals in the coverage gap are working.

- Of those **workers**, many have jobs in construction, sales, and health care support.⁴
- Of the **families** in the coverage gap, over 60 percent of parents have jobs outside of the home. Many of these parents work in the food service industry, education, and retail.⁵
- Recent research shows that there are 12,000 **veterans** that would gain health coverage if our policymakers close the coverage gap.⁶
- **Young adults** would also experience better access to physical and behavioral health care if lawmakers were to close the coverage gap.

Benefits of closing the coverage gap

There are several potential health benefits to closing the coverage gap in North Carolina. Doing so would:

- Provide access for behavioral health and treatment for substance use disorders to over 140,000 people in the coverage gap.⁷
- Allow for nearly 30,000 diabetics to receive medication to control their chronic condition.⁸
- Allow for 40,000 women to receive badly needed preventive screenings.⁹
- Prevent 1,000 unnecessary deaths annually.¹⁰
- Increase the likelihood of over 140,000 children receiving the health care they need in order to promote school success.¹¹

States that have closed the coverage gap are reporting positive health outcomes for those who have gained health coverage. For example, Louisiana closed the gap just a few months ago and already 24 women have reported being able to start treatment for breast cancer.¹² Within the first year of closing the gap, over half of new health insurance enrollees in Michigan saw a primary care doctor and 17 percent of those individuals received preventive care.¹³ West Virginia has reported that since closing the coverage gap there has been increased availability of prescription medications for behavioral health conditions.¹⁴

In addition to the many health benefits, there are significant economic benefits to individuals, families, businesses, health providers, counties, and the entire state. In North Carolina, many individuals, parents, and caregivers are financially fragile and cannot afford to pay for health coverage out-of-pocket. To that end, 14,776 families face catastrophic medical bills each year.¹⁵ We also know that while many individuals hold at least one part-time job, many of these jobs do not offer employer-sponsored health coverage and do not

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qualify for financial assistance. Research has shown that when workers have health coverage it positively impacts work productivity and job satisfaction.¹⁶

Closing the coverage gap has long-term economic benefits for children. When parents start receiving health coverage, their children are more likely to do so. Research has shown that children who receive coverage through Medicaid not only have higher educational attainment, but also end up obtaining higher-paying jobs as adults.¹⁷

Closing the gap could lead to positive economic outcomes for businesses. While workers experience improved productivity and job satisfaction, employees with health coverage are more likely to address chronic health conditions and injuries, which oftentimes lead to fewer missed days from work.¹⁸ In regards to substance use disorders and treatment, employers have reported savings close to \$8,000 annually from reduced absenteeism and increased productivity.¹⁹ A report by The Cone Health Foundations and the Kate B. Reynolds Charitable Trust estimated that if North Carolina lawmakers had closed the coverage gap by the end of this year, 43,000 jobs would have been created by 2020 across the state.

Health providers—particularly hospitals—have recognized the significant benefits of closing the gap across the U.S. Unfortunately, many of North Carolina's rural hospitals and safety net providers have not experienced the same boost to their budgets and workforce development as their peers in states that have closed the coverage gap. In these states, safety net providers have reported a decrease in uncompensated care—this is especially significant in North Carolina as there are 16 vulnerable hospitals at risk of closing due to the coverage gap.²⁰ Arizona reported a 31 percent decrease in uncompensated care just within the first four month of closing the gap.²¹ As a result of more savings, many health and safety net providers in expansion states were able to either open new facilities or expand services that ultimately improve community health.²² Safety net providers also reported being able to better help with workforce development due to newly opened training facilities.

The economic impact of closing the coverage gap on businesses and health providers will have a ripple effect on larger counties and geographic regions throughout the state.²³ Closing the coverage gap will add jobs to every county—specifically, 13,228 jobs will be added to the 80 rural counties in North Carolina. As people get jobs, they will buy goods in counties across the state, in turn generating more business activity and revenue in county taxes.²⁴ Healthier residents mean healthier workers, which may attract more businesses in counties throughout the state.²⁵

Closing the coverage gap will also help build the state economy and the state budget. Currently, the federal government pays for 66.88 percent of Medicaid while North Carolina pays 33.12 percent of Medicaid costs.²⁶ The ACA allowed for 100 percent payment for new Medicaid participants during the first three years closing the coverage gap was allowed. After 2016, the federal match will slowly phase down until 2020 when the federal match will lower to 90 percent.²⁷ Reports show closing the coverage gap and decreasing the amount of uncompensated care could generate \$250 million in savings to the state budget. Further, failing to extend coverage to those in the gap in 2016 could lead to a loss of \$21 billion in federal funding.²⁸ States with conservative leadership that have closed the coverage gap are already reporting boosts to their state budgets (Table 1).



STATE	BENEFIT TO THE STATE BUDGET
Arkansas	In FY 2014 the state saved \$30.8 million. State expects cumulative savings of \$120 million by FY 2015. Reported gain of \$34.4 million of new revenue in 2014 and 2015. ²⁹
Michigan	\$180 million saved in FY 2014. Most savings are linked to a drop in demand for community mental health programs. Projected \$19.2 million savings for the correctional system. ³⁰
Nevada	In FY 2014 the state received \$1.4 billion in federal funds and paid \$522 million for care. In FY 2015, the state expects to spend \$531 million on expansion and receive \$2.4 billion in federal funds. ³¹
Ohio	In 2014, enrollment topped 430,000 and overall costs were 28.7 percent below the projected budget. ³²
Pennsylvania	Reports \$500 million in savings to the general fund. ³³

Policy Recommendations

While there is only one true policy recommendation – close the coverage gap – lawmakers have two options in how they do so.

- **The first option is to extend health coverage to North Carolinians in the gap as it is written in the ACA.** This option is “seamless” in that policymakers would only have to pass legislation to accept enhanced federal dollars to close the coverage gap.
- **The second option is to develop a state-specific plan.** Of the 31 states and the District of Columbia, six states have used an 1115 Demonstration Waiver to close the coverage gap: Arkansas, Indiana, Iowa, Michigan, Montana, and New Hampshire. Even though these are state developed plans, the federal government must approve the plan before it can be implemented. In July 2016, North Carolina submitted an 1115 waiver application to the federal government to reform its Medicaid program; it is plausible that closing the coverage gap could be added. While state-specific plans to close the coverage gap are still being evaluated for effectiveness,³⁴ we know that no matter how states choose to close the gap, these states are experiencing greater drops in the uninsured rate and overall positive economic benefits.

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3. https://coverageforall.org/wp-content/uploads/2016/02/FHCE_FedPovertyLevel2016.pdf

4. <http://familiesusa.org/product/top-9-occupations-employed-uninsured-north-carolina-who-would-benefit-expanding-medicaid>

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6. <http://hlp.law.wfu.edu/files/2015/10/can-medicaid-h.pdf>

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