

Implementing Obamacare in a Red State — Dispatch from North Carolina

Jonathan Oberlander, Ph.D., and Krista Perreira, Ph.D.

Serious problems have plagued the much-anticipated rollout of the health insurance exchanges created under the Affordable Care Act (ACA). Many Americans have been unable to sign up for insurance

because of difficulties with the online marketplaces, and insurers are often receiving inaccurate information from the government about people who do manage to enroll. If such problems persist, they could deter relatively healthy persons from obtaining coverage and prevent the ACA from meeting its enrollment goals.

Problems with the federal website will probably recede over time; indeed, its accessibility to consumers is already improving. The greatest long-term challenge to Obamacare remains political rather than technical. Nearly 4 years after enactment of the ACA, the fight over health care reform rages on, a reality underscored by Republican efforts to defund Obamacare during recent

congressional debates about raising the debt ceiling and shutting down the federal government.

The partisan division over Obamacare extends beyond Washington. The ACA's contested implementation underscores the critical role that states play in health care reform.¹ That role became even more consequential after a June 2012 Supreme Court decision made the ACA's Medicaid expansion optional for states. States that have embraced Obamacare are expanding Medicaid eligibility, publicizing the law's new benefits, coordinating outreach and enrollment efforts, and in some cases, operating online health insurance exchanges that are much more successful than the federal website. But what

about states whose governments oppose Obamacare? How is health care reform faring in states that refuse to implement major ACA provisions?

North Carolina is one such state, and its experiences highlight the unexpectedly difficult path that Obamacare faces in much of the country. Initially, North Carolina was receptive to the ACA. Under Democratic governor Bev Perdue, the state began preparations during 2010–2011 to establish an insurance exchange. The 2010 elections, however, gave Republicans the majority in both houses of the legislature, and though a bill authorizing an exchange cleared the state House, it did not pass in the Senate. In 2012, Perdue announced plans to pursue an exchange in partnership with the federal government. But in the 2012 elections, Republican Pat McCrory won the governorship while Republicans maintained their legislative majorities,

giving the GOP unified control of the North Carolina government for the first time since 1870.

Republicans passed legislation in 2013 rejecting the options to establish a health insurance exchange and to expand Medicaid, returning more than \$20 million in federal funds previously awarded to North Carolina to help establish an exchange. Phil Berger, president pro tem of the North Carolina Senate, argued that “too many people have been seduced by the lure of easy money,” and Republican state senator Peter Brunstetter declared that the “problems we are having with Medicaid are a cancer that is affecting the rest of our budget.”^{2,3} McCrory deemed the North Carolina Medicaid system “broken” and announced intentions to revamp Medicaid. (Ironically, the state is home to Community Care of North Carolina, frequently cited as a national model of coordinated care for Medicaid enrollees.)

North Carolina’s decision not to participate in Obamacare has had an enormous impact. An estimated 319,000 uninsured North Carolinians with annual incomes below the federal poverty level (\$11,490 for an individual) are ineligible for Medicaid because the state rejected program expansion.⁴ These low-income people are also ineligible for subsidized coverage in the North Carolina exchange, which leaves them without any new affordable insurance options, even as people with higher incomes are eligible for subsidies through the exchange. In other words, many North Carolinians are actually too poor to qualify for financial assistance to obtain insurance — further testament to the bizarre logic of American health care. Consequently, it is projected that by

2016, North Carolina will have reduced its uninsured population of 1.6 million by only about 400,000.⁵ Hospitals, doctors, and safety-net clinics will see a higher volume of uninsured patients than they would have seen if the state had expanded Medicaid — an especially problematic outcome for hospitals that had counted on more insured patients to balance out financial pressures from reductions in federal Medicare payments.

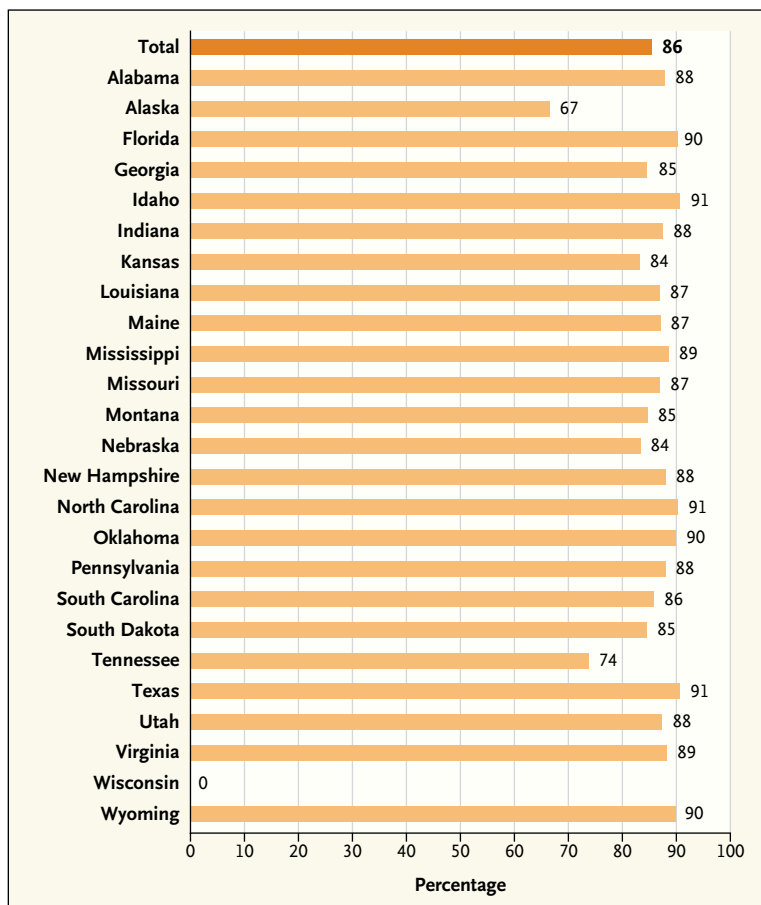
A higher number of uninsured residents is not the only consequence of North Carolina’s Obamacare boycott. North Carolinians are dependent on the federally run insurance exchange, with all the problems that has entailed to date. States rejecting Medicaid expansion still have many residents who are eligible under the ACA for subsidized coverage in the exchanges. But the uninsured must first learn about new coverage options. Yet the North Carolina state government has played virtually no role during the run-up to and early operation of the insurance marketplace. There is no state-organized outreach and enrollment effort, no state campaign to raise awareness about new coverage options, and no state-led drive to cover hard-to-reach populations such as immigrants. Into that void has stepped a loose coalition of community groups, health system stakeholders, and social-service providers. In addition, Enroll America, a nonprofit group working to promote the ACA in states whose governments are not running their own exchanges, has set up shop in North Carolina. It aims to use techniques adapted from the Obama presidential campaign to identify, find, and canvass uninsured persons and connect them to enrollment resources. Enroll America

