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With North Carolina Adopting Medicaid Expansion, a Dwindling Number of States Are Missing Out on Its Economic and Health Benefits

By Breanna Sharer

North Carolina recently became the 41st state (including the District of Columbia) to expand Medicaid to adults with incomes up to 138 percent of the federal poverty level, enacting the move in its 2023-2024 fiscal budget. This leaves just ten non-expansion states that continue to deny lifesaving Medicaid health coverage — and the financial protections that come with it — to hundreds of thousands of people with low incomes.[1] These outliers are forgoing expansion's economic benefits, including significant federal funding that goes to states. Remaining non-expansion states could learn from North Carolina's example and begin accessing the health and economic benefits going to the rest of the country.

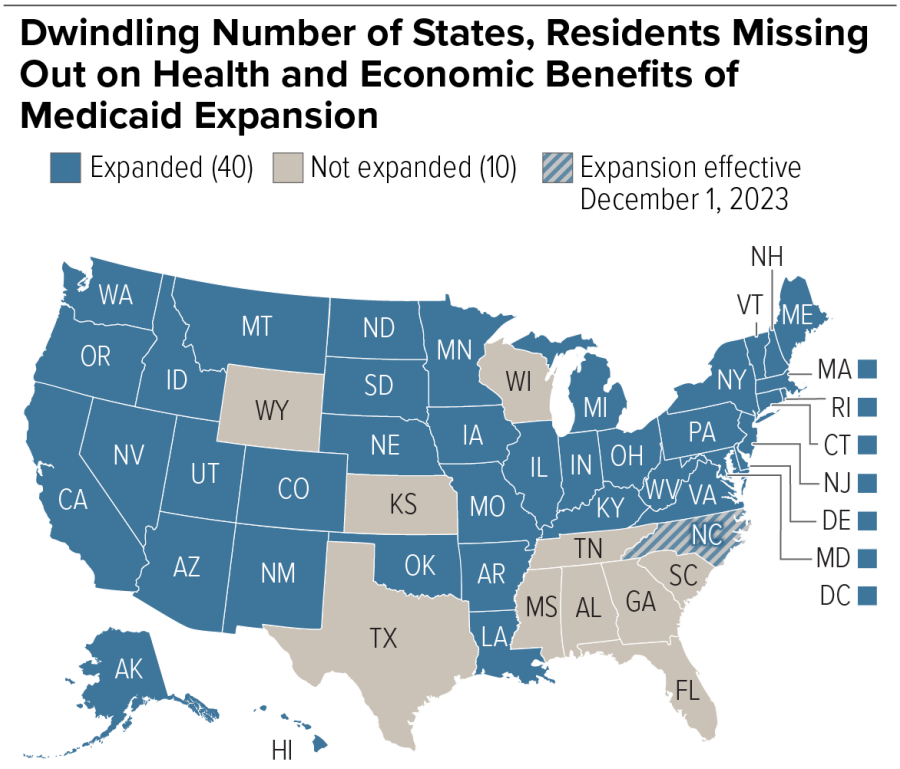
Under the Affordable Care Act (ACA), states have the option to expand Medicaid coverage to more adults with low incomes and to access an enhanced federal matching rate (known as FMAP[2]) for their expansion populations. Under the American Rescue Plan, states that expand Medicaid receive a sizable federal funding incentive. The ACA provides new expansion states with a 90 percent matching rate for the expansion population, and the Rescue Plan provides a two-year, 5 percentage point increase in the traditional Medicaid FMAP for states that expand Medicaid after March 2021.[3]

Expansion states have brought in billions of dollars thanks to Medicaid expansion. The ten states that have not opted to expand Medicaid are missing out on between $60 million and $4.4 billion from the Rescue Plan. (See Table 1. For a timeline of state Medicaid expansions, see Figure 1.)[4] This is on top of forgoing federal funding that would pay for 90 percent of the cost of the expansion.[5] In addition to the enhanced FMAP, North Carolina will receive an estimated $1.63 billion in federal funding through the two-year Rescue Plan fiscal incentive.[6]

This is additional federal funding that the remaining non-expansion states could use to support underfunded state priorities like behavioral health and rural health care. Alabama, Kansas, Mississippi, Tennessee, and Texas are all facing double-digit closures of rural hospitals; Mississippi alone has 24 at risk.[7] These and other states that expand can help protect these hospitals, and their patients, while realizing expansion's other benefits, including significantly better health coverage

rates, advancements in equitable access to care, and protections against catastrophic out-of-pocket costs.

