

How Would North Carolina Pay for Medicaid Expansion?

Under the Affordable Care Act, the federal government pays a greater share of the cost for the Medicaid expansion population as compared to the traditional Medicaid population. In addition, in response to the COVID-19 crisis, Congress recently acted twice to provide additional financial support for states that expand Medicaid coverage. These measures would greatly minimize the cost to North Carolina while extending healthcare coverage to many more citizens.

- Traditional Medicaid is a jointly funded program, with the federal government normally paying 67 per cent of the cost and North Carolina paying 33 per cent. Under Medicaid expansion, the state would pay only 10 per cent while the federal government would pick up 90 per cent for the expanded population.
- North Carolina's 10 per cent share under expansion would be paid for through hospital assessments and taxes on Prepaid Health Plans (PHPs).
- According to the Kaiser Family Foundation, the increase in state costs under expansion would be more than covered by the federal government's increase in payments to the state.
- Responding to the COVID-19 crisis, Congress enacted two laws to significantly reduce the cost of Medicaid and expansion to the states, as detailed in the chart below.
 - **Families First Coronavirus Response Act (FFA)** of March 2020 added an additional 6.2 percentage points to the federal share of traditional Medicaid during the COVID emergency.
 - To encourage the remaining 12 non-expansion states (including North Carolina) to cover their residents in the coverage gap, the **American Rescue Plan Act (ARP)** of March 2021 provided 5 percentage points in *additional* funding on top of the 6.2 percentage points under FFA to a non-expansion state's matching funds for traditional Medicaid. The additional funding will be in effect for two years after the state expands Medicaid coverage.
 - Thus, if North Carolina were to expand Medicaid to those in the coverage gap, the state would pay only ten cents on the dollar for the Medicaid expansion population **and also** receive significant assistance with those in traditional Medicaid for two years ([Medicaid Provisions in the American Rescue Plan Act](#)).

Cost Sharing per Dollar: Traditional Medicaid vs. Expansion				
	Traditional Medicaid Population			Medicaid Expansion Population
	Pre-COVID-19	FFA adds 6.2 cents for the duration of the COVID-19 Emergency	ARP adds 5 cents to FFA's 6.2 cents for two years after expansion	
Federal Share	67¢	73¢	78¢	90¢
State Share	33¢	27¢	22¢	10¢

Data from Federal Medical Assistance Percentage (FMAP) for FY 2021. See [Federal Medical Assistance Percentage \(FMAP\) for Medicaid and Multiplier KFF](#).

The League of Women Voters believes the U.S. health care system should provide a basic level of quality health care at an affordable cost to all U.S. residents. For further information about Medicaid in North Carolina, go to [LWV-Wake: Healthcare](#).

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