plans to purchase advertising promoting the ACA in North Carolina, something the Obama administration is also doing.

In other words, because North Carolina is not organizing health care reform implementation, that task has, by default, fallen to groups outside state government. For all their efforts, such groups lack the resources, authority, coordinating ability, and presence that would have accompanied a state-organized campaign to implement Obamacare. State inaction further devolves responsibility to county public agencies, which may vary in their receptiveness to and capacity for ACA promotion. Moreover, the pro-Obamacare campaign must compete with a robust anti-Obamacare operation led by Republicans and conservative political organizations.

The ACA is a national law, but its implementation varies substantially across the country. Two Americas have emerged in health care reform: states like California, which have embraced Obamacare, have enthusiastically implemented key provisions, and are intent on boosting enrollment and ensuring its success; and states like North Carolina, whose political leaders oppose Obamacare, resist its implementation, reject Medicaid expansion, and hope that the program collapses. States diverge not only on Medicaid eligibility but also in their commitment (or lack thereof) to promoting expanded coverage through the exchanges. Those contrasting positions could produce important differences among states in the ACA’s impact on the size of the uninsured population (see graph).

North Carolina is not an isolated case, and its experiences highlight a broader dilemma for Obamacare. In much of the coun-



Percentage of Poor, Uninsured, Nonelderly Adults in States Not Expanding Medicaid Who Will Be in the Coverage Gap, as of 2014.

Poor is defined as having an income below the federal poverty level. Persons in the coverage gap are eligible for neither Medicaid nor exchange subsidies. Information on who will be eligible for Medicaid in 2014 is based on current Medicaid eligibility rules converted to modified adjusted gross income. Although Wisconsin has rejected the ACA Medicaid expansion, its state Medicaid eligibility standards are relatively generous and will begin covering tens of thousands of additional poor, childless adults in 2014. Data are from the Kaiser Family Foundation.

try, reformers face an uphill struggle to explain a complex, confusing, and controversial law and to reach populations that are newly eligible for insurance. States such as Florida have taken opposition to Obamacare even further than North Carolina has, moving to prevent social-service agencies from housing persons who can help uninsured residents navigate their new coverage options. In all, 34 states decided not to establish their own insurance exchanges, and as of now, 25 will

not expand Medicaid. The scope and intensity of state resistance to Obamacare is extraordinary, and the serious problems with the exchanges' initial rollout will only intensify that opposition.¹ Absent these states' participation and cooperation, the ACA will not realize its promise of substantially reducing the proportion of Americans who are uninsured, a promise that fell far short of universal coverage even before the rise of state obstructionism.

North Carolina and other resisting states can change their minds about Medicaid expansion and exchange operation at a later date. Indeed, given the lure of federal dollars, the burden of uncompensated care costs, and political pressures from the hospital industry and other groups, more states could embrace Medicaid expansion in coming years. In fact, Medicaid enrollment is already expanding in states that reject Medicaid expansion, as publicity about the ACA and new enrollment policies induce people who were previously eligible but not signed up for Medicaid to enroll.

Ultimately, Obamacare's long-term success depends on much more than a website fix. Reformers must figure out how to make the ACA work in states whose governments are rooting for and working to ensure its failure.

Disclosure forms provided by the authors are available with the full text of this article at NEJM.org.

From the University of North Carolina at Chapel Hill, Chapel Hill.

This article was published on December 11, 2013, at NEJM.org.

1. Jones DK, Bradley KW, Oberlander J. Pascal's wager: health insurance exchanges, Obamacare, and the Republican dilemma. *J Health Polit Policy Law* 2013 November 5 (Epub ahead of print).
2. Frank J. NC Republicans vote to block Medicaid expansion. *Raleigh News and Observer*. February 4, 2013.
3. Chou R, Owens A, Wehlan B. Lawmakers forge ahead to block Medicaid expansion. *WRAL.com*. February 4, 2013 (<http://www.wral.com/lawmakers-forge-ahead-to-block-medicaid-expansion/12064031>).
4. The Kaiser Commission on Medicaid and the Uninsured. The coverage gap: uninsured poor adults in states that do not expand Medicaid. Menlo Park, CA: Kaiser Family Foundation, October 2013.
5. Holohan J, Buettgens M, Dorn S. The cost of not expanding Medicaid. Menlo Park, CA: Kaiser Family Foundation, July 2013.

DOI: 10.1056/NEJMp1314861

Copyright © 2013 Massachusetts Medical Society.