FIGURE 1



Source: Kaiser Family Foundation, "Status of State Medicaid Expansion Decisions: Interactive Map" https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/

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Outlier States Denying Lifesaving Benefits, Financial Security to Their Residents

A decade of research shows major health benefits for people living in states that have expanded Medicaid.[8] That includes improved health and access to care, reductions in racial and ethnic disparities in coverage rates, protections against catastrophic costs, and even lives saved, given reduced rates of preventable deaths in expansion states. More specifically:

- **Medicaid expansion is linked to significantly better health coverage rates**. The uninsured rate among expansion states is nearly half that of non-expansion states.[9] In the ten states that haven't adopted expansion, nearly 2 million uninsured adults are in the Medicaid coverage gap.[10] Adults in this gap don't qualify for Medicaid under their states' rules, because their states have not enacted the expansion — or for subsidized health insurance coverage in the ACA marketplaces, because their incomes are below the federal poverty level ($14,580 for an individual in 2023).

- **Medicaid expansion can advance racial equity.** People of color are disproportionately likely to lack access to care due to factors such as labor market discrimination that make them less likely to have access to employer-provided coverage.[11] The ACA helped reduce disparities in health insurance coverage among states that expanded. But the coverage gap worsens these disparities in non-expansion states by disproportionately denying coverage to people of color, who make up an outsized share of those in the gap.[12] Expanding Medicaid would therefore go a long way toward providing equitable access to the program's health and financial benefits.
- **Medicaid expansion is linked to earlier detection, diagnosis, and treatment of serious medical conditions.**[13] Medicaid expansion increases people's use of preventive care and significantly reduces the use of emergency care, resulting in earlier detection of cancers and more effective treatment of chronic illnesses.[14] People in the coverage gap are at greater risk of preventable premature deaths, just as expansion has saved thousands of lives.[15] Medicaid expansion is specifically associated with better survival rates for people who give birth.[16]
- **Medicaid expansion helps protect people from catastrophically high out-of-pocket medical costs.** People in the coverage gap are more susceptible to medical bankruptcy. Medicaid expansion is a powerful safeguard against financial hardship and bankruptcy. In its first two years, Medicaid expansion led to a $3.4 billion reduction in medical debt sent to collections and 50,000 fewer bankruptcies nationwide.[17] Charity care and bad debt among hospitals fell by $8.6 billion (23 percent) from 2013 to 2015. Declines were several times larger in expansion than in non-expansion states.[18]
- **Medicaid expansion provides an especially critical boost to rural hospitals, many of which are at risk of closing.**[19] At least 136 rural hospitals have closed between 2010 and 2021, most of them (74 percent) in states where Medicaid expansion was not in place or had been in place for less than a year.[20] Many more rural hospitals are at immediate risk of closing, especially in non-expansion states.[21] Rural hospitals in non-expansion states experience poorer financial performance, and greater challenges to covering operating costs. This affects not only hospitals and patients, but the entire community if hospitals must reduce staff or eliminate important services because of lower revenues and increased uncompensated care.[22] Nationwide, more than 20 percent of rural adults living in an expansion state are covered by Medicaid, compared to just 13 percent of rural adults in non-expansion states.[23]

All of these benefits make Medicaid expansion a crucial policy approach for the health and financial well-being of states and their residents. They also make expansion popular with members of the public across the political spectrum.[24] For state leaders on the sidelines, it is time to join the rest of the country and ensure their state and residents gain access to the health and economic benefits that come with Medicaid expansion.

