

Responses to Concerns about Medicaid Expansion

Claims Raised by the John Locke Foundation

Claim: *“As a state, we should reject a program that has long been plagued with fraud, waste, and abuse.”*

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: *“Expanding Medicaid will not only fail to address the costs of high medical care, it further entrenches a system that contributes to inflated health care costs.”*

Response:

- Medicaid expansion will reduce the amount of uncompensated care absorbed by North Carolina hospitals, reducing costs for everyone.
 - When uninsured people need care, they often go to the one place that won’t turn them away: the ER.
 - The ER is an expensive care setting, and when patients can’t pay, hospitals often eat the cost.
 - Hospitals offset that loss by charging higher rates for insured patients, called “cost-shifting,” and that translates into higher premiums for every individual and employer who buys health insurance.
 - Premiums for people who buy their own health insurance are 7% lower in states that have expanded Medicaid than in states that haven’t¹.

Claim: *“States that have expanded Medicaid have encountered sizable budgetary problems.”*

Response:

- Research shows that in other expansion states “there were no significant increases in spending from state funds².”
 - 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 expansion³.
 - Michigan will save more than \$1 billion on net between 2018 and 2021 due to Medicaid expansion³.
 - Montana’s expansion has produced net savings each year since coverage began³.
 - Virginia’s expansion will save \$421 million in its first two years³.
- 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 expansion³.
- A Cone Health Foundation analysis found that if North Carolina expanded Medicaid, it would increase state and county tax revenues without increasing taxes⁴.
- 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: *“California recently found out they may have spent \$4 billion on people who did not qualify for Medicaid. Louisiana ran into the same problem, amounting to roughly \$80 million in unnecessary payments.”*

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 program⁵.
 - In Louisiana, a state auditor found the state spent Medicaid funds on individuals who made too much money to qualify for the program⁶.
 - 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: *“The U.S. Department of Health and Human Services concluded that Medicaid expansion enrollees were substantially more expensive than expected.”*

Response:

- It is true that expansion enrollees were initially more expensive than previously eligible beneficiaries due to pent-up demand for medical care among the previously uninsured. However, costs have since fallen significantly⁷.
 - 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 population³.
- Per-beneficiary costs are now *lower* among the expansion population than among the previously eligible population³.

Claim: *“The state could be on the hook for the promised 90 percent federal contribution at any time.”*

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: *“Examples abound of taxpayer dollars going to reimburse medical providers who are performing procedures that will bring no proven medical benefit to a patient.”*

Response:

- N.C. Medicaid’s Program Integrity Unit has a rigorous system for detecting waste, fraud, and abuse.
- At the same time, evidence suggests Medicaid expansion helps previously uninsured individuals use care more appropriately by increasing the use of preventative care^{8,9}.

Claim: *“Even in a managed care system like one North Carolina is moving to, the massive flow of dollars from the state budget to medical providers offer little room for oversight or accountability.”*

Response:

- Medicaid, particularly in managed care, has rigorous oversight of plans and providers to ensure program integrity and good use of state funds.
- PHPs have real accountability for quality and outcomes and strong financial incentives for close oversight of the providers in their network.
- More than ever, health care is adopting the use of value-based payments that reward quality and outcomes.

Sources

1. Antonisse, Larisa, et al. "The Effects of Medicaid Expansion Under the ACA: Updated Findings from a Literature Review." Kaiser Family Foundation, March 2018. [Link](#).
2. Sommers, Benjamin and Jonathan Gruber. "Federal Funding Insulated State Budgets from Increased Spending Related to Medicaid Expansion." Health Affairs 36(5), May 2017. [Link](#).
3. Cross-Call, Jesse. "Medicaid Expansion Continues to Benefit State Budgets, Contrary to Critics' Claims." Center on Budget and Policy Priorities, October 2018. [Link](#).
4. 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](#).
5. Karlamangla, Soumya. "California Spent \$4 Billion on Medi-Cal for People Who May Not Have Been Eligible, Audit Finds." LA Times, October 2018. [Link](#).
6. Houston, Matt. "Medicaid Fraud Cost Louisiana as Much as \$85 Million." Fox 8 Live, November 2018. [Link](#).
7. Wolfe, Christian, Kathryn Rennie and Christopher Truffer. "2017 Actuarial Report on the Financial Outlook for Medicaid." Centers for Medicare & Medicaid Services, Office of the Actuary. [Link](#).
8. Chait, Nadia and Sherry Glied. "Promoting Prevention Under the Affordable Care Act." Annual Review of Public Health, 2018. [Link](#).
9. Ku, Leighton, Julia Paradise and Victoria Thompson. "Data Note: Medicaid's Role in Providing Access to Preventative Care for Adults." Kaiser Family Foundation, May 2017. [Link](#).