

MEMORANDUM



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TO: NC Chamber
DATE: January 3, 2013
RE: Medicaid expansion

The Supreme Court ruled in June that the new health reform law permits, rather than requires, states to expand their Medicaid programs to cover people with incomes up to 138 percent of the federal poverty line. Now, North Carolina must choose whether to expand Medicaid. If North Carolina chooses to expand its Medicaid program, tens of thousands of low-wage workers who do not currently have health coverage will become eligible for Medicaid. This would be a boon for small businesses in North Carolina. Not only would it create a healthier, more productive workforce, but it would stimulate the economy and help employers avoid large penalties.

- **Medicaid expansion will stimulate North Carolina's economy.** Just like a new factory or federal project, Medicaid expansion will bring a lot of money into North Carolina's economy. The federal government will pick up *all* of the cost of Medicaid expansion for the first three years (2014-2016). It will continue to cover at least 90 percent of the cost after that. This will bring an estimated \$20 billion additional federal dollars to North Carolina between 2014 and 2019.¹ That money will be spread among all 100 counties. It will increase incomes for all types of health care service providers, including hospitals and their employees, doctors and nurses, nursing homes, and medical suppliers. Health care providers and businesses will spend large portions of their revenues and salaries in the local economies.
- **Medicaid expansion would create a healthier, more productive workforce in North Carolina.** Employees with health insurance are more likely to receive regular preventive care and to get needed treatment for illnesses and injuries. This means that workers with health insurance are less likely to miss work and will miss fewer days of work when they do fall ill. Sick or injured employees without health insurance may also be less productive when they are at work. Additionally, if North Carolina does not implement the expansion, we risk losing valuable members of the work force, who will move to states that are making Medicaid coverage available.

¹ John Holahan and Irene Headen, *Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or below 133% FPL*, Kaiser Commission on Medicaid and the Uninsured (May 2010) at 40, Table 6, available at <http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf>.

- Medicaid expansion will help employers avoid large penalties.** Beginning in 2014, applicable large employers² must offer coverage to all full-time employees³ (and their dependents) or pay tax penalties if employees receive tax credits/subsidies for Exchange coverage. Employers who do not offer insurance and have one or more employees receiving a premium tax credit will face a penalty of \$2,000 per employee — excluding the first 30 employees. They could also face fines of up to \$3,000 per infraction if an employee receives tax credits or subsidies because the employer’s coverage does not meet federal standards.⁴ However, if North Carolina expands Medicaid, families under 138 percent of the federal poverty line will be eligible to enroll in Medicaid. There is no penalty to an employer who has an employee receiving health benefits through Medicaid. Regardless of whether or not the employer offers health insurance, eligible employees may choose Medicaid with no additional cost to the employer.⁵
- Medicaid expansion will level the playing field for North Carolina’s small businesses.** Medicaid expansion would cover nearly 500,000 additional people in North Carolina, most of them low-wage working adults.⁶ Because so many working adults would qualify for Medicaid, small businesses that cannot afford to offer their employees’ health insurance would be better able to compete for workers with big businesses that can offer health insurance to their employees.
- North Carolinians will get the benefits of our own tax dollars.** Many other states will choose to expand Medicaid and the costs will be paid mostly by federal dollars. If North Carolina does not expand Medicaid, we will still be paying federal taxes to support other states’ programs without getting the benefits of health care coverage for North Carolinians.
- If North Carolina does not expand Medicaid, there will be an increase in premiums for people with health insurance.** The increase in these premiums results from both the costs of uncompensated care and the difference in health status of enrollees. In 2008, doctors and hospitals provided almost \$43 billion dollars in unpaid medical care.⁷ Providers pass much of this cost on to private insurers. This cost shifting increases annual premiums for insured families by more than \$1000.⁸ Additionally, if North Carolina opts not to extend Medicaid eligibility to 138 percent of FPL, then individuals 100 percent to 138 percent of FPL who otherwise would have been eligible for Medicaid will have access to premium subsidies. This population is expected to have higher than average health care needs. Due to the higher health spending among lower-income enrollees, average individual market premiums are estimated to be 2 percent higher than projections made under the assumption that Medicaid is expanded to 138 percent of FPL.⁹ Without Medicaid expansion, insurance premiums will continue to increase, making it more costly for businesses to offer health insurance to their employees.

2 Applicable large employer: employed on average at least 50 full-time employees during the preceding calendar year

3 Full-time employee: 30 hours or more per week on average each month

4 *Health Care Reform and the Employer Mandate*. North Carolina League of Municipalities. (October 2012).

<http://www.nclm.org/meetings-training/Documents/HealthCareReform.pdf>

5 *Id.*

6 Milliman, Inc., *North Carolina Benefit Exchange Study*. Prepared for the North Carolina Department of Insurance by Milliman, Inc.: Brookfield, WI (December 9, 2011).

7 Matthew Buettgens et al., *Consider Savings as Well as Costs*, at 10, Robert Wood Johnson Found. & Urban Institute (July 2011).

8 “Hidden Health Tax,” at 6, Families USA (May 2009).

9 American Academy of Actuaries. Decision Brief: implications of Medicaid Expansion on Private Coverage (September 2012).