



Understanding Medicaid and Its Impact in North Carolina

A CHART BOOK



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MARCH 2017



Budget & Tax Center

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Section 1

What is Medicaid?

- Medicaid Background
- What Services Does Medicaid Provide
- The Medicaid Process & Key Entities
- Medicaid Financing
- Medicaid Controls Costs

Medicaid Background

97,000,000
Low-Income Americans
received health coverage
through Medicaid in 2015

“IT WAS A GENERATION AGO that Harry Truman said, and I quote him: “Millions of our citizens do not now have a full measure of opportunity to achieve and to enjoy good health. Millions do not now have protection or security against the economic effects of sickness. And the time has now arrived for action to help them attain that opportunity and to help them get that protection.” Well, today, Mr. President [Truman], and my fellow Americans, we are taking such action -- 20 years later.”

-- Remarks by President Lyndon B. Johnson during the signing of the Social Security Amendments which established Medicaid, July 30, 1965

Created in 1965, **Medicaid** is the nation’s public health insurance program for people with low income.

Medicaid provides health coverage to low-income families and individuals, including children, parents, pregnant women, seniors, and people with disabilities.

- **Medicaid** is for people with disabilities who can’t work or have no other way to get health insurance.
- **Medicaid** helps seniors pay for nursing home care and other long-term care that Medicare does not cover.
- **Medicaid** is for low-income children whose parents cannot get insurance through their work.
- **Medicaid** is a low-cost health insurance option for low-income, working families who cannot afford insurance or get it through their job.

SOURCES:

- Center on Budget and Policy Priorities (Medicaid Policy Basics)
- Lyndon B. Johnson Presidential Library

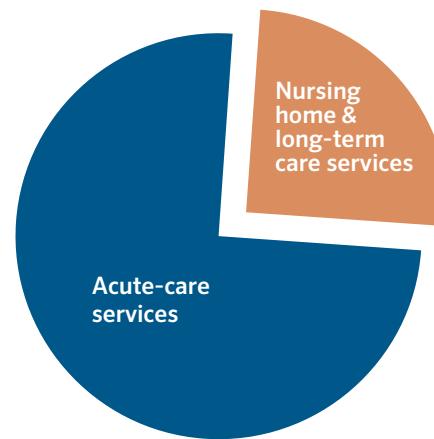
Medicaid Provides Needed Health Care Services

Preventative and medical care

Medicaid coverage provides low-income Americans with access to needed preventive services and medical care. Medicaid pays hospitals, doctors, nursing homes, managed care plans, and other health care providers for covered services that *they* deliver to eligible patients.

Federal rules require state Medicaid programs to cover certain “mandatory” services, such as: physician, midwife, and certified nurse practitioner services; inpatient and outpatient hospital services; laboratory and x-ray services; family planning services and supplies; rural health clinic/federally qualified health center services; nursing facility and home health care for adults over age 21; and Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services for children under age 21.

States can — and all do — cover certain additional services as well. Common examples include prescription drugs, dental care, vision services, hearing aids, and personal care services for frail seniors and people with disabilities. These services, though considered “optional” because states are not required to provide them, are critical to meeting the health needs of Medicaid beneficiaries.



About three-quarters of all Medicaid spending on services pays for acute-care services such as hospital care, physician services, and prescription drugs; the rest pays for nursing home and other long-term care services and supports.

What about CHIP?

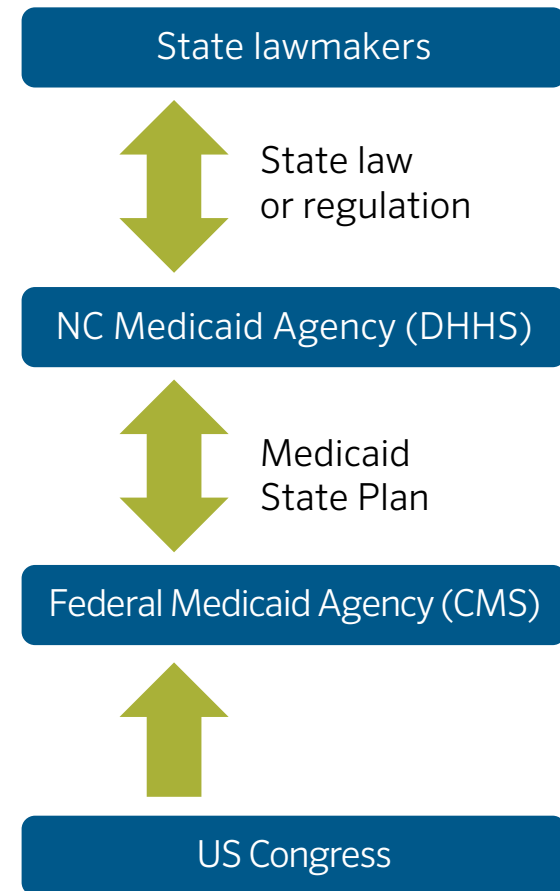
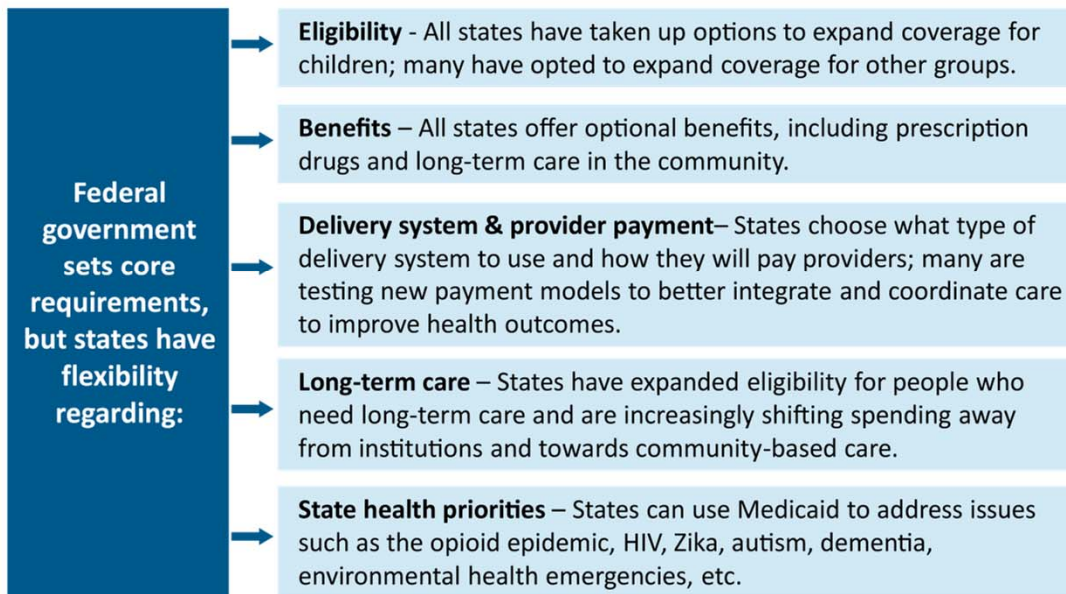
The Children's Health Insurance Program (CHIP) was signed into law in 1997 and provides federal matching funds to states to provide health coverage to children in families with incomes too high to qualify for Medicaid, but who can't afford private coverage. In some states, CHIP covers pregnant women. Each state offers CHIP coverage, and works closely with its state Medicaid program.

