OPINION

BUSINESS PULSE SURVEY

Would you support term limits in Congress, similar to those on Presidency?

**Next week’s question:** Several retailers plan to open on Thanksgiving Day this year. Good idea?

Go to http://triad.bizjournals.com and click on Business Pulse Survey to participate.

Yes, and let’s include the Supreme Court, too 35%

Yes 58.1%

Other 0.7%

No 6.1%

BASED ON 540 RESPONSES.

The folly of not expanding Medicaid

Earlier this year, the state of North Carolina decided not to expand Medicaid under the Affordable Care Act, or “Obamacare.” As a result, between 300,000 and 500,000 poor North Carolinians who would have been provided with health insurance will not get it.

Why reject expansion when the federal government would have covered 100 percent of the Medicaid payments during the first three years and 90 percent thereafter?

One reason was the claim that the state’s Medicaid program was “broken.” However, a recent report by North Carolina Health News showed that the Department of Health and Human Services’ budget and managed to get labeled so negative a audit of Medicaid in North Carolina. It appears the system isn’t so broken after all.

The other reason was economics. Gov. Pat McCrory said repeatedly that expanding Medicaid would be a fiscal burden on the state. Let’s tackle the second reason.

What do we know about the economic implications of our refusal to expand Medicaid?

**Job killer:** A study by Regional Economic Models Inc. found that Medicaid expansion in North Carolina would have created about 6,000 jobs in 2013, with the total employment increase eventually rising to 29,000 jobs. The job growth would have resulted from the increased flow of federal dollars into the state’s health care sector.

If 6,000 is a lot! So far this year, North Carolina has added only 3,180 jobs in seasonally adjusted terms. In a normal year, 6,000 jobs might not be such a big deal. But in a year with weak job growth, 6,000 more jobs would have been nice.

**Premium raiser:** Wayne Goodwin, the state insurance commissioner, recently explained why individual health insurance premiums under the ACA are higher in North Carolina than in other states. In part it’s because the state refuses to fund its own exchange, which means that insurers must work with federal insurance regulators rather than the state regulators with whom they’re already comfortable. That contributed to the smaller number (two) of insurers in the ACA exchange for North Carolina.

The other reason is North Carolina’s refusal to expand Medicaid. The state’s Medicaid expansion was included in the ACA to be take higher-risk people out of the individual insurance market. With no Medicaid expansion, those people go into the ACA exchange and raise its risk profile. Higher risk means higher premiums.

The federal government adds a 3.5 percent surcharge on premiums if there is no state-run exchange. A study by Rand Corp. found that in Texas, Louisiana and Florida, refusal to expand Medicaid will hike premiums by 8 percent to 10 percent.

**Budget buster:** Another Rand study found the 14 states that rejected Medicaid expansion won’t see the health care savings they would enjoy by expanding Medicaid. States spend dollars to provide health care to those who can’t pay for it, and under an expansion of Medicaid, those costs would have decreased, with those expenses shifted to the federal government. According to the study, savings to the state budget would have outweighed the additional administrative expenses incurred from Medicaid expansion. Rejection will worsen, not improve, the state’s budget situation.

The Rand study doesn’t include a state-by-state breakdown. As a group, the 14 states will receive $8.4 billion less in federal payments and spend $1 billion more on uncompensated care in 2016 alone.

The historian Barbara Tuchman famously defined “folly” as actions that are contrary to the self-interest of the organization or group pursuing them. By that measure, North Carolina’s rejection of Medicaid looks foolish.

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