RFNC Medicaid Report Part I: The current costs of health care in NC

NC already has some of the most expensive health care in the country. Refusing to expand Medicaid will keep health care expensive.

- NC is the second most expensive state for health care overall and NC residents who buy their own plans pay the third highest monthly premiums in the nation.
  - Forgoing Medicaid expansion will cost NC about $40 billion, some of which is federal taxpayer dollars from North Carolinians funding Medicaid in other states.
  - The federal government will cover 90 percent of the costs of Medicaid in expansion states forever. Currently it only covers half of the cost in NC.
- Premiums for people who buy their own health insurance are 7 percent lower in states that have expanded Medicaid.
  - Uncompensated care costs at hospitals are lower in Medicaid expansion states where more people are insured and thus able to pay hospital bills for emergency care.
  - Medicaid work rules will increase uncompensated care costs for hospitals.
- Federal taxes paid by NC residents are going to other states.
- Instead of saving money, Medicaid work requirements can add to health care costs and waste taxpayer dollars.
  - Work requirements could cost anywhere from $70 million to $170 million to implement and could more than double monthly premiums.
- Not closing the gap will make health care even more expensive in NC.

NC has some of the most expensive health care in the nation.

NC residents who buy their own health care pay the third highest monthly premiums in the nation. Only West Virginia and Alaska have more expensive premiums than NC. (Wallethub, 8/6/18)

Overall, NC is the second most expensive state for health care. Only Alaska is more expensive. (Wallethub, 8/6/18)

NC is ranked 47th out of 51 states across metrics of health care cost, accessibility, and outcomes. Arkansas, ranked 48th, expanded Medicaid using a CMS wavier to allow a work requirement. Alaska ranked 49th has expanded Medicaid, Mississippi at 50th like NC has not yet expanded Medicaid, and 51st ranked Louisiana has expanded Medicaid. (Wallethub, 8/6/18; National Conference of State Legislatures, 11/7/18)

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Forgoing federal Medicaid expansion from 2013 to 2022 will cost North Carolina $39.6 billion, according to the Robert Wood Johnson Foundation. "Meanwhile, the cost in lost federal funding by refusing to expand Medicaid is all too clear. A report last year compiled by the Urban Institute for the Robert Wood Johnson Foundation provided the numbers for 24 states that have not expanded Medicaid. That group has since shrunk to 22 states with six of them now considering expansion. The report estimates that forgoing federal Medicaid expansion from 2013 to 2022 will cost North Carolina $39.6 billion. In addition, the state's hospitals will lose out on $11.3 billion in federal funds intended to offset cuts in their Medicare and Medicaid reimbursements as required under the Affordable Care Act, which anticipated that all states would expand Medicaid." (News & Observer, Editorial, 12/10/18)

Taxpayers in states that don't expand Medicaid still pay federal taxes that cover costs in other states. "Taxpayers in states that don't expand their Medicaid programs will still be on the hook for federal taxes aimed at covering costs in other states, without benefiting on their own, the authors conclude. And no state that rejects Medicaid expansion will actually save money, the report finds." (Washington Post, 12/6/13)

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The federal government pays for 90 percent of the costs to expand Medicaid. "Now that Congressional efforts to repeal or replace the Affordable Care Act (ACA) have abated, North Carolina and the other 17 states that have not expanded Medicaid can consider whether to do so going forward. The ACA's established funding will pay for 90 percent of the costs of expanding Medicaid to cover people in households with incomes at or below 138 percent of the federal poverty level." (News & Observer, Editorial, 4/20/18)

The 90 percent funding stays permanent unless lawmakers vote to change or repeal the legislation. "Under the health-care law, the federal government will pay 100 percent of the cost of expansion in 2014, 2015 and 2016. Then the federal match is pared back to 95 percent in 2017, 94 percent in 2018, 93 percent in 2019 and then 90 percent in 2020 and beyond. It would stay at the 90 percent level unless the lawmakers change or repeal the legislation. So, rather than getting $1 back for every $2 spent, states would get $9 back for every $10 spent. (This is a simplified version of a complex formula. The Kaiser Family Foundation in 2013 issued a report with all of the details.)" (Washington Post, 1/14/14)

