

## Responses to Concerns about Medicaid Expansion

**Claim: Medicaid is plagued by waste, fraud, and abuse, so we shouldn't expand it.**

**Response:**

- There is no evidence that waste, fraud, and abuse is a significant problem in North Carolina's Medicaid program.
- N.C. Medicaid's Program Integrity Unit has a rigorous system for detecting waste, fraud, and abuse.
- Under managed care, prepaid health plans will be subject to rigorous oversight from the state, and will have strong incentives to help detect waste, fraud, and abuse as the entities bearing financial risk.

**Claim: States that expanded Medicaid have signed up more people than they thought, leading to cost overruns.**

**Response:**

- It is true that expanding Medicaid was initially more successful than predicted in many states, although enrollment has stabilized since<sup>1,2</sup>.
- Research shows that most expansion states were able to accurately predict enrollment and the associated budgetary effects of expansion<sup>3</sup>.
- Officials in Indiana, North Dakota, and Ohio have said outright that Medicaid enrollment has been in line with expectations<sup>4</sup>.
- 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 expansion<sup>2</sup>.
  - Michigan will save more than \$1 billion on net between 2018 and 2021 due to Medicaid expansion<sup>2</sup>.
  - Montana's expansion has produced net savings each year since coverage began<sup>2</sup>.
  - Virginia's expansion will save \$421 million in its first two years<sup>2</sup>.
- 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 expansion<sup>2</sup>.
- A Cone Health Foundation analysis found that if North Carolina expanded Medicaid, it would increase state and county tax revenues without increasing taxes<sup>5</sup>.
- 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: Other states that have expanded Medicaid have experienced the "welcome mat effect" in which people who were already eligible for Medicaid signed up.**

**Response:**

- The "welcome mat" effect, where some people enroll in Medicaid who were previously eligible but not enrolled, is driven by publicity surrounding changes or possible changes to a state's Medicaid program.
- These effects tend to be modest and are driven largely by publicity. They are not caused by any legislative changes in the bill itself.
- It is good news when more people who are already eligible for the Medicaid program enroll.
- Regardless, research shows the welcome mat effect was more significant in non-expansion states in the aftermath of the Affordable Care Act<sup>6</sup>.

**Claim: Expansion would create more government spending and higher tax rates.**

**Response:**

- 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 a small assessment on health care providers.
- North Carolina taxpayers are already paying more than \$1 billion a year for Medicaid expansions in other states<sup>7</sup>. We should bring some of those federal tax dollars back home.

**Claim: Medicaid expansion caused massive misspending in California and Louisiana.**

**Response:**

- California and Louisiana misspent public funds due to mismanagement of their state Medicaid programs. N.C. Medicaid has not had similar problems.
- The incidents in California and Louisiana were caused by IT systems problems in assessing eligibility.
  - In California, a state auditor found that the state accidentally spent Medicaid funds on individuals who may have died, moved out of state or made too much money to qualify for the program<sup>8</sup>.
  - In Louisiana, a state auditor found the state spent Medicaid funds on individuals who made too much money to qualify for the program<sup>9</sup>.
  - Most states, whether or not they have expanded, have not had similar problems. NC is investing heavily in upgrades to its eligibility systems as part of the move to Medicaid managed care in 2019.

**Claim: Medicaid expansion enrollees are more expensive than traditional enrollees.**

**Response:**

- Per-beneficiary costs have been *lower* among the expansion population than among the previously eligible population<sup>2</sup>.
- While expansion enrollees initially utilized more medical care than traditional enrollees due to pent-up demand among the previously uninsured, this was a short-term occurrence and costs have since fallen significantly<sup>1</sup>.
  - Costs have fallen partly because there is no longer pent-up demand for care, and partially due to the use of preventative care services by the expansion population<sup>2</sup>.

**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: Every red state that expanded Medicaid regrets it.**

**Response:**

- Many red states have reaffirmed their decision to close the gap and many GOP governors praise the decision:
  - "There's no doubt it's been helpful...We've been able to do it to date without a single New Hampshire taxpayer dollar. No state taxes go into it." —New Hampshire Gov. Chris Sununu, 2017<sup>10</sup>
  - "Thank God we expanded Medicaid." — Ohio Gov. John Kasich, 2018<sup>11</sup>
  - "Nevada is in a much better place that it was six years ago." — Nevada Gov. Brian Sandoval, 2017<sup>12</sup>
  - "I hope they carefully look at the success we've had in Michigan." — Michigan Gov. Rick Snyder, 2017<sup>13</sup>

- Several red states, including Arizona, Arkansas, Indiana, and Montana, passed “trigger” laws that eliminate Medicaid expansion if it’s overly burdensome, but none of them have rolled back the expansion<sup>4</sup>.

**Claim: A job, not Medicaid, is the best anti-poverty program.**

**Response:**

- The vast majority of North Carolina’s uninsured population is already working<sup>14</sup>.
- A Kaiser Family Foundation analysis found there is no evidence that expansion reduces employment, labor force participation, or the number of hours the expansion population works per week<sup>15</sup>.
- Closing the coverage gap creates jobs.
  - An estimated 43,000 jobs would be created in first five years<sup>5</sup>.
  - The majority of these jobs are outside of health care sector, driven by increased economic activity in communities (e.g., construction, retail, food service).
  - Many of these jobs would be in rural counties.
  - When Michigan (about the size of NC) closed their coverage gap, it created 39,000 jobs<sup>16</sup>.

**Claim: Medicaid expansion will strain provider capacity and crowd out people who are currently insured.**

**Response:**

- Reducing the number of uninsured and providing more access to health insurance will strengthen North Carolina’s health care infrastructure.
  - Expanding Medicaid helps rural hospitals keep their doors open. Rural hospitals disproportionately suffer from the burden of uncompensated care. Nationwide, 82% of rural hospital closures since 2014 have occurred in non-expansion states<sup>17</sup>.
  - In many expansion states, the number of urgent care and retail clinics increased, and providers expanded their staff and opened new health care sites<sup>18</sup>.
- In North Carolina, a similar concern was voiced when the Children’s Health Insurance Program expanded coverage for children in 1997, but provider capacity shortages never occurred.

**Claim: We need an NC solution to this issue, not a DC solution.**

**Response:**

- States have a lot of flexibility to close the coverage gap in a way that is tailored to their specific needs and goals.
- We can design an NC solution, and the proposal on the table tries to do that.

**Sources**

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