SOURCE:
Kaiser Family Foundation, Medicaid in the U.S.

The Medicaid Process & Key Entities

The process for making changes to the Medicaid program requires **state and federal**:

Each Medicaid program is unique:



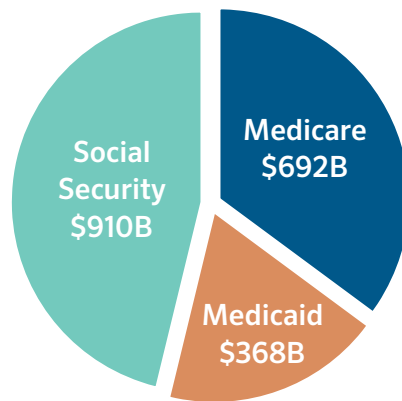
SOURCE: Kaiser Family Foundation, Medicaid in the U.S. (January 2017)

Medicaid Financing

Medicaid is **funded jointly** by the federal government and the states.

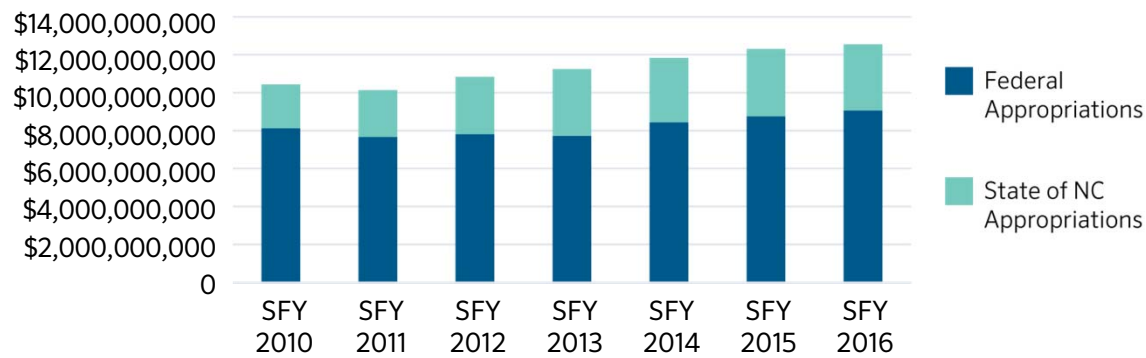
U.S. Mandatory Federal Spending in 2016

(Top 3 Programs)



North Carolina Medicaid Funding: Federal vs State Money

(State Fiscal Year 2010-2016)



- **Medicaid** accounts for a smaller share of the federal budget than Social Security and Medicare. Medicaid is the third largest domestic program in the federal budget, after Social Security and Medicare, **accounting for 9% of federal domestic spending in FY2015.**
- Approximately **50% of all Medicaid spending is attributable to the elderly and persons with disabilities.** The 5% of Medicaid beneficiaries with the highest costs drive more than half of all Medicaid spending. Their high costs are attributable to their extensive needs for acute care, long-term care, or often both.
- The **federal match rate** varies by state based on a federal formula and ranges from a minimum 50% to nearly 75% in the poorest state.
- **In North Carolina,** the federal government pays for 66% of Medicaid’s costs, and the state pays the remaining 34%, resulting in a **2:1 federal “match.”**

SOURCES:
 — Congressional Budget Office, The Federal Budget in 2016
 — NC Department of Health and Human Services, Annual Report Tables for State Fiscal Year 2016

Medicaid Controls Costs

The Medicaid system is **efficient**

For every dollar spent on Medicaid:

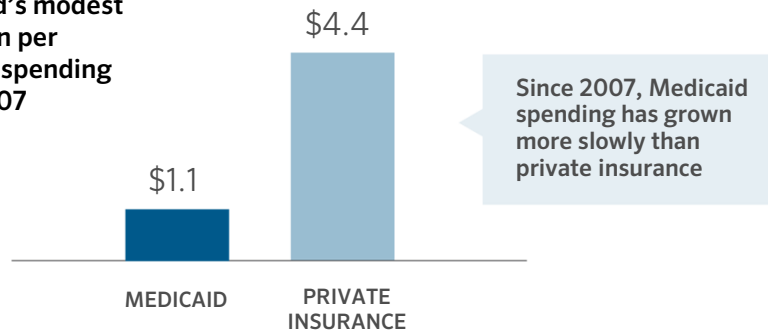


\$0.94
is spent directly on
health services

\$0.06
is spent on
administrative costs

- Not only does Medicaid provide access to critical health care services, it also does it **less expensively than private insurers do.**
- **Ninety-four cents of every dollar spent on Medicaid goes directly to health services.**
- Medicaid spends **less per enrollee than private insurers** for both children and adults.
- Medicaid's **costs increased at about one-fourth the rate** of private insurance since 2007.

