

# The Uninsured and Medicaid

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An older man without health insurance asks if a hospital or other health care provider can take his house if he has large unpaid medical bills. He has been repeatedly denied insurance because of a congenital heart condition. Although he works, he cannot afford treatment for the condition and thus lives day to day in fear that his family will be bankrupted by a hospitalization he knows is inevitable.

A young woman with two small children has recently lost the insurance that she got through her former husband. Diagnosed with colon cancer, she is unable to get care and doesn't know where to turn. She cannot afford to wait, however; she needs treatment now.

A severely disabled man's wife leaves her low-paying service sector job (which did, however, provide health benefits) so she can care for her increasingly frail husband. Although he qualifies for Medicare they cannot afford the \$600 a month in prescriptions he requires. In desperation she takes another service sector job, but it doesn't offer benefits and now she can't help her husband.

An unemployed woman over 50 is looking for work but can't find a job in the current economy. She needs to go to see a doctor but simply can't afford to go. She needs help but can't find any.

These are among the stories of fear and suffering and unimaginable choices clamoring for attention at the Health Access Coalition just during the last few months. Often there is no solution. For many people there is no affordable health insurance plan or other assistance. These people will either delay treatment as long as possible, or they will simply not get care. When they do get care, it often is in a free clinic, public hospital, or emergency room, where their condition has become far more serious and expensive to treat because of the delay. For some who do end up in the hospital facing huge medical bills, for those with low incomes and severe disabilities, for low-income families with children, for the low-income elderly, North Carolina's Medicaid program is often the only hope. However, Medicaid only provides help to

these few categories of people and not to all those in North Carolina who could use its assistance. North Carolina Medicaid is also facing budget problems that may make the situation of the uninsured even worse

## The Uninsured in North Carolina

Almost one million people like those described above wake up every day without health insurance in North Carolina. The ranks of the uninsured have grown over the last decade, despite a large increase in the numbers of people eligible for Medicaid. Despite a slight decline in the numbers of uninsured nationally in 1999, the number of uninsured people in North Carolina has remained unchanged. Low-income people have a higher risk of being uninsured. Recent data show that about one-third of all poor people are uninsured, compared to only six percent of those with incomes above 400% of the federal poverty guidelines (\$58,520 for a family of three). Children and adults without health insurance have far fewer visits to health care providers, are less likely to seek needed preventive care, and often postpone health visits until routine problems become emergencies. Individuals and families in this situation suffer, and costs for everyone rise as expensive emergency care and facilities are needed for what could have been routine preventive care.

Many people without health insurance must face agonizing choices each day: Pay for needed food and shelter or buy medicine to treat a serious health problem? Stay in a job and leave a disabled spouse home alone because the money allows some treatment, or quit the job to provide assistance at home and then no longer be able to afford the treatment? Bind up a severe sprain that might or might not involve a broken bone or seek a medical evaluation you cannot afford? Seek bankruptcy as a haven from overwhelming medical bills and destroy your credit or delay needed care for your chronic disease that you know will make your debt simply too big to

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bear? People simply should not have to make such choices, but every day almost one million North Carolinians simply must.

To compound the problem, Medicaid, the health insurance program for vulnerable low-income people, is facing rising costs as North Carolina confronts a budget crisis. This may mean an increase in the number of uninsured people.

Medicaid pays for health care for over one million of the most vulnerable people with the lowest incomes, such as pregnant women, parents and children, the elderly, and people with disabilities. Although most people on Medicaid are women and children, most Medicaid funds support the elderly and people with disabilities because their health care is more expensive. Because 62% of Medicaid costs are paid for by the Federal government, Medicaid has always been seen as a key way to help address the problem of the uninsured in North Carolina, since many more people can be covered for fewer state dollars.

