

Expanding Health Insurance Coverage to More North Carolinians  
North Carolina Task Force on Covering the Uninsured  
April 2006

# Fact Sheet

# Covering the Uninsured

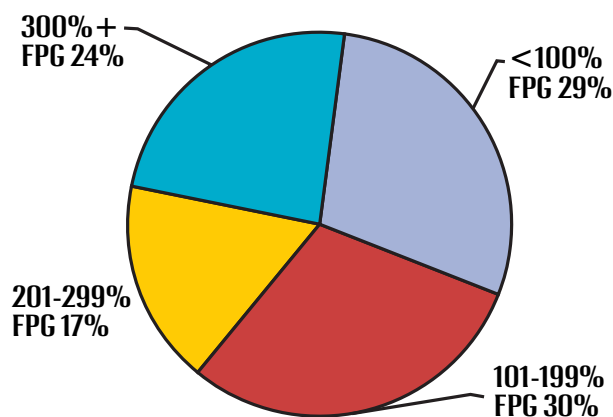
## Expanding Health Insurance Coverage to More North Carolinians

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### Expanding Health Insurance Coverage to Low-Income Adults

*Most of the uninsured have low incomes.* Approximately three fifths (60%) of all of the uninsured in North Carolina have incomes below 200% of the federal poverty guidelines (FPG), or \$38,700 for a family of four in 2005.<sup>1</sup>

**Figure 1**  
Uninsurance Rate by Family Income, NC



Source: Holmes M. Analysis of US Census. Current Population Survey 2004-2005 (Calendar years 2003-2004). Cecil G. Sheps Center for Health Services Research, The University of North Carolina at Chapel Hill. 2005.

People lack health insurance coverage for a variety of reasons—but the primary reason is cost. *In a statewide survey in North Carolina, more than half of the uninsured (55%) said they could not afford insurance coverage.*<sup>2</sup> Even if offered employer-sponsored health insurance, many low-income families cannot afford to enroll. The average employee premium for family coverage would constitute more than 10% of the gross income of a family living in poverty, or approximately 6% of a family living at 200% FPG.<sup>3</sup> Health insurance coverage is generally more expensive for those who lack employer-sponsored insurance and try to purchase it in the private market.

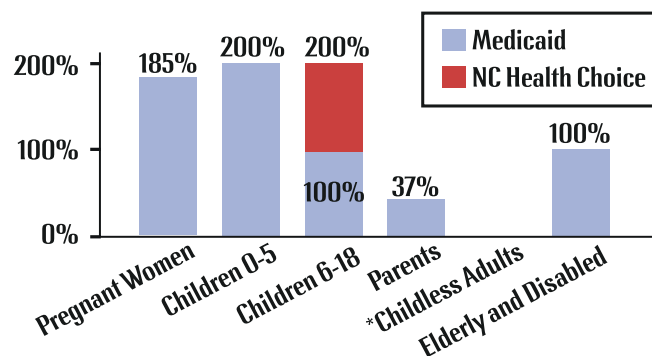
*Some low-income individuals have health insurance coverage through Medicaid or NC Health Choice.* However, because of the categorical, income, and resource restrictions, these programs do not cover all low-income uninsured individuals.<sup>4</sup> *The federal government pays the largest share*

*(63%) of program costs for Medicaid, thus, the NC Institute of Medicine Task Force on Covering the Uninsured recommended that coverage be expanded to cover more low-income uninsured individuals.*

Currently, there are thousands of uninsured North Carolinians who could qualify for Medicaid or NC Health Choice but are not enrolled.<sup>5</sup> National studies show that many people who are eligible for public programs do not enroll.<sup>6</sup> Many of these individuals do not know about the programs or the eligibility criteria. Complicated application processes also deter people from applying. To address this issue, *the Task Force recommended that the Division of Medical Assistance and the NC General Assembly continue steps to increase outreach and simplification efforts to encourage uninsured individuals who are currently eligible to apply for Medicaid or NC Health Choice.*

The Task Force also recommended that North Carolina expand Medicaid to cover more adults. North Carolina's income eligibility rules are comparable to or higher than many other states for pregnant women, children, older adults, and people with disabilities. However, North Carolina's income eligibility rules for parents, which limit their income to 37% FPG, are among the lowest in the country.<sup>7</sup>

**Figure 2**  
Uninsurance Rate by Firm Size, NC



\* Childless, non-elderly, non-disabled adults cannot qualify for Medicaid in North Carolina, regardless of how poor they are.