Higher than expected enrollment has not created large costs increases in expansion states' Medicaid budget because it is covered by the federal government. "Claims that the costs of Medicaid expansion have far exceeded expectations are overstated, misleading, and substantially inaccurate, based on a review of the credible evidence, from either academic or government sources. The primary basis of these claims is that many expansion states have enrolled more people than they initially expected. However, because the federal government pays for most of their costs, this increased enrollment has not translated into large percentage increases in states' Medicaid budgets." (News & Observer, Editorial, 4/20/18)

Currently, NC pays for at least 50 percent of the cost of Medicaid without the benefits of expansion. "Currently, the cost of Medicaid is split at least 50-50 between the states and the federal government. There is a complicated formula that can alter the so-called federal matching percentage, but every state essentially gets back at least $1 for every $2 it spends on the program." (Washington Post, 1/14/14)

Not closing the coverage gap by expanding Medicaid will make health care even more expensive for everyone in NC.

Premiums for people who buy their own health insurance are 7 percent lower in states that have expanded Medicaid; covering more uninsured people lowers everyone's premiums.

Premiums were 7 percent lower in states that expanded Medicaid. "By comparing counties across state borders, and adjusting for several differences between them, the researchers calculated that expanding Medicaid meant marketplace premiums that were 7 percent lower. States that choose to expand Medicaid can offer government coverage for everyone earning below 133 percent of the federal poverty level, about $16,000 a year for a single person. People earning more can buy insurance in the new Obamacare marketplaces." (NY Times, 8/25/16)

As the nationwide uninsured rate fell, uncompensated care costs to hospitals also fell, with declines larger in states that expanded Medicaid. "Between 2013 and 2015, as the nationwide uninsured rate fell from 14.5 percent to 9.4 percent (a 35 percent decline), uncompensated care costs as a share of hospital operating expenses fell by 30 percent.[1] While such costs fell in all but two states, declines were larger in states where uninsured rates fell more, with a roughly one-to-one relationship between percent declines in uninsured rates and percent declines in uncompensated care costs as a share of hospital operating expenses. States that expanded Medicaid to low-income adults under the ACA saw both larger coverage gains and larger drops in uncompensated care: a 47 percent decrease in uncompensated care costs on average compared to an 11 percent decrease in states that did not expand Medicaid." (CBPP, 5/23/18)

- **The cost of treating hospital patients who can't pay, such as uninsured people requiring emergency treatments, are uncompensated care costs. "**In general, this paper defines uncompensated care as any services for which a provider is not reimbursed. As noted, the hospital uncompensated care data are taken from the March 2018 MACPAC report. The MACPAC estimates are drawn from Medicare hospital cost reports. These reports generally define uncompensated care as the combined cost of charity care (medical service costs which the hospital determines the patient does not have the financial capacity to pay) and bad debt (unpaid medical service costs which the hospital determines the patient does have the financial capacity to pay)." (CBPP, 5/23/18)
- **Research institute says Medicaid work rules will increase uncompensated care costs for hospitals**. "Between 2013 and 2015, the country's uninsured rate dropped from 14.5% to 9.4%. During the same period, there was a corresponding 30% decline of uncompensated care costs as a share of hospital operating expenses in all but 2 states. A report released by The Center for Budget and Policy Priorities credited the Affordable Care Act for these results and said gains will be jeopardized once work requirements take effect. "Medicaid serves the most financially vulnerable, low-income patients who are least likely able to pay for medical bills when uninsured, thus leading to hospital uncompensated care costs," the report states." (AJMC, 6/8/18)
    - ***NOTE:*** *North Carolina has applied for a CMS wavier to allow work requirements and is awaiting approval. (Urban Institute, 1/24/19)*

Instead of saving money, Medicaid work requirements add to health care costs and waste taxpayer dollars.

