



North Carolina Can't Afford a Coverage Gap

BUDGET & TAX CENTER FACT SHEET

Keeping people uninsured not only makes our communities less healthy, it is also costly for North Carolina taxpayers. Medicaid expansion is a key tool states like North Carolina can use to provide quality, affordable health insurance to more people and lower our high uninsured rate – currently 9th worst in the nation.

Stable funding streams from federal and state sources will ensure there is no additional cost to taxpayers.

- The federal government pays for 90 percent of Medicaid expansion service costs, a rate that history shows will be stable.
- North Carolina would be responsible for 10 percent of the cost, which would come from providers and Medicaid health insurance companies (PHPs), who will care for more patients and receive additional revenue as a result of expansion.
- Experts agree that the PHP tax, which would be consistent with the existing tax structure on other types of insurance, would not be passed on to consumers. ¹
- Some services currently covered by North Carolina's Medicaid program will be covered at a higher federal match rate, including services for pregnant women and breast and cervical cancer screening.

Expanding Medicaid will produce savings to North Carolina's budget in five key areas, totaling \$100 million over the first two years.²

State Division	FY 2019-2020	FY 2020-2021
Health Benefits	\$10,800,000	\$39,700,000
Mental Health	\$11,500,000	\$11,500,000
Corrections	\$4,200,000	\$10,100,000
State Health Plan	\$2,700,000	\$5,500,000
State Operated Health Facilities	\$1,500,000	\$2,700,000
	\$30,700,000	\$69,400,000

For press inquiries, please contact:

Suzy Khachatryan
Budget & Tax Center
suzyk@ncjustice.org
or (919) 861-2211

NORTH CAROLINA
JUSTICE CENTER
P.O. Box 28068
Raleigh, NC
27611-8068

(919)856-2570
www.ncjustice.org

States that have already expanded Medicaid have generated significant savings in their state budgets.³

- Medicaid expansion in Michigan resulted in \$235 million in state budget savings in addition to other benefits – including economic benefits, increased state tax revenue, and contributions from health plans and hospitals – totaling over \$500 million in net budget gains in FY 2015.⁴
- Louisiana saw \$199 million in savings in FY 2017, a figure expected to rise to \$350 million during the subsequent year, in addition to economic gains, state tax receipts, and the creation and support of jobs throughout the economy.⁵
- Ohio, which expanded Medicaid in 2014, projected its FY 2021 net budget savings at \$163.1 million, amounting to a state net match of 3.2 percent due to savings offsets in several areas of the budget.⁶

The estimated budget savings that would result from Medicaid expansion would allow a redirection of resources to other priorities.

\$100 million is equivalent to what is needed for:



The juvenile justice system to safely and effectively implement Raise the Age legislation

Text books needed to provide children today with the same level of learning materials children compared to 2008



Expansion of pre-K to more 4-year-olds to reduce those not served but eligible by nearly a third

¹ Non-benefit costs, such as state taxes on capitation (premium) payments, can be included in these capitation rates, which are state appropriated funds, but the PHP capitation rates are subject to federal regulations and must be approved by the Centers for Medicare and Medicaid Services. While insurers on the private insurance market can pass costs down to patients directly by increasing premiums, PHPs cannot. For more information see <https://www.medicaid.gov/medicaid/managed-care/downloads/guidance/2019-medicaid-rate-guide.pdf>.

² Data request from the North Carolina Office of State Budget and Management and Khachaturyan, S. (2019). Financing health care for North Carolinians in the coverage gap. Retrieved from <https://www.ncjustice.org/publications/financing-health-care-for-north-carolinians-in-the-coverage-gap/>

³ Mahan, D. (2019). The impact of Medicaid expansion on state budgets. Retrieved from https://familiesusa.org/sites/default/files/product_documents/MCD_Expansion-and-State-Budgets_Fact%20Sheet.pdf

⁴ Ayanian, J. Z., Ehrlich, G. M., Grimes, D. R., & Levy, H. (2017). Economic effects of Medicaid expansion in Michigan. *N Engl J Med*, 376:407-410. Doi: 10.1056/NEJMp1613981

⁵ Louisiana Department of Health. (2017). Medicaid Expansion Annual Report 2016/2017. Retrieved from http://ldh.la.gov/assets/HealthyLa/Resources/MdcdExpnAnnIRprt_2017_WEB.pdf and Richardson, J. A., Llorens, J. J., Heidelberg, R. L. (2018). Medicaid expansion and the Louisiana economy, prepared for the Louisiana Department of Health. Retrieved from <http://gov.louisiana.gov/assets/MedicaidExpansion/MedicaidExpansionStudy.pdf>

⁶ Sears, B. R. (2018). Ohio Medicaid expansion assessment. Retrieved from <https://medicaid.ohio.gov/Portals/0/Resources/Reports/MedicaidExpansion.pdf>