*The Task Force's top priority for Medicaid expansion was to cover parents and pregnant women with incomes up to 200% FPG with a limited benefit package.<sup>8</sup> For approximately \$100 million in state funds, North Carolina could expand Medicaid to cover 78,000 adults.*

- The limited benefit package would be focused on ambulatory care with incentives to actively participate in disease and case management. Inpatient services would be covered up to \$10,000.
- These uninsured adults would be required to pay premiums, on a sliding scale basis, along with other cost-sharing that would help them become more prudent purchasers of care.
- The Medicaid expansion would also be combined with a premium assistance program to help eligible individuals pay for private insurance premiums, if cost effective to the state to do so.
- This expansion would not be an entitlement, so the state can limit enrollment growth.
- The Task Force also recommended that the state cover the county share of expansion costs to avoid undue financial burden on county governments.

The \$100 million contributed by the state government for this Medicaid expansion would bring an additional \$170.2 million in federal funds into the state. Studies suggest that for every \$1 spent on healthcare, an additional \$1.18 of local spending is generated.<sup>9</sup> Thus, the \$270.2 million in Medicaid spending will yield an additional \$318.8 million of economic benefits (totaling approximately \$589 million in total spending) to the state.

## References

<sup>1</sup> The federal poverty guidelines (FPG) are set annually by the US Department of Health and Human Services, and vary by family size. The 2005 federal poverty guidelines are:

Family Size	100% FPG/Year	200% FPG/Year
1	\$ 9,570	\$12,140
2	\$12,830	\$25,660
3	\$16,090	\$32,180
4	\$19,350	\$38,700
Each add'l person	\$ 3,260	\$ 6,520

- <sup>2</sup> Holmes M. Analysis of Behavioral Risk Factor Surveillance Survey, 2005. NC State Center for Health Statistics. Cecil G. Sheps Center for Health Services Research. The University of North Carolina at Chapel Hill. July 2005.
- <sup>3</sup> The average employee share of an employer-sponsored premium was \$558/year for the employee, or \$2,235/year for a family (2002-2003). This does not include other out-of-pocket health expenses, including deductibles, coinsurance, or copayments.
- <sup>4</sup> Medicaid is generally limited to certain categories of individuals, including pregnant women, children under age 21, families with dependent children, people with disabilities, or people age 65 years or older. Thus, a childless adult who is not disabled or elderly cannot qualify for Medicaid.
- <sup>5</sup> Holmes M. Presentation to NC IOM Covering Uninsured Task Force, April 2005. Based on 2001-03 Current Population Survey data. The analyses show that as many as 192,000 uninsured children under age 18, 46,000 uninsured adults with dependent children, 13,000 uninsured pregnant women, and 4,000 uninsured people with disabilities may be income eligible for Medicaid or NC Health Choice but not enrolled. However, this is likely to be an overestimate of people who are potentially eligible for publicly-subsidized health insurance. The Current Population Survey typically undercounts people who are eligible for Medicaid. Further, noncitizens, and some individuals that have too many resources, may not qualify even if they meet other program rules.
- <sup>6</sup> US General Accounting Office. Health Insurance for Children. Private Insurance Coverage Continues to Deteriorate. 1996. GAO/HEHS-96-129. Available at: <http://www.gao.gov/archive/1996/heg6129.pdf>. Accessed January 30, 2006.
- <sup>7</sup> Only 15 states have lower income eligibility limits for parents than North Carolina. Cohen Ross D, Cox L. Beneath the Surface: Barriers Threaten to Slow Progress on Expanding Health Coverage of Children and Families. A 50 State Update on Eligibility, Enrollment, Renewal, and Cost Sharing Practices in Medicaid and SCHIP. Table 3. Income Threshold for Parents Applying for Medicaid. Kaiser Commission on Medicaid and the Uninsured. 2004. Available at: <http://www.kff.org/medicaid/upload/Beneath-the-Surface-Barriers-Threaten-to-Slow-Progress-on-Expanding-Health-Coverage-of-Children-and-Families-pdf.pdf>. Accessed January 30, 2006.
- <sup>8</sup> The Department would need to seek a Medicaid waiver (1115) to offer a limited benefit package.
- <sup>9</sup> Health Care and North Carolina's Economy. North Carolina Office of Research, Demonstrations, and Rural Health Development, NCDHHS. May 2005

This issue brief is one in a series, produced as part of North Carolina's "State Planning Grant" effort, led by the NC Department of Health and Human Services, to examine options to expand health insurance coverage to the uninsured. The State Planning Grant supported a Task Force on Covering the Uninsured, which brought together stakeholders from a variety of interest groups to examine these issues and develop a set of recommendations for improving healthcare coverage across the state. Collaborating organizations include: the NC Department of Insurance, Cecil G. Sheps Center for Health Services Research at The University of North Carolina at Chapel Hill, and North Carolina Institute of Medicine. The State Planning Grant was funded by the Health Resources and Services Administration of the US Department of Health and Human Services. For other issue briefs or a copy of the final report of the NC IOM Task Force on Covering the Uninsured, visit the NC IOM website at: <http://www.nciom.org>.