Unfortunately, the Medicaid program is facing huge budget cuts this year due to rising costs and a deteriorating economy in which jobs are becoming scarcer. Without substantial new revenues, many North Carolinians now eligible for Medicaid will be denied health care. In 2000-2001, NC Medicaid saw a 17% growth rate, similar to what the private sector is experiencing. For example, NC Blue Cross has said it expects to raise rates at least 17% in 2002 to keep up with increasing medical costs for prescription drugs and hospital and doctor visits—the same factors that are driving Medicaid's costs up. Of course, when costs rise in the private sector employees and companies pay. When costs rise in the public sector for Medicaid taxpayers pay, since North Carolina believes in helping those low-income and vulnerable citizens who can only get decent medical care through the Medicaid program. This year the Medicaid program will spend about \$100 million over estimated costs. Next year Medicaid estimates its costs will be about \$250 million over budget.

The primary causes of the cost increase are prescription drugs and increasing use of hospital and physician services. Chief among these is the skyrocketing cost of prescription drugs. This was true last year and continues to be the case. Another, less significant cost factor is the 80,000 more people—mostly very low-income parents and children—who signed up for Medicaid coverage last year as the economy weakened and jobs were lost. This cost is less significant because children and parents are relatively cheap to insure. Prescription drugs now cost the Medicaid program almost one billion dollars a year, on the other hand—more than Medicaid pays for all inpatient hospital care plus one quarter of all physician visits.

Another factor driving up costs is a little-noticed change in state law enacted a few years ago which essentially allowed access to prescription drugs for 35,000 extremely low-income elderly people and people with disabilities on Medi-

care. This has radically improved the lives of many of these low-income people, but costs have grown quickly as prescription drugs continue to become more expensive.

To accommodate anticipated shortages in the Medicaid program of \$100 million this year and \$250 million next year, North Carolina will have to deny critical health care to its most vulnerable citizens or cut payments to providers drastically. Last year the state saved money in Medicaid by dramatically cutting payments to doctors, managing prescription drug benefits, upping some copayments, and freezing community assistance programs for the disabled. Despite the effects, these were relatively “easy” cuts (although not for the people denied services and help). This year and next, even more drastic cuts will be necessary unless money is found elsewhere in the budget.

NC Medicaid can save money in three ways: (1) Cut payments to providers by either slashing payments still further to the doctors and hospitals or by cutting payments to drug companies. (2) Cut out optional medical services. (3) Cut people out of the program by denying them eligibility. Unfortunately, finding \$100-\$250 million in cuts probably means cutting eligibility by denying Medicaid coverage to vulnerable elderly, disabled, pregnant, or very sick North Carolinians.

By denying Medicaid coverage to all people who currently qualify as “medically needy” the state could save around \$200 million a year. These are people who have very high medical bills that cannot be covered by their income; they spend what they have and Medicaid assists with the rest. Another \$35 million in savings each year could be generated by denying help with prescription drug costs to the “aged, blind, and disabled” based on income. Because this is a recent expansion of Medicaid (in 1998) it is likely to be first onto the chopping block. Finally, although savings would likely be less than \$10 million a year, pregnant women and children less than one year old could be cut off the program unless they were relatively poor (earning less than \$19,457 for a family of three). Remove these groups of people from the Medicaid program and you have solved your financial problem, at least for a while. Unfortunately, you have also increased the number of the uninsured and the suffering of thousands.

Massive cutting of services such as dental care, optical care, personal care services in adult care homes, and private duty nursing would likely not generate over \$60 million in savings. While this is a significant amount, it is hardly enough to make up the hundreds of millions needed. Drastically cutting payments to doctors and hospitals would likewise generate less than \$60 million in savings and would create immediate bars to access as many providers stopped taking Medicaid. Pharmaceutical companies might be convinced to discount their drugs for the poor, as spending on drugs now costs the Medicaid program almost one billion dollars a year. However, deep pockets, heavy lobbying, and legions of lawyers make this an unlikely scenario, and it

would take discounts of 50% or more off what Medicaid currently pays to approach the over \$200 million in savings needed.

## **Conclusion**

With a downturn in the economy and the rising numbers of the uninsured, now is simply not the time to make these cuts in the Medicaid program. If anything, the Medicaid program should be expanded to help the newly laid off, the people who have gone from jobs with health coverage to those without, and the parents of children who are currently insured through Medicaid or another state program. Unfortunately, the skyrocketing costs in Medicaid are daunting, and without new revenue for the program from either the state or federal government undoubtedly tens of thousands of the most vulnerable people in North Carolina will join the ranks of the uninsured.