TABLE 1

Additional FMAP Funding Under Rescue Plan Incentive for States That Newly Expand Medicaid

	Two-Year Federal Funding From Rescue Plan's Fiscal Incentive (in Millions of Dollars)
Alabama	626
Florida	2,796
Georgia*	1,189
Kansas	402
Mississippi	556
South Carolina	656
Tennessee	1,113
Texas	4,389
Wisconsin**	825
Wyoming	59

* Estimates do not include the Section 1115 waiver that Georgia implemented on July 1, 2023. This waiver is projected to cover only a small subset of adults in the coverage gap — those under 100 percent of the federal poverty level who meet a work-reporting requirement of 80 hours a month from a list of qualifying activities. People who do not report these hours each month would lose coverage under the waiver. Georgia's waiver application estimates roughly 25,000 people would enroll in the first year, rising to about 53,000 people in year 5. In contrast, the Urban Institute estimates that full Medicaid expansion in Georgia would reduce uninsurance by 448,000 people in 2023.

** Estimates assume that childless adults currently enrolled in BadgerCare are shifted to the Medicaid expansion group, allowing Wisconsin to access the higher expansion population FMAP (for "federal medical assistance percentage"). This shift reduces our estimate of the Rescue Plan's FMAP increase. The impacts of moving BadgerCare enrollees from the current FMAP to the expansion population FMAP are not estimated.

Note: We assume expansion occurs on January 1, 2024, and our estimates incorporate projected enrollment declines due to the unwinding of the Medicaid continuous coverage requirement. Estimates include the federal fiscal incentive only.

Source: CBPP estimates using 2021 data from the Medicaid Budget Expenditure System (MBES), May 2023 Congressional Budget Office (CBO) baseline projections, and the Medicaid and CHIP Payment and Access Commission's Medicaid and CHIP Data Book.

[1] Wisconsin's Medicaid program covers people up to 100 percent of the federal poverty line (FPL) through its BadgerCare Section 1115 demonstration. While affordability issues persist, because people under 100 percent of the FPL are covered by Medicaid and individuals over 100 percent of the FPL are eligible for subsidized marketplace coverage, Wisconsin is the only non-expansion state without a Medicaid coverage gap.

[2] For federal Medicaid assistance percentage.

[3] Laura Guerra-Cardus and Gideon Lukens, "Last 11 States Should Expand Medicaid to Maximize Coverage and Protect Against Funding Drop as Continuous Coverage Ends," CBPP, January 24, 2023, https://www.cbpp.org/research/health/last-11-states-should-expand-medicaid-to-maximize-coverage-and-protect-against.

[4] *Ibid.*

[5] Matthew Buettgens and Urmi Ramchandani, "3.7 Million People Would Gain Health Coverage in 2023 If the Remaining 12 States Were to Expand Medicaid Eligibility," Urban Institute, August 3, 2022,

https://www.urban.org/research/publication/3-7-million-people-would-gain-health-coverage-2023-if-remaining-12-states-were.

[6] CBPP estimates using 2021 data from the Medicaid Budget Expenditure System, May 2022 Congressional Budget Office baseline projections, and the Medicaid and CHIP Payment and Access Commission's Medicaid and CHIP Data Book.

[7] Garrett Hall, "With Impending Funding Crises, Rural Hospitals Need a Medicaid Expansion Lifeboat to Stay Afloat," Families USA, January 9, 2023, https://familiesusa.org/resources/with-impending-funding-crises-rural-hospitals-need-a-medicaid-expansion-lifeboat-to-stay-afloat/

[8] CBPP, "The Far-Reaching Benefits of the Affordable Care Act's Medicaid Expansion," updated October 21, 2020, https://www.cbpp.org/research/health/chart-book-the-far-reaching-benefits-of-the-affordable-care-acts-medicaid-expansion; Madeline Guth and Meghana Ammula, "Building on the Evidence Base: Studies on the Effects of Medicaid Expansion, February 2020 to March 2021," KFF, May 6, 2021, https://www.kff.org/medicaid/report/building-on-the-evidence-base-studies-on-the-effects-of-medicaid-expansion-february-2020-to-march-2021/.