Research found that work requirements add to health costs and waste taxpayer dollars due to administrative expenses. "Medicaid work requirements add to health costs and waste taxpayer dollars by adding layers of administrative expenses vetting a population already working, a package of research published Monday in JAMA Internal Medicine shows. New research letters showed "most Medicaid enrollees were already working or exempt" from work requirements. And when Medicaid work requirements were extrapolated across the country, savings were minimal and the tradeoff could harm patient health, particularly in states that didn't expand Medicaid under the Affordable Care Act, Harvard University researchers and their colleagues wrote." (Forbes, 9/10/18)

Research also showed "most Medicaid enrollees were already working or exempt" from work requirements, so savings were minimal. "Medicaid work requirements add to health costs and waste taxpayer dollars by adding layers of administrative expenses vetting a population already working, a package of research published Monday in JAMA Internal Medicine shows. New research letters showed "most Medicaid enrollees were already working or exempt" from work requirements. And when Medicaid work requirements were extrapolated across the country, savings were minimal and the tradeoff could harm patient health, particularly in states that didn't expand Medicaid under the Affordable Care Act, Harvard University researchers and their colleagues wrote." (Forbes, 9/10/18)

Most people losing coverage under work requirements are disenrolled due to reporting issues rather than not complying with the work requirement. "Because the majority of Medicaid adults are already working or exempt, they account for most people losing coverage even though they lose coverage at a lower rate than those not working and subject to the new requirement. Even in the scenario that uses a "low" disenrollment rate among the exempt/working population and a "high" disenrollment rate among those subject to the requirement, 62% of those losing coverage are in the exempt/working category." (KFF, 6/27/18)

Work requirements could cost anywhere from $70 million to $170 million to implement and could more than double monthly premiums.

The federal government said it would not pay for "job training or employment services…or other work supports to help beneficiaries," so states will be on the hook for big sums. "But the federal government said in a letter to state Medicaid directors last month that it would not help pay for "job training or other employment services, child care assistance, transportation, or other work supports to help beneficiaries prepare for work or increase their earnings." States will be on the hook for big sums at a time when many state budgets are strapped. According to the Center for Budget and Policy Priorities (CBPP), 32 states operated with a budget shortfall in fiscal year 2017 or 2018." (Governing, 2/19/18)

Tennessee spent more than $70 million to implement a work requirement. "Tennessee implemented TANF work requirements, the state spent more than $70 million, according to the Sycamore Institute, a nonpartisan policy institute. In New York City, the cost of just implementing job training programs for welfare recipients was about $17 million." (Governing, 2/19/18)

A work requirement would cost Virginia $100 million for the first two years. "Case in point: Virginia Gov. Ralph Northam released data last week showing the state would be on the hook for $100 million for the first two years if it adds a work requirement to Medicaid. (Northam, a Democrat, wants to expand Medicaid, but his GOP-controlled legislature has signaled it would only consider that if work requirements are attached.)." (Governing, 2/19/18)

Kentucky budgeted about $170 million to implement its waiver. "In Kentucky, the state has reportedly budgeted about $170 million to implement its waiver -- almost 90 percent of which would be reimbursed by the federal government." (Governing, 2/19/18)

- **Kentucky's Medicaid administration costs jumped 40 percent when it implemented a work requirement.** "The new research in JAMA Internal Medicine builds on earlier reports indicating costs of implementing Medicaid work requirements are hurting state budgets. Kentucky's Medicaid administration costs jumped more than 40% after implementing work requirements, a report from Fitch Ratings earlier this year shows." (Forbes, 9/10/18)

Michigan's work requirement, similar to the Carolina Cares plan, would more than double premiums from 2 to 5 percent of monthly income. "The proposal would also more than double premiums, from 2 percent to 5 percent of monthly income, for beneficiaries who have incomes between 100 and 138 percent of the federal poverty line and who have been enrolled in Healthy Michigan for more than 48 consecutive months. Beneficiaries who don't make their monthly premiums on time would lose coverage after a 60-day grace period and wouldn't be able to regain their coverage until they come into compliance with the premium requirement. The state's proposal, however, is unclear whether this means beneficiaries must pay past-due premiums, make a prospective payment, or both." (CBPP, 10/22/18)

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