Medicaid's modest
growth in per
enrollee spending
since 2007



SOURCE:
Center on Budget and Policy Priorities

Section 2

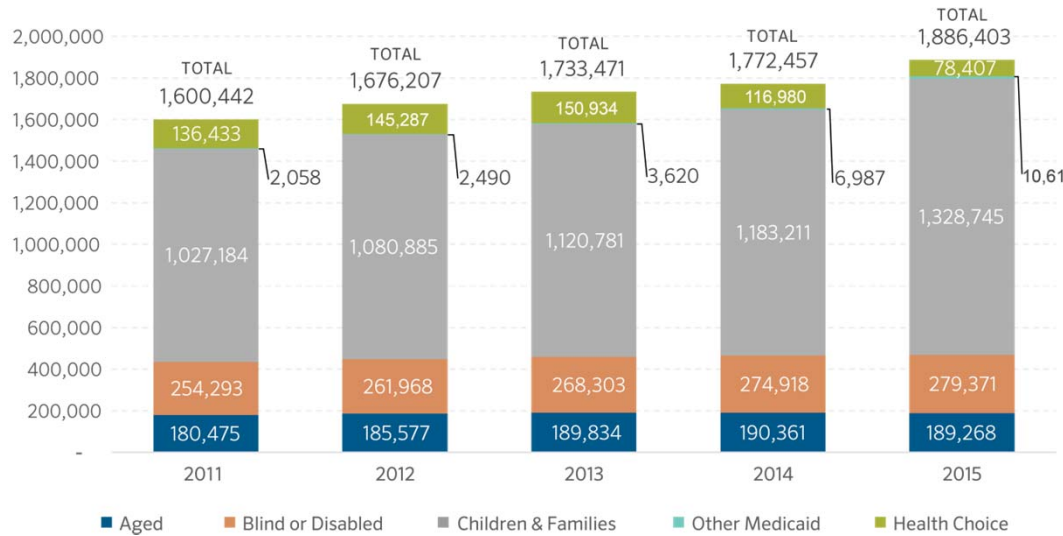
North Carolina's Medicaid Program

- Who Gets Medicaid in NC
- Who Can Get Medicaid in North Carolina
- North Carolina's Medicaid Income Guidelines
- How Restrictive is North Carolina's Program?
- NC Medicaid Recipients by County
- Medicaid Providers Across North Carolina

Who Gets Medicaid in North Carolina

Medicaid Serves the Elderly, Disabled, and Children & Families

Average Enrollment by Program Aid Category, SFY 2011-SFY 2015



SOURCE: 2016 Average Monthly Enrollment; Monthly Enrollment Report; DMA Business Information Office

1,960,908

North Carolinians get quality health coverage through Medicaid

(January 2017)

North Carolina is the **9th most populous state** in the U.S.

35% of North Carolina's population is low-income



■ Middle-Income North Carolinians
■ Low-Income North Carolinians

Low-income: <200% Federal Poverty Level or \$40,320 for a family of 3 in 2016

SOURCES:
— Population: U.S. Census
— Kaiser Family Foundation, Medicaid in North Carolina (January 2017)

Who Can Get Medicaid in North Carolina

Medicaid **Basic Eligibility Requirements**

In NC, Medicaid/CHIP covers:



1 in 8 adults < 65



2 in 5 low-income individuals



2 in 5 children



3 in 5 nursing home residents



2 in 5 people with disabilities

- Age 65 or older
- Blind or disabled
- Infants and children under the age of 21
- Low-income individuals and families
- In need of long-term care
- Receiving Medicare

You also must:

- Be a US citizen or provide proof of eligible immigration status
- Live in North Carolina, and provide proof of residency
- Have a Social Security number or have applied for one.

You are automatically eligible for Medicaid if you receive any of the following:

- Supplemental Security Income (SSI)
- Work First Cash Assistance
- State/County Special Assistance for the Aged or Disabled

SOURCE:
Kaiser Family Foundation, Medicaid in North Carolina (January 2017)

North Carolina's Medicaid Income Guidelines

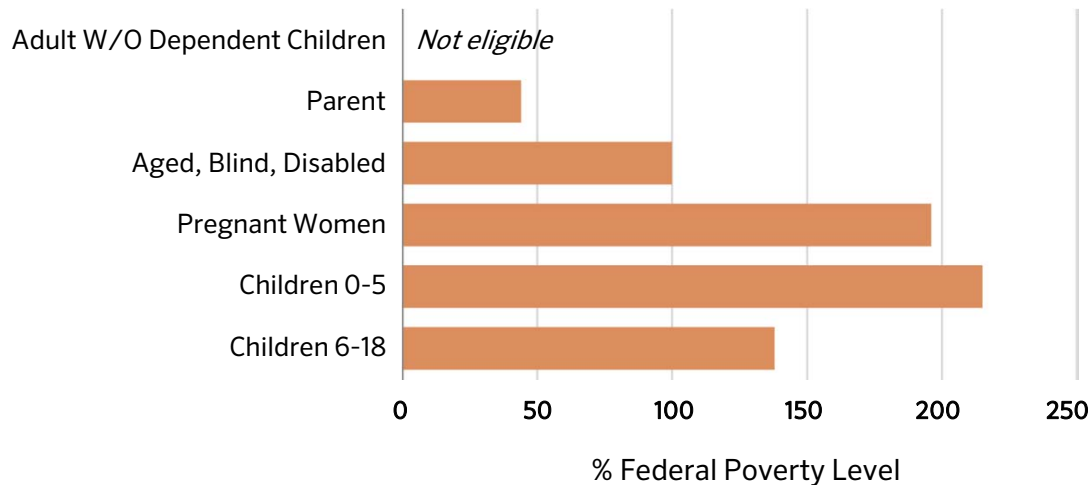
Several populations are covered and each group has its own income eligibility guidelines

Several populations are covered and **each group has its own income eligibility guidelines.**

Eligibility levels determine who can receive Medicaid coverage. States set eligibility levels based on personal income and assets.

North Carolina has set **(very) restrictive Medicaid eligibility.**

- Elderly, blind and disabled people cannot have income higher than 100 percent federal poverty level (FPL) or \$16,020 for an elderly couple.
- Parents with minor children must earn an annual income below 44% FPL or \$8,004 for a family of three in order to qualify for Medicaid.
- Pregnant women cannot have income higher than 196 percent FPL which is \$23,292 for an individual or \$39,516 for a family of three.
- Adults without dependent children are not eligible for Medicaid in North Carolina.



SOURCES:
 — Kaiser Family Foundation, 2017 Medicaid and CHIP Eligibility
 — NC Department of Health and Human Services, Medicaid Eligibility Chart (September 2016)

How Restrictive is North Carolina's Program?

Only ten states offer stricter standards for parents of minor children.

For working parents, maintaining eligibility is very difficult. Because the maximum allowable income is so low working parents can end up losing their eligibility with just a little overtime or even a promotion that comes with slightly higher wages.