[9] 2022 American Community Survey.

[10] Estimate excludes North Carolina, which recently adopted expansion. As noted, Wisconsin's Medicaid program covers people up to 100 percent of the FPL; while affordability issues persist, Wisconsin is the only non-expansion state without a Medicaid coverage gap. CBPP, "The Medicaid Coverage Gap: State Fact Sheets," updated March 3, 2023, https://www.cbpp.org/research/health/the-medicaid-coverage-gap.

[11] Sebastian Romano *et al.*, "Trends in Racial and Ethnic Disparities in COVID-19 Hospitalizations, by Region – United States, March-December 2020," Centers for Disease Control and Prevention, April 16, 2021, https://www.cdc.gov/mmwr/volumes/70/wr/mm7015e2.htm?s_cid=mm7015e2_w.

[12] Jesse Cross-Call and Matt Broaddus, "States That Have Expanded Medicaid Are Better Positioned to Address COVID-19 and Recession," CBPP, July 14, 2020, https://www.cbpp.org/research/health/states-that-have-expanded-medicaid-are-better-positioned-to-address-covid-19-and.

[13] Justin M. Le Blanc *et al.*, "Association of Medicaid Expansion Under the Affordable Care Act with Breast Cancer Stage at Diagnosis," *JAMA Surgery*, July 2020, https://jamanetwork.com/journals/jamasurgery/article-abstract/2767686.

[14] Sarah Miller, Norman Johnson, and Laura Wherry, "Medicaid and Mortality: New Evidence from Linked Survey and Administrative Data," *Quarterly Journal of Economics*, January 30, 2021, https://doi.org/10.1093/qje/qjab004.

[15] Matt Broaddus and Aviva Aron-Dine, "Medicaid Expansion Has Saved at Least 19,000 Lives, New Research Finds," CBPP, November 6, 2019, https://www.cbpp.org/research/health/medicaid-expansion-has-saved-at-least-19000-lives-new-research-finds.

[16] E.L. Eliason, "Adoption of Medicaid Expansion Is Associated with Lower Maternal Mortality," *Women's Health Issues*, Vol. 30, No. 3, pp. 147-152 (2020), https://www.sciencedirect.com/science/article/abs/pii/S1049386720300050. While this study focuses on women, the maternal health crisis affects all people who are pregnant and postpartum.

[17] Kenneth Brevoort *et al.*, "Medicaid and Financial Health," National Bureau of Economic Research Working Paper 24002, November 2017, https://www.nber.org/system/files/working_papers/w24002/w24002.pdf.

[18] Gideon Lukens, "Medicaid Expansion Cuts Hospitals' Uncompensated Care Costs," CBPP, April 20, 2021, https://www.cbpp.org/blog/medicaid-expansion-cuts-hospitals-uncompensated-care-costs.

[19] Hall, *op. cit.*

[20] American Hospital Association, "Rural Hospital Closures Threaten Access," September 2022, https://www.aha.org/system/files/media/file/2022/09/rural-hospital-closures-threaten-access-report.pdf.

[21] Hall, *op. cit.*

[22] Randy Haught *et al.*, "How Will Medicaid Work Requirements Affect Hospitals' Finances?" Commonwealth Fund, March 14, 2019, https://www.commonwealthfund.org/publications/issue-briefs/2019/mar/how-will-medicaid-work-requirements-affect-hospitals-finances.

[23] Aubrianna Osorio, Joan Alker, and Edwin Park, "Medicaid's Coverage Role in Small Towns and Rural Areas," Georgetown Center for Children and Families, August 3, 2023, https://ccf.georgetown.edu/2023/08/03/medicaids-coverage-role-in-small-towns-and-rural-areas/.

[24] Ashley Kirzinger *et al.*, "KFF Health Tracking Poll – March 2022: Economic Concerns and Health Policy, The ACA, and Views of Long-term Care Facilities," Kaiser Family Foundation, March 31, 2022, https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-march-2022/.