

North Carolina's Rural Health Systems in Crisis

Expanding Medicaid Could Stabilize the Rural Health System, Promote COVID-19 Recovery, and Improve Children's Health Outcomes



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Introduction

Rural Health Systems in North Carolina and across the country are in grave danger. In states like North Carolina that have not acted to expand Medicaid, rural hospitals and health systems have experienced significant financial stress and even closures over the last decade.¹ Adding the coronavirus pandemic to years of financial strain, many rural hospitals, small family practices, and pediatricians in rural communities are on the verge of going out of business.²

Since 2014, North Carolina has lost six rural hospitals, limiting healthcare access and impacting rural communities, families, and economies.³ The Medicaid Expansion provision in the Affordable Care Act (ACA) has been shown to boost the fiscal health of rural hospitals and health systems by ensuring that more patients are actually able to pay for services.^{4,5}

Medicaid plays a critical role for North Carolina families who live in small towns and rural areas. Roughly 54 percent of children in rural communities receive their health coverage from Medicaid and the Children's Health Insurance Program (CHIP)/NC Health Choice.⁶ Medicaid provides vital coverage to children and their families and it helps to bolster rural health systems. By expanding Medicaid in North Carolina, we can increase the chances that rural hospitals can stay open, protect jobs and ensure access to health care for thousands of families.

Medicaid expansion is a powerful tool to bolster North Carolina's rural health system as the state battles coronavirus and the related economic strain.

This brief will explore the relationship between rural child health and Medicaid, the impacts of COVID-19 on rural health systems, and new opportunities for Medicaid expansion as a response to the pandemic.



"Rural hospitals in North Carolina are losing about \$145 million each month due to the coronavirus pandemic."

-Roxie Wells, CEO of Cape Fear Valley Health

(as reported in NC Health News 4/14/20)

Rural Child Health and Medicaid

North Carolina is one of ten states that notes the largest difference of children enrolled in Medicaid between urban and rural areas. Data shows that in metropolitan areas, 39 percent of children depend on Medicaid for health care compared to 54 percent of children in small towns and rural areas.⁷ Across the state, approximately 40 percent of all children rely on Medicaid and CHIP, also known as NC Health Choice, for health coverage.⁸ Parents' coverage is also key to children's care. When parents are enrolled in Medicaid, their children are 29 percentage points more likely to receive a well-child visit.⁹ These visits are vital to the physical, mental, and social health of children.

Children's Medicaid also provides a crucial benefit called the Early and Periodic, Screening, Diagnostic and Treatment (EPSDT). EPSDT is comprehensive coverage to ensure that children receive preventive and specialty care for the whole person. The

EPSDT provides children access to physical exams, immunizations, development and mental health services, as well as oral health, hearing, nutrition, and vision services.¹⁰

This comprehensive care has dramatic benefits for child development. When children have Medicaid coverage, they miss fewer school days, experience increased academic achievement, earn higher wages, and pay more in taxes.¹¹ Medicaid coverage supports the development of children in rural communities to grow up and reach their full potential.



"Our practice provides primary care for children in a low-income rural community. Approximately 65% of our patients rely on Medicaid or CHIP (NC Health Choice) for health coverage. Medicaid is a lifeline for kids in rural North Carolina, even more so than in our urban and suburban areas.

"Medicaid coverage brings opportunity that many kids just would not otherwise have, from being able to catch developmental delays early, to getting the eyeglasses they need to do well in school. It also means that there are health care providers like pediatricians here to provide care for kids - because there is coverage to pay for care. That benefits everybody, including the patients who have private insurance coverage."

-Dr. David Tayloe, Goldsboro Pediatrics

Children's Medicaid provides the Early and Periodic, Screening, Diagnostic and Treatment Benefit

 Physical Exams	 Immunizations	 Vision
 Oral Health	 Hearing	 Lab Tests
 Development	 Nutrition	 Mental Health

Medicaid's role during COVID-19

Medicaid is a safety net health coverage program that is vital to rural communities, especially during times of crisis, such as job loss. According to the state Division of Employment Security, over 1 million North Carolinians filed for unemployment between March 15 and May 5, 2020. Of those claims, more than 880,000 were related to COVID-19.¹²

As families are facing massive economic strain, many who have lost jobs have also lost their health coverage. A recent report shows that an additional 193,000 to 359,000 adults could become uninsured in North Carolina, depending on the unemployment rate from COVID-19.¹³

Growing numbers of uninsured adults will mean more people seeking new health coverage. Unfortunately, that coverage will be out of reach for many. Subsidies to purchase coverage through the Affordable Care Act are not available to people with incomes below 100 percent of the federal poverty level. Most low-income adults in North Carolina are not eligible for Medicaid, no matter how little they earn. People who do not earn enough to qualify for an ACA subsidy are considered to fall in the health insurance “coverage gap.”