42nd

In Spending Per Medicaid Enrollee

NC ranks about **18% below the national average**

40th

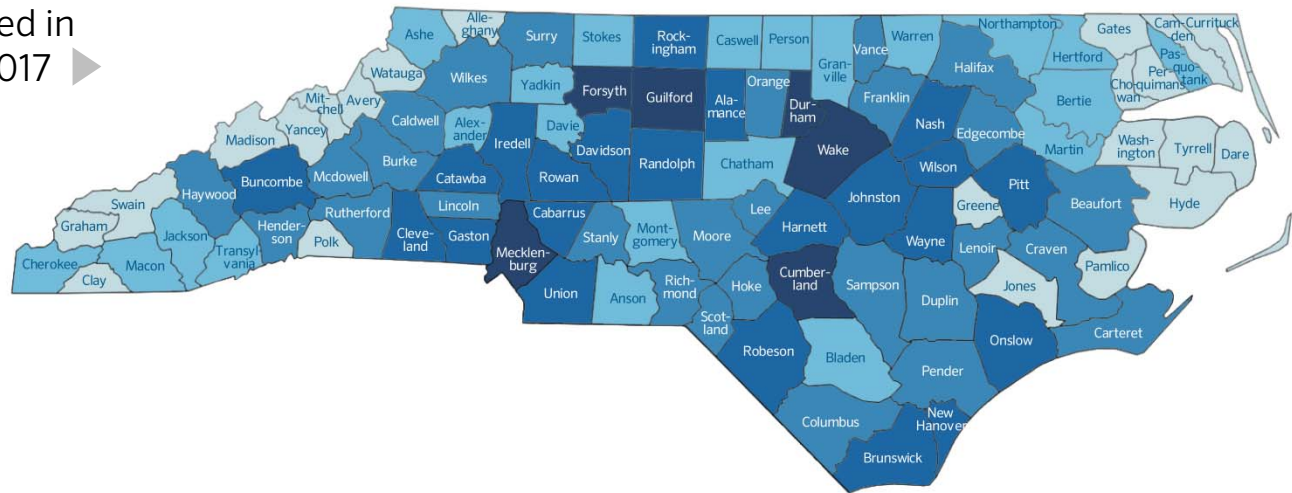
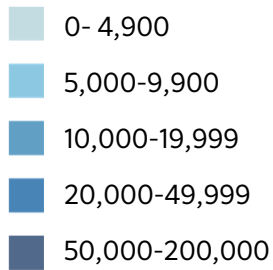
In Eligibility

Only ten states make it harder than NC for parents to get Medicaid

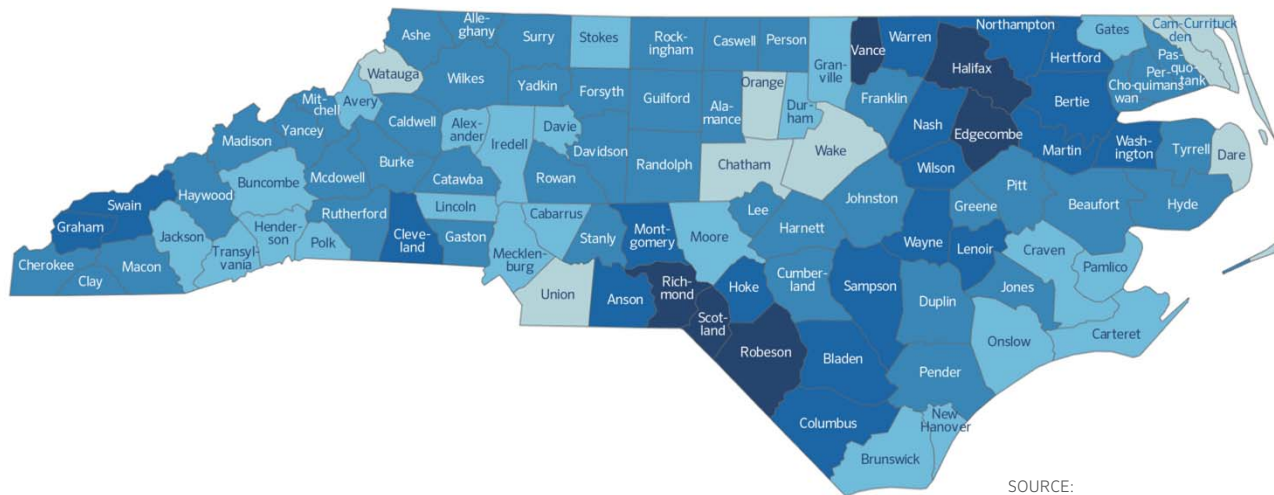
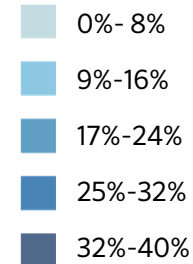
SOURCE:
Kaiser Family Foundation, Medicaid State Indicators

