

NC Justice Center - Medicaid Expansion Will Benefit Rural Hospitals

By Administrator
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Medicaid Expansion could provide a much-needed tonic for the fiscal ailments that many rural hospitals face in North Carolina, according to a new report from the Budget & Tax Center a project of the NC Justice Center.

“Medicaid expansion could, in one stroke, profoundly improve the physical and economic health of rural communities,” said Patrick McHugh, Budget & Tax Center Senior Policy Analyst and co-author of the report. “Expansion would ensure lifesaving care for hundreds of thousands of North Carolinians, support rural hospitals currently facing financial ruin, and stave off the economic damage that follows hospital closures.”

The report, which includes a list of the projected financial impacts of full Medicaid expansion on each hospital in North Carolina, discusses how financial pressures, including uncompensated care costs, have already pushed several North Carolina hospitals into insolvency. Many of North Carolina’s rural hospitals have either closed in recent years or are at risk of closing. By dramatically reducing uncompensated care costs for many rural hospitals in North Carolina, Medicaid expansion is likely the single fastest way to put these facilities on more solid economic ground while addressing a gaping hole in our health-care system.

Other highlights from the report:

- * Medicaid Expansion has proven effective in stabilizing rural hospitals. The overwhelming majority of U.S. rural hospitals forced to close their doors were in states that have not expanded eligibility. North Carolina has had five hospitals close over that same time.

- * Fiscal Research data shows net improvement in all N.C. hospitals’ finances. The Fiscal Research Division of the N.C. General Assembly projects that Medicaid expansion could provide affordable coverage for up to 650,000 people within a few years and generate more than \$1.8 billion annually in hospital reimbursements. Even while covering the state’s share of the costs, hospitals would see a nearly \$400 million net improvement in their financial standing. Of that, rural hospitals would receive approximately \$665 million in new Medicaid payments each year, which would improve rural hospitals’ net fiscal strength by nearly \$140 million.

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* Work reporting requirements and premiums would undermine the benefits of expansion. These requirements in other states have pushed down enrollment, reducing the new Medicaid reimbursements that hospitals would receive and forcing them to cover more of the costs of providing care to uninsured patients. With North Carolina's uninsured rate among the highest in the nation, rural hospitals in our state struggle more than their peers in many other states to cover the cost of uncompensated care.

* Hospitals are key to rural economies. Hospitals create jobs, attract and retain companies that bring local jobs, and keep the local workforce healthier and more productive. Also, research shows that each hospital job lost in a rural community destroys another local job, effectively doubling the economic cost of rural hospital closures.

“Full Medicaid expansion would strengthen hospitals’ finances,” said Suzy Khachaturyan, Budget & Tax Center Policy Analyst and co-author of the report. “And saving rural hospitals is essential to the long-term economic vitality of many communities in North Carolina.”

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