In 2019, Republican legislators in the NC General Assembly introduced bi-partisan legislation to make low-cost health coverage available to people who fall into the “coverage gap.”¹⁴ Despite widespread support in the

House of Representatives, the bill was never given a vote in either the full House or Senate.

As a result of the pandemic, for many students, especially in rural areas, school closures have also meant a loss of important health services. Schools often provide critical health care services for students – particularly students with disabilities – as well as mental health services and child nutrition.¹⁵ For many students, especially in rural areas, school closures have also meant a loss of important health services.

Both federal and state government have made important changes to the Medicaid program in order to better respond to COVID-19. Congress temporarily increased the federal match to states' Medicaid expenditures through the Families First Coronavirus Response Act. North Carolina's Medicaid program has temporarily modified telehealth and telepsychiatry clinical coverage policies to deliver these services.¹⁶ This allows Medicaid-enrolled students to visit their doctors virtually, using a smart phone or computers, without risking a visit to an office or hospital.¹⁷ Changing Medicaid reimbursement to include telehealth during North Carolina's State of Emergency is only temporary. However, it provides a potential long-term blueprint that could help increase access to health care providers for children and families in North Carolina's rural communities.

Rural Health Systems and COVID-19

Rural hospitals and health systems are especially vulnerable during the COVID-19 pandemic. Many of their clients are older, sicker, and have a lower socioeconomic status than those in the state's metropolitan areas. North Carolina has already lost six rural hospitals to closure since 2014, and many more are on the verge.¹⁸ Before the COVID-19 pandemic, two high-profile reports highlighted the vulnerability and increasing risk that our state's rural hospitals will continue to close.

- In 2019, a report from Cecil G. Sheps Center for Rural Health showed that North Carolina had four vulnerable hospitals according to the Financial Distress Index (FDI).¹⁹
- A second report in 2020 showed that 30 percent of hospitals in North Carolina are "most vulnerable" or "at risk" of closing.²⁰

Already underfunded and experiencing fiscal strain prior to the COVID-19 pandemic, many rural health systems are now laying off



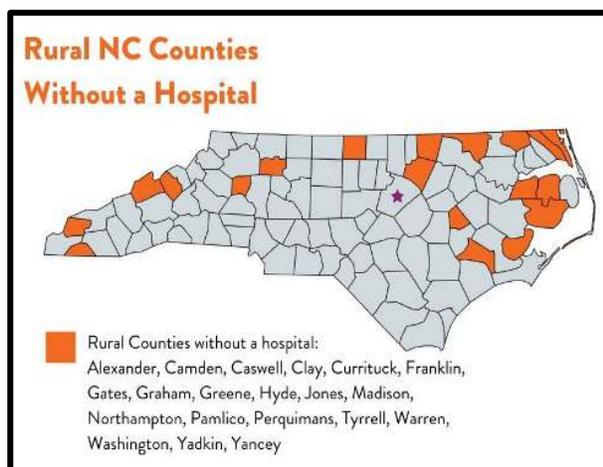
"If my provider or hospital closes, the next closest hospital is 45 minutes away. Pediatric services are limited for the area I live in, especially when it comes to mental health and dentistry."

