

Budget And Tax Center Says Medicaid Expansion Is A Good Financial Move

By Administrator

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Federal dollars and new revenue, combined with budget savings, create a responsible financing model through Medicaid Expansion, according to a new analysis. Medicaid expansion will not only provide much needed access to health insurance for at least half a million North Carolinians, but it is likely to also generate savings for the state budget, according to a new report from the Budget & Tax Center, a project of the NC Justice Center.

"Medicaid expansion offers North Carolina a more direct and cost-effective way to fund health care services," said Suzy Khachatryan, Budget & Tax Center Policy Analyst and author of the report. "Ultimately, increasing the number of North Carolinians with health insurance -- and the benefits of affordable, consistent access to care -- will boost the well-being of families and communities, and that is good for all of us."

Highlights from the report:

- Expanding Medicaid will produce significant savings to North Carolina's budget. Medicaid expansion can produce \$100 million of savings to North Carolina's budget in the first two years it is in effect. These initial fiscal savings on health care costs are what can be considered first order effects and don't capture the full cost savings that would come from a healthier population with greater financial security.

- Medicaid expansion can maximize federal funding available to North Carolina. Currently, the federal government pays for 67 percent of North Carolina's Medicaid costs. Under the terms of the ACA, the federal government will pay 90 percent of the cost of providing health care services under expansion.

- The state share of the costs would be funded through a combination of hospital assessments and taxes levied on Prepaid Health Plans (PHPs). The Governor's budget proposes collecting provider fees in order to partially finance the cost of Medicaid expansion. The dollars would generate \$215 million in FY 2020 and \$356 million in FY 2021. Currently, the North Carolina

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General Assembly is considering legislation that would extend the existing 1.9 percent tax on insurance companies to apply to the capitation payments, also called premiums, issued to PHPs, generating \$78.2 billion over the next two years due to expansion.

- Medicaid expansion has produced budget savings in states across the country. Numerous national studies of Medicaid expansion in states have documented state budget savings in a broad array of funding areas as well as no offsetting reductions in other areas of the budget—like education or transportation—so that the state match could be met. Notably, a 50-state analysis of Medicaid spending found that there was not a statistically significant increase in state Medicaid spending in states that have expanded.

“The broad benefits of Medicaid Expansion for our state will not only support the well-being of all of us, but it will also generate savings in the state's budget over time,” said Khachatryan.