

Responses to Concerns about Medicaid Expansion

Claims Raised by Ray Nothstine of the Civitas Institute

Claim: Expanding Medicaid will increase federal spending.

Response:

- It is true that the federal government will cover 90% of the costs of Medicaid expansion.
- However, if we don't expand Medicaid, the public still pays for the costs of having a large uninsured population in our state.
 - When people don't have health insurance, they are less healthy¹. This costs our health care system more money than if they had access to preventative care and averted health crises before they happened.
 - Combatting the opioid epidemic costs tens of millions of dollars in federal grants every year to help people get into treatment. If we had Medicaid expansion, Medicaid could instead pay for treatment for many of those suffering from opioid use disorder who are uninsured.
 - Medicaid expansion will reduce the amount of uncompensated care absorbed by North Carolina hospitals, reducing costs for everyone.
- At the same time, expanding Medicaid would require zero dollars in new state appropriation or new taxes. The federal government will pay 90% of costs in perpetuity and the remaining 10% would be funded by hospitals and health plans.
- North Carolina taxpayers are already paying more than \$1 billion a year for Medicaid expansions in other states². We should bring some of those federal tax dollars back home.

Claim: The federal government may stop paying their 90% share, sticking states with the bill.

Response:

- It is clear in the short-term that the federal government will not change the 90% contribution.
- Many politicians of both parties (and voters of both parties) support keeping the 90% federal contribution as-is.
- This is not different from other government programs. The federal government pays an enhanced match rate for CHIP too, and we don't forgo CHIP just because the funding structure could change down the road.
- If the federal government does change the 90% contribution, we will need to have conversations and potentially make hard choices about what the state will fund going forward, but there is no reason to do that preemptively.

Claim: State budgets are ballooning due to Medicaid expansion.

Response:

- Research shows that in other expansion states "there were no significant increases in spending from state funds³."
 - Most expansion states were able to accurately predict enrollment and the associated budgetary effects of expansion.
- Several states have saved money because of Medicaid expansion. This is because expansion reduces state spending on services that will now be covered by Medicaid and increases state tax revenue from the economic activity generated by expansion.
 - Arkansas will save \$444 million on net between 2018 and 2021 due to Medicaid expansion⁴.
 - Michigan will save more than \$1 billion on net between 2018 and 2021 due to Medicaid expansion⁴.
 - Montana's expansion has produced net savings each year since coverage began⁴.
 - Virginia's expansion will save \$421 million in its first two years⁴.
- Nine expansion states (Arizona, Arkansas, Illinois, Indiana, Michigan, Montana, New Hampshire, New Mexico, and Washington) have "trigger" laws that eliminate Medicaid expansion if it's a budget burden – yet none of them have rolled back expansion⁴.

- A Cone Health Foundation analysis found that if North Carolina expanded Medicaid, it would increase state and county tax revenues without increasing taxes⁵.
- Even if more people than projected sign up in North Carolina, it will not affect state tax dollars, since the state share of the cost would be funded by hospitals and health plans.

Claim: Medicaid expansion costs unexpected soared in Virginia, and the same will happen in North Carolina.

Response:

- It is true that Virginia suffered a \$462 million shortfall in Medicaid funding last year. However, this increase in costs had nothing to do with expansion.
 - The cost increase occurred because the state put its most expensive Medicaid beneficiaries into a new, separate health plan and underestimated the cost of the plan⁶.
 - North Carolina’s Medicaid program does not currently separate out its Medicaid beneficiaries in this way, nor will it under managed care.
 - In contrast with Virginia, N.C. Medicaid has been consistently under budget for the past five years.
- At the same time, Virginia’s Medicaid expansion actually helped save the state money. An analysis found Virginia’s expansion will save \$421 million in its first two years⁴.

Sources

1. “Key Facts about the Uninsured Population.” Kaiser Family Foundation, December 2018. [Link](#).
2. Doran, Will. “NC Gov. Roy Cooper on Medicaid expansion in North Carolina: ‘You’re already paying for it.’” PolitiFact North Carolina, January 2017. [Link](#).
3. Sommers, Benjamin and Jonathan Gruber. “Federal Funding Insulated State Budgets from Increased Spending Related to Medicaid Expansion.” Health Affairs 36(5), May 2017. [Link](#).
4. Cross-Call, Jesse. “Medicaid Expansion Continues to Benefit State Budgets, Contrary to Critics’ Claims.” Center on Budget and Policy Priorities, October 2018. [Link](#).
5. Ku, Leighton, et al. “The Economic and Employment Costs of Not Expanding Medicaid in North Carolina: A County-Level Analysis.” Cone Health Foundation, December 2014. [Link](#).
6. O’Connor, Katie. “Medicaid Will Cost Virginia Half a Billion Dollars More than Expected.” NBC 12, January 2019. [Link](#).