North Carolina Medicaid Recipients by County

Number of People Enrolled in Medicaid as of January 2017



Percent of People Enrolled in Medicaid as of January 2017

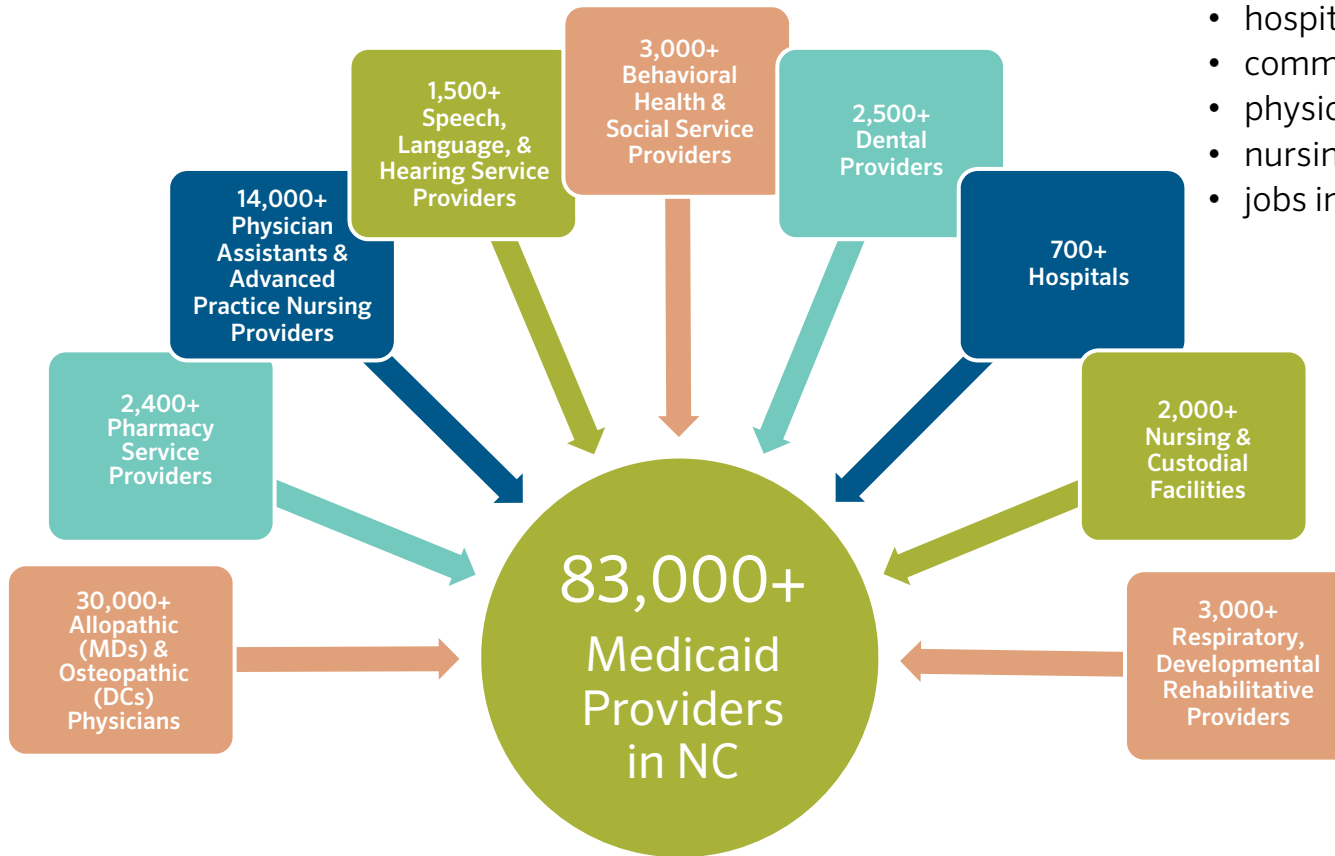


SOURCE:
NC Department of Health and Human Services, Annual Report Tables for State Fiscal Year 2016

Medicaid Providers Across North Carolina

Medicaid in North Carolina **provides significant financing** for:

- hospitals
- community health centers
- physicians
- nursing homes
- jobs in the health care sector



SOURCE:
NC Department of Health and Human Services, Annual Report Tables for
State Fiscal Year 2016

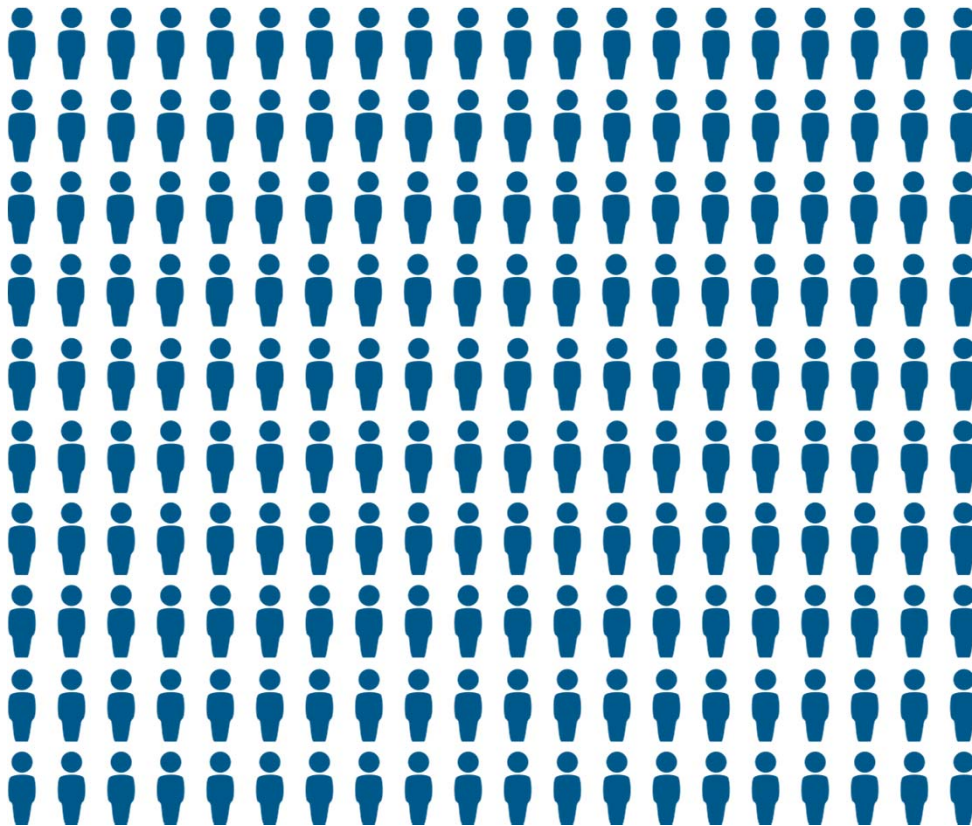
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North Carolina's Health Insurance Coverage Gap

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- Demographics of Adults in the Coverage Gap
- Workers in Key Sectors Could be Covered
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North Carolina's Health Insurance Coverage Gap Affects Thousands

HALF A MILLION: Approximate number of North Carolinians without access to health care



In 2016 North Carolina had the **7th-highest uninsured rate (15.8%) in the nation** for ages 18-64.