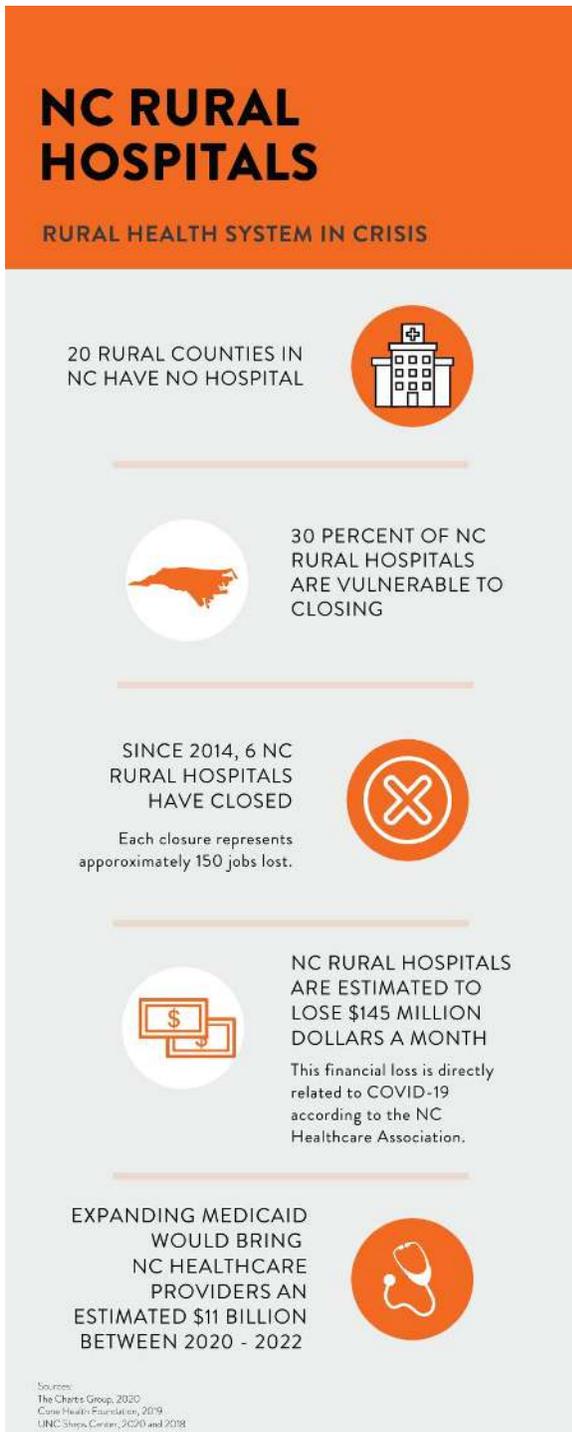
-Erica Banks, Pasquotank County

staff and possibly preparing to close their doors. The economic impact of a rural hospitals' closure is the immediate loss of at least 150 jobs.²¹ That is a dramatic economic blow to a rural community.

Rural hospital closures also contribute to a shortage of health care providers. Data from the UNC Sheps Center show that 70 percent of North Carolina's counties have a shortage of health care providers. For example, in 2018, 18 North Carolina counties reported having no pediatricians, and 28 counties reported having no OB-GYN services.²² These shortages have real consequences for children's health. Families in rural areas are forced to drive farther, wait longer for appointments, and even forego needed care when a provider is not available close to home.

The NC Academy of Family Physicians and the NC Pediatric Society conducted a survey of practicing primary care physicians. 87 percent of the 500 primary care and pediatric physicians reported they are under significant





or extreme financial pressure.²³ Considering rural health systems' fiscal fragility, many providers in rural areas will struggle to keep their doors open due to COVID-19. In times of crisis, states should leverage Medicaid to meet the health and safety needs of their residents and support local economies.

North Carolina's policy response to COVID-19

In North Carolina, the Department of Health and Human Services (NC DHHS) has taken several important steps to leverage Medicaid's flexibility in response to the COVID-19 crisis.

- NC DHHS has applied for and received approval for waivers and state plan amendments to make sure people remain enrolled in Medicaid and can receive telehealth services during this time of social and physical distancing.²⁴
- NC DHHS has also increased support to rural providers by increasing payment to rural health clinics.²⁵
- NC DHHS has taken several additional steps to increase access to COVID-19 testing and treatment.

The NC House of Representatives proposed legislation that would have provided COVID-19 testing and treatment for uninsured people up to 200 percent of the federal poverty level. However, that provision was not included in the COVID-19 Recovery Act passed by the NC General Assembly on May 2, 2020.²⁶

During the 2020 legislative session, the NC General Assembly did take several steps to provide pandemic-related relief to rural health care providers, including creating a hospital uncompensated care fund under SB 808.²⁷ They also used CARES Act funding to provide short-term emergency funding to the NC Community Health Care Association, the NC Association of Free and Charitable Clinics, the NC Medical Society, the Old North State Society, and others. In particular, the COVID-19 Recovery Act included \$50 million to support health care in Rural and Underserved Communities.

