

Institute of Medicine Study Overstates Number of Uninsured Due to Medicaid Rejection

By Dan Way May. 20th, 2013

RALEIGH — Critics of the state's decision to shun Medicaid expansion have maintained that a study by the North Carolina Institute of Medicine concludes that 500,000 people would be left uninsured as a result. But the estimate is contradicted by that same study, as well as other state sources. The anticipated number of lower-income residents who would not be covered by health insurance would range between 30 percent and 70 percent of that estimate.

According to the institute's report, in 2010-11 approximately 355,000 uninsured adults in North Carolina had incomes below 100 percent of the federal poverty level. There were another 183,000 uninsured adults whose incomes were between 100-138 percent of the federal poverty level (see Table 3, PDF). By adding those two groups together, critics came up with the roughly half-million people left without insurance.

However, the 183,000 individuals in the 100-138 percent range would qualify for subsidized insurance plans on the federal health exchange.

That means only the 355,000 adults below 100 percent of the federal poverty level will be left without insurance, not the 500,000 that critics claim.

The coverage gap for those below 100 percent of the poverty level exists because of the way the Obamacare law was drafted. Congressional sponsors did not anticipate that states would reject the Medicaid expansion, which promised to reimburse states fully for new Medicaid enrollees at the outset, with subsidies scaling back after three years until they falls to 90 percent federal funding by 2020. There was no fallback plan to cover enrollees in states that did not expand Medicaid.

Those between 100 and 138 percent of the federal poverty level are mentioned for coverage in the law because they may qualify for coverage two ways — under the health exchanges or through Medicaid expansion. But if they qualify for both, they must be enrolled automatically in Medicaid.

Since North Carolina rejected expansion of Medicaid rolls, people in the 100-138 percent income bracket still qualify for subsidies through the exchanges.

The state Department of Health and Human Services determined an even lower number of people would be affected by lack of insurance, and shared its statistics with the General Assembly.

“An estimated 494,000 individuals would have been covered under Medicaid expansion,” said Julie Henry, DHHS spokeswoman. “We estimate that 340,000 individuals would be eligible to receive the federal subsidy to purchase insurance in the federally facilitated exchange.”

That means 154,000 North Carolina residents, rather than 500,000, would be left without coverage due to the state’s decision not to expand Medicaid rolls.

Pam Silberman, president and CEO of the Institute of Medicine, said the half-million figure was a “best estimate of people who were both eligible and would enroll” under a Medicaid expansion.

Meanwhile, federal officials are scrambling to cobble together federal exchanges to operate in states that refused to create state-run exchanges. The feds were not prepared for that rejection, causing concern over whether the exchanges will be operational by the Oct. 1 target date to begin selling policies on the exchanges — and how many insurance providers will apply.

In North Carolina there is “no definitive number” of how many insurance providers want to sell on the federal exchange, said Kerry Hall, director of public information at the state Department of Insurance, even though insurers had to apply by the end of April.

“Insurers have been talking to NCDOI, and presumably the federal government as well, because participation in the exchange requires action from both entities,” Hall said. “Currently, according to our records, there are 48 insurers listed as active in the individual and/or small group health insurance markets.”

The Insurance Department will regulate the insurance companies that participate in the exchange and the insurance plans sold through the exchange, she said. NCDOT's regulatory role includes giving prior approval of all exchange insurance products and the rates used to develop premiums related to those products.

The federal exchange ultimately will decide which plans are certified as Qualified Health Plans and can be sold on the exchange/marketplace, she said.

"There's concern" in Congress whether the federal exchanges will be ready to offer sales on Oct. 1, said Michael Tanner, senior fellow at the Washington, D.C.-based Cato Institute. At least 33 states have refused to set up exchanges, turning that responsibility over to the feds.

HHS Secretary Kathleen Sebelius told lawmakers recently a new infusion of cash is needed to complete implementation. The White House is asking for another \$1.5 billion in its budget.

"They've come up with nothing in terms of a concrete action plan yet. When you get down towards October things will get really iffy," Tanner said.

"In fact, there [have] been several hearings by the Democrats in the Senate. Max Baucus [the Montana Democrat often referred to as the architect of Obamacare] really ripped HHS a new one [in a recent hearing because] they've got nothing in place right now as to how to do this," Tanner said.

Conversely, said Bruce Allen, director of marketing for Blue Cross Blue Shield of North Carolina, Blue Cross has received "a tremendous amount of guidance" from the feds on how the exchanges will work.

"We've been actively working with CMS [Centers for Medicare and Medicaid Services] and the HHS" on health exchange markets and will begin testing this summer, he said.

"We're fully expecting the exchanges to go live Oct. 1," Allen said.