This is **above** the national rate of 12.3%

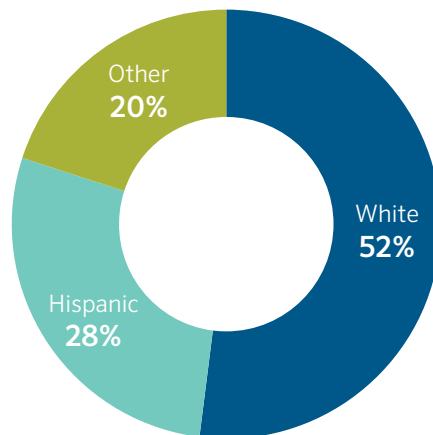
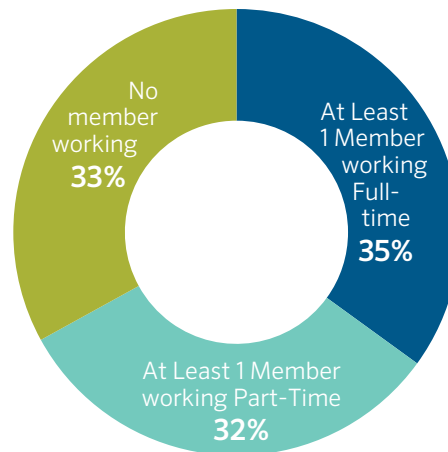
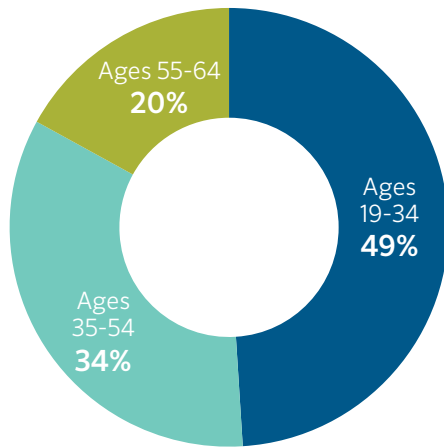
In non-expansion states, like North Carolina, thousands of adults with incomes above the Medicaid eligibility limit -- but below poverty -- **fall into a coverage gap**; they are ineligible for Medicaid and do not qualify for subsidies for Marketplace coverage.

◀ Each human shape represents **2,500 people**

SOURCE:
U.S. Department of Health and Human Services, National Center for Health Statistics, Health Insurance Coverage 2016

Demographics of Adults in the Coverage Gap

Closing the coverage gap would **benefit many of North Carolina's demographic groups.**



North Carolinians of all racial and ethnic backgrounds would benefit from the enhanced coverage opportunities that would come if North Carolina **closed its coverage gap**. Racial and ethnic minorities in the state face higher poverty rates and their white counterparts, and as a result, face disproportionately high uninsured rates.

Younger North Carolinians make up the majority of uninsured adults. They tend to have lower incomes than older North Carolinians making it less likely that they will be eligible for health insurance subsidies.

SOURCE:
Kaiser Family Foundation, analysis based on 2015 Medicaid eligibility levels updated to reflect state Medicaid expansion decisions as of January 2016.

Workers in Key Sectors Could be Covered

Adult Citizens in North Carolina with Family Income At or Below 138% of Poverty

Restaurants and other food services	37,990
Construction	23,770
Grocery stores	10,220
Building services (janitor, extermination, cleaning)	6,780
Landscaping services	5,960
Employment services (temp agencies)	5,710
Department and discount stores	4,890
Nursing care facility services	3,520
Hotels, motels, and inns	3,320
Auto repair and maintenance	3,200

SOURCE: Analysis of the 2015 American Community Survey. Adults are those aged 19 through 64. Workers are those who have worked within the past year. The ten industries above are those with the largest number of uninsured workers in the Medicaid expansion income-eligibility range in North Carolina. All figures are rounded to the nearest ten workers.

The majority of North Carolinians who could be covered by closing the gap **are working**.

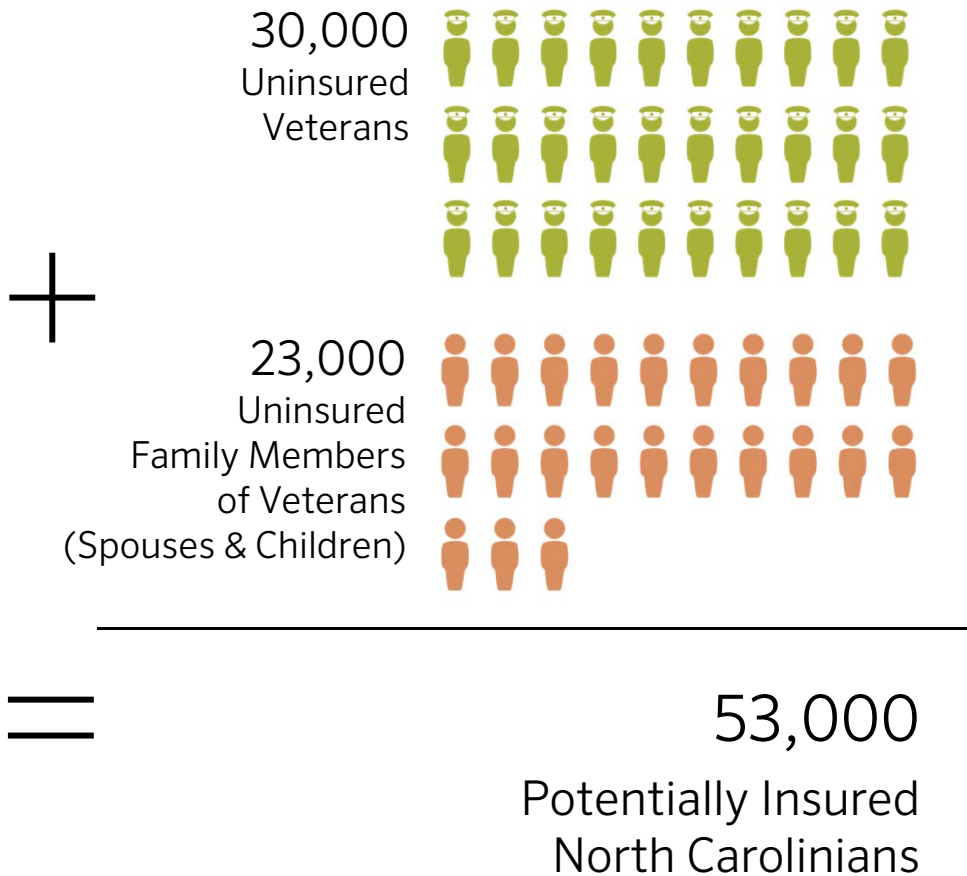
Many of these workers are in some of North Carolina's most important economic sectors, such as the restaurant industry, construction, nursing care, and our grocery stores.

Lower-wage workers are less likely to have access to affordable health coverage through their jobs than workers at higher wage jobs.