Recommendations

1. The NC General Assembly should expand the state's Medicaid program

North Carolina is one of the few states that has not expand Medicaid through the Affordable Care Act provision. Of the 37 states that have taken the federal funding to expand Medicaid since 2010,²⁸ not one state has reversed this decision. These states are also experiencing better health outcomes and positive fiscal impact.²⁹

Unfortunately, in North Carolina more than 500,000 low-income North Carolinians do not earn enough to buy private health insurance, and do not qualify for Medicaid. The Affordable Care Act's provision to extend Medicaid coverage to adults up to 138 percent of the federal poverty level is a critical opportunity for North Carolina to make sure families do not forego the important primary

and specialty health services they need during this crisis.³⁰ The greatest benefits would accrue to North Carolina's rural communities, where incomes in general are lower and health systems run a much greater risk of closure.

In states that have expanded Medicaid, rural hospital closures have all but ceased.³¹ North Carolina has lost six rural hospitals in recent years, and many more are at risk of closure, according to data from the UNC Sheps Center.

Data from the Georgetown University Center for Children and Families show that before the COVID-19 pandemic, closing the health insurance "coverage gap" would provide over 100,000 parents the access to the care they need to stay healthy and provide for their families.^{32,33} These numbers are growing as job losses have meant the loss of employer-provided health insurance for many people in our state. Ensuring that parents and caregivers are covered promotes children's health and development in turn.

Medicaid is also a powerful tool to protect the financial health of families. In states that have expanded Medicaid, gaining access to health coverage has supported low-income people to get and stay well, allowing them to seek and maintain full-time employment, avoid eviction and foreclosure, and better provide for their families.^{34,35,36,37,38} COVID-19 has placed many children and families at increased risk of poverty and hunger. Medicaid coverage would offer low-income North Carolinians a significant buffer against those risks.

2. Congress should increase the federal share of Medicaid funds to states

Congress should ensure the maximum in federal funding to bolster states’ health systems in fighting COVID-19 and promoting economic recovery.

Strengthening health coverage is a crucial part of our state’s public health response to COVID-19. Bolstering Medicaid funding would particularly benefit rural communities because of the greater reliance on public insurance programs in North Carolina’s rural areas.^{39,40}

The Families First Coronavirus Response Act included a temporary 6 percent increase in FMAP (Federal Medical Assistance Percentage) for states’ Medicaid programs. Congress can and should increase the FMAP even further, taking the total increase to 14 percent for the duration of the current economic crisis.³⁷ **This action would bring in nearly \$2 billion more per year in federal Medicaid dollars for North Carolina.** During the 2009 recession, Congress bumped the FMAP by 12 percent to meet increased needs and protect state budgets. Such an increase should be extended beyond the public health emergency to absorb increased demand for services during states’ economic recoveries. Congress should keep the increased funding in place until the labor market and state budgets recover, but at least through July 2021. This match would allow non-expansion states like North Carolina to enact health coverage for many more vulnerable individuals during a



“We know from the research that fewer rural hospitals are closing in Medicaid expansion states, hospitals are in better financial health in Medicaid expansion states, and more rural residents have access to affordable health coverage in Medicaid expansion states.

Medicaid expansion makes a huge difference for small towns and rural areas.”

-Adam Searing, Georgetown Center for Children and Families

time of dire need, with decreased impact on the state budget.

3. NC’s leaders should make Medicaid telehealth policies permanent

The NC Department of Health and Human Services made temporary changes to the state Medicaid program to cover telehealth and telepsychiatry services. The NC General Assembly should make these changes permanent. Doing so would help increase access to health care providers for children and families in North Carolina’s rural communities.

Conclusion

Before 2020, North Carolina's rural health systems were already struggling. The COVID-19 pandemic has dramatically increased the financial danger for rural health care systems. The fiscal uncertainty that lies ahead will affect health care providers, elected officials, budget writers, school health providers, families, and our rural communities as a whole.

In light of the COVID-19 pandemic, expanding Medicaid would benefit both patients and health care providers in our state.⁴² In order to effectively prevent, treat, and flatten the curve of the current COVID-19 pandemic, more people need access to testing and treatment.

We know that children in North Carolina thrive when their families are healthy and financially stable. The data is clear that expanding Medicaid would be a powerful solution to ensuring continued access to health care services for rural children and families while reducing disparities between rural and metropolitan areas of the state.

North Carolina is at a pivotal point as our rural communities and small towns are at heightened risk of losing hospitals, medical providers, jobs, and economic opportunity while facing a global pandemic. North Carolina needs the support of state and federal legislators to use every tool available on behalf of children and families in small towns and rural communities.

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