Increasing health coverage for hundreds of thousands of workers without job-based coverage is a smart investment in the hard-working people who enable North Carolina to prosper.

North Carolina's Veterans Are in the Coverage Gap

North Carolina ranks 5th Highest in Number of Uninsured Veterans



- Increasing Medicaid and assistance gap coverage could extend health insurance to nearly 80% of North Carolina's uninsured veterans.
- Not all veterans are eligible for health benefits through the Department of Veteran Affairs (VA).
- Many veterans without job-based health coverage face some of the same barriers to healthcare as other uninsured low-income Americans.
- Geographic and other barriers may also prevent some people with VA health benefits from accessing needed medical services if they don't have additional insurance.

SOURCE:
Veterans and Their Family Members Gain Coverage Under the ACA, but Opportunities for More Progress Remain. The Urban Institute, September 2016.

Section 4

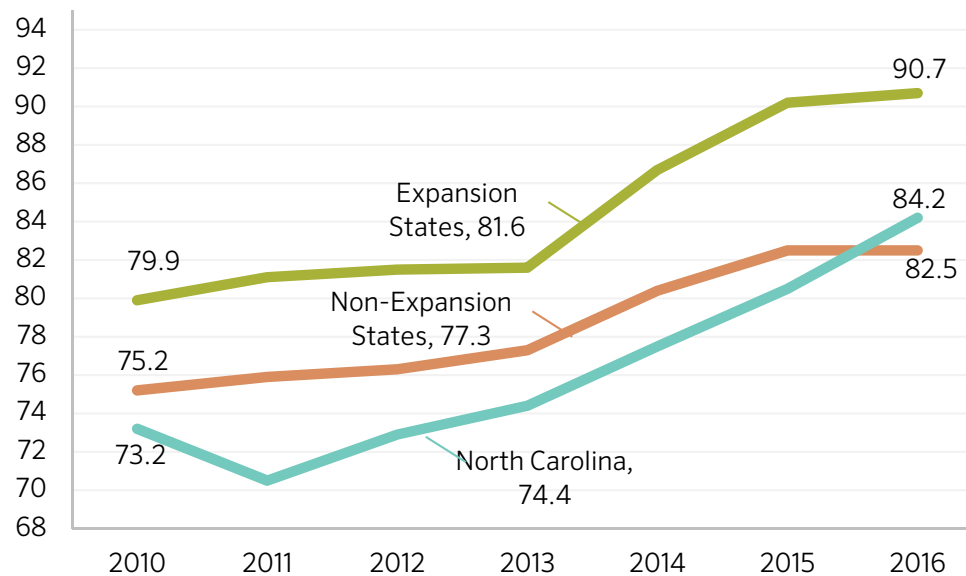
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State Coverage Gains Across the U.S. Show Promise

States that have closed their coverage gaps **have seen greater gains in the number of adults with health insurance coverage** than states that did not close their coverage gaps.

Percent Insured (Ages: 18-64), 2010 to 2016

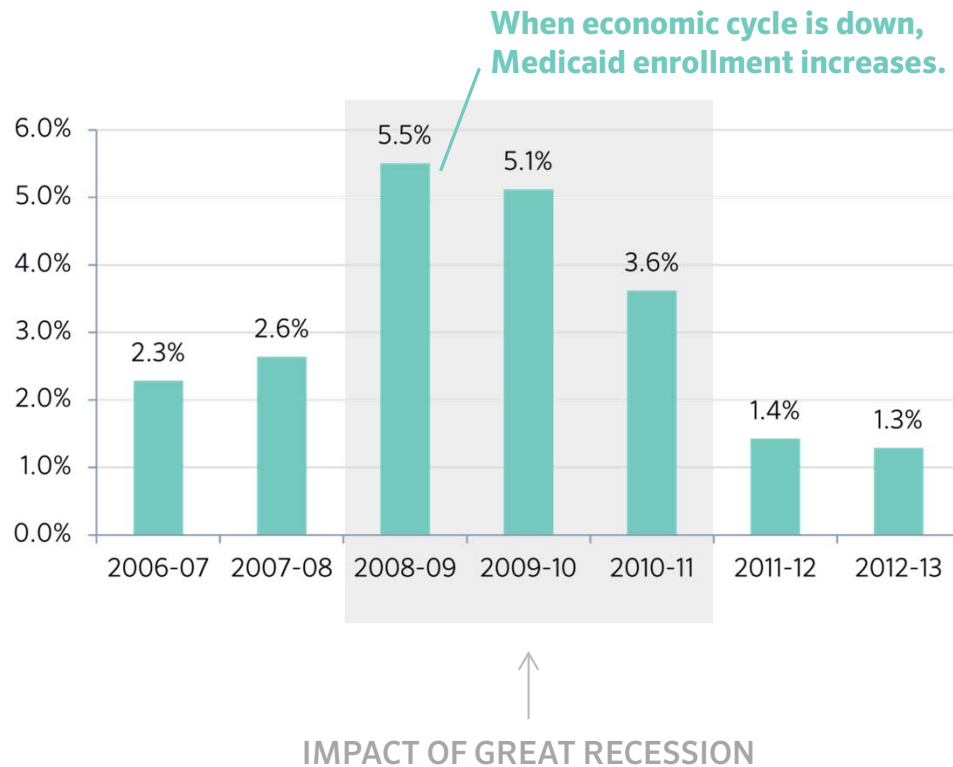


- Eight of the 10 states with the highest uninsured rates for ages 18-64, including North Carolina, were states that had not yet closed their coverage gap.
- As of January 2017, 32 other states, including DC, had expanded Medicaid through the ACA. 13 of the states that expanded Medicaid did so while having a conservative governor and/or conservative legislature.
- The Medicaid Expansion in the U.S. has contributed to a decline in the uninsured rate among all ages, which fell from 16% in 2010 to an historic low of 8.8% in 2016.

SOURCE:
U.S. Department of Health and Human Services, National Center for Health Statistics, Long-Term Trends in Health Insurance Coverage

Medicaid Protects North Carolinians During Economic Downturns

Percent Change in NC Medicaid Eligibles



Medicaid is a countercyclical program, **meaning it grows to meet the need when the economy is bad and residents face job loss or economic hardship.**

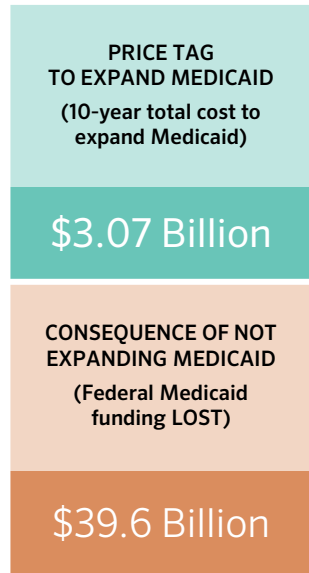
On several occasions, leaders at the federal level increased federal Medicaid contributions to help states manage enrollment growth when states experience declining revenues.

Between the start of the recession in 2007 and the depth of its impact in 2010, over 300,000 more low-income North Carolinians gained coverage through Medicaid.

SOURCE:
NC Department of Health and Human Services, Truven Data warehouse (July 2016)

Negative Economic and Employment Consequences of Rejecting Expansion and Repealing Health Reform

The high cost of not expanding Medicaid: Projected for NC (2013 to 2022)



In NC, repeal of premium tax credits and Medicaid expansion would result in:

Projected (2019)	
Private & Public Sector	76,000 jobs lost

Jobs Lost by Sector		
	NUMBER	PERCENT
Health Care	26,100	34%
Construction & Real Estate	9,000	12%
Retail Trade	7,900	10%
Finance & Insurance	4,600	6%
Other	26,400	35%
Public	2,200	3%

Projected (2019 - 2023)	
Gross State Product	\$39.4 billion lost
Business Output	\$67.2 billion lost
State & Local Taxes	\$1.2 billion lost

By not expanding Medicaid, North Carolina will forfeit \$3.9 billion a year in federal funding, which equates to losing **\$10.6 million a day**.

As part of the ACA, each state had the opportunity to opt-in for Medicaid expansion. This decision affected whether more uninsured citizens would be covered and how much extra money the federal government would provide each state to expand its Medicaid.

Some states did expand Medicaid. For every \$1 a state invests in Medicaid expansion, \$13.41 in federal funds flow into the state. Expanding Medicaid would also likely generate state savings and revenues that exceed expansion costs.

In 2017, the new President and Congress have placed a high priority on repealing key parts of the Affordable Care Act, including:

- federal premium tax credits that help low and middle income Americans afford insurance policies bought through the health insurance marketplaces
- federal payments to states for expansions of Medicaid eligibility for low-income adults.

SOURCES — Kaiser Family Foundation, Medicaid Pocket Primer (January 2017); — What is the Result of States Not Expanding Medicaid?, Robert Wood Johnson Foundation and The Urban Institute (August 2014); — North Carolina: The Economic and Employment Consequences of Repealing Federal Health Reform, The Milken Institute School of Public Health - The George Washington University (January 2017)

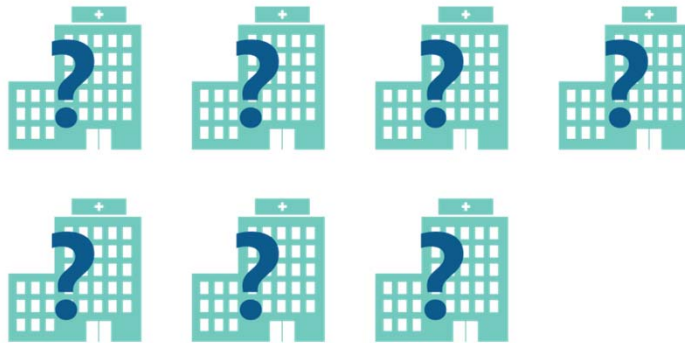
Expanding Medicaid in North Carolina Could Keep Hospital Doors Open in Rural Communities



3
Hospitals Closed



7
Hospitals
Financially Fragile



North Carolina's population of rural residents is the second largest of any state, with **more than 3.3 million people** living in the 85 counties considered rural.

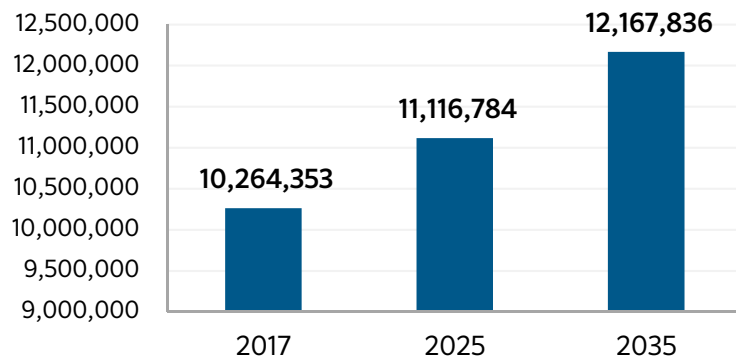
- Three of North Carolina's rural hospitals have closed since 2013.
- 7 more were at high risk of financial distress in 2016 according to the NC Rural Health Research and Policy Analysis Center.
- Increasing health coverage would provide North Carolina's hospitals with an increase source of revenue and a lower burden of uncompensated care.

SOURCES:

— Rural Hospital Closures: January 2010-Present, The Cecil G. Sheps Center for Health Services Research - UNC at Chapel Hill
— Trends in Risk of Financial Distress among Rural Hospitals, The North Carolina Rural Health Research and Policy Analysis Center

A Healthy Workforce is Vital to NC's Future

North Carolina Projected Population



“The case for improving the health of individuals throughout the state is strong...**the improvement of population health is an important economic development strategy**, because health is a form of human capital and as such is a **significant “input” into our economic system.**”

-- Healthy North Carolina 2020: A Better State of Health (released by NC DHHS January 2011)

North Carolina is projected to have an **increase in population of 1.9 million** between 2017 and 2035, a growth rate of 18.5%.

- Growth in population is a good indicator of a state with great potential.
- People who are healthier tend to live longer, use fewer health care services, be generally happier, and be more productive at work.
- Every 10 years since 1990, North Carolina has set decennial health objectives with the goal of making North Carolina a healthier state. For the year 2020, there are 40 objectives within 13 specific focus areas.
- As of 2016, North Carolina ranks 32nd in the nation for overall health.

SOURCES:

- Healthy North Carolina 2020: A Better State of Health (released by NC DHHS January 2011)
- NC Office of State Budget and Management, Population Projections
- Americas Health Rankings, Composite Measure (2016)



Understanding Medicaid and Its Impact in North Carolina

A CHART BOOK



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The Budget & Tax Center is a project of the
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