



N.C. CENTER FOR  
PUBLIC POLICY  
RESEARCH

# From The Center Out

The Newsletter of the North Carolina Center for Public Policy Research

Your voice for good government

January-February-March 2010

## CENTER FINDS MEDICAID IS FASTEST GROWING PROGRAM IN STATE BUDGET: GROWTH WILL ACCELERATE AS STATE'S POPULATION AGES

A new study by the N.C. Center for Public Policy Research found that as North Carolina's older population doubles by 2030, the Medicaid program will consume an ever-greater portion of the state budget. Medicaid provides health care for individuals with low incomes, long-term care for the elderly, and services for people with disabilities. According to recent estimates from the Fiscal Research Division of the N.C. General Assembly, Medicaid already is the fastest-growing program in the state budget. In the fiscal year ending on June 30, 2009, the authorized state budget for Medicaid was \$3.2 billion, or 15 percent of the total state budget – an increase of 9 percent from 2008. And, N.C. Secretary of Health and Human Services Lanier Cansler recently told legislators that Medicaid is expected to be \$250 million over budget by June 2010, creating a problem for next year's budget, which begins in July 2010.



The Baby Boomers will begin turning 65 in 2011, and by 2030, North Carolina's older population is expected to double from 1.1 million to 2.2 million. Mebane Rash, editor of the Center's journal, *North Carolina Insight*, says, "As North Carolina's population ages, many of our seniors will need long-term care, more people will qualify for Medicaid, and Medicaid costs will rise."

Nationally, Medicaid spending is expected to average 8.4 percent growth per year between 2009 and 2018. Medicaid could consume more than 6 percent of the nation's gross domestic product by 2080, says the U.S. Government Accountability Office. And, the U.S. Senate and U.S. House have both passed national health care reform bills, and both include further expansion of Medicaid. This could make balancing state budgets very difficult and put current levels of spending for public schools at risk, according to the national publication, *State Policy Reports*. In 2009, the state faced a \$4.5 billion deficit, and legislative fiscal analysts do not project state revenue to return to pre-recession levels until 2013.

### **Medicaid: Providing Services for North Carolina's Elderly Who Are Poor**

While *Medicare* is the federal government's national health insurance program for citizens aged 65 and older, *Medicaid* is the state-run program providing health insurance for individuals with low incomes, as well as long-term care for the elderly and services for persons with disabilities. States are required to provide 16 basic Medicaid services, including hospital services, physician services, and nursing facility services. North Carolina also offers 27 optional Medicaid services allowed by the federal government, including hospice care, eyeglasses, physical therapy, and prescription drug coverage. Federal law requires states to provide Medicaid services to all individuals who are eligible. Waiting lists are not allowed, and enrollment cannot be capped, even if the state is facing a budget shortfall.

More than 18 percent of North Carolina's population is eligible for Medicaid. In 2007, there were 151,763 elderly recipients of Medicaid services, and the average expenditure per recipient was \$11,675. While only

10 percent of the recipients of Medicaid services are elderly, more than 20 percent of total Medicaid service dollars in North Carolina are spent on the elderly. In 2007, almost half of the money spent on the elderly through Medicaid was spent on nursing home care.

### **Medicaid: Almost a \$10 Billion Budget Item**

Medicaid is funded jointly by the federal government (65 percent) and the state government (35 percent). The county share was phased out completely by the legislature on July 1, 2009. Together, federal and state Medicaid expenditures in North Carolina totaled \$9.9 billion for state fiscal year 2008-09. North Carolina ranks 10<sup>th</sup> in population among the 50 states and 9<sup>th</sup> in total Medicaid spending. The cost of Medicaid is up because of growth in the number of eligible people, expansion in the services provided, increases in life expectancy, and the rise in health care costs generally.

One cost driver is Medicaid's coverage of long-term care, which is compounded by North Carolina's reliance on nursing home care instead of in-home care, which is less expensive. North Carolina has more than 400 certified nursing homes. As the Baby Boom generation ages, the demand to build more nursing facilities or expand existing facilities will increase. But, building more facilities will drive up Medicaid costs.



And, the cost of medical care in the United States has risen faster than inflation over the years, as measured by the Consumer Price Index. For the last 20 years, the growth in medical care costs has exceeded inflation by an average of 1.9 percent per year.

### **Three Innovations May Slow the Rate of Growth in Medicaid**

**1. The Community Care Program** manages health care for patients by giving them a *medical home*, typically a family doctor. It now is the state's primary vehicle for controlling the growth of Medicaid spending. The medical home model saves money by replacing visits to multiple doctors for individual illnesses with a lifelong, coordinated approach to primary health care. The program tries to avoid emergency room use. Mercer Government Human Services Consulting estimates that the program saved North Carolina about \$135 to \$149 million in fiscal year (FY) 2006–07.

**2. The Program for All-inclusive Care for the Elderly (PACE)** also contains Medicaid costs by serving frail elderly patients in their homes. The costs of in-home care usually are lower than nursing home care, and health outcomes often are better. There are three PACE projects in North Carolina, located in Burlington, Southern Pines, and Wilmington. Nationally, studies show that fewer than 10 percent of PACE participants go into nursing homes, and they have fewer emergency room visits.

**3. The N.C. Attorney General's Medicaid Investigations Unit** also is cutting Medicaid costs by fighting fraud. For the federal fiscal year that ended in September 2008, the unit won 17 criminal convictions and 15 civil settlements that recovered more than \$52 million. They have targeted providers who billed more hours than provided, off-label marketing of drugs, kickbacks to doctors to prescribe drugs, and unnecessary ambulance transports.

In summary, the Center's Rash says, "North Carolina is using innovative programs to control Medicaid costs, but the rapid growth in our elderly population, our heavy reliance on nursing home care instead of in-home care, and the rise in health care costs threaten both the quality of care provided and the state's ability to balance its budget."

The Center’s report on the rising aging population in North Carolina and the Medicaid program is part of a larger study of key issues facing the state’s aging population to be published later this year in *North Carolina Insight*. Last year, the Center released research on the growth in the elderly population and on fraud committed against the elderly. The larger study also will include reports on the crisis in the number of caretakers for the elderly, the civic contributions of the aging, the impact of the growing aging population on the state budget, and the need for an Aging Policy Plan for the future. Center members may access the Medicaid article, as well as other articles in this study, online in the “Members” section of the Center’s Website at [www.nccppr.org](http://www.nccppr.org). Call us at (919) 832-2839 or email [tbromley@nccppr.org](mailto:tbromley@nccppr.org) if you’ve forgotten your username and password.

### **CENTER ELECTS 9 NEW BOARD MEMBERS AND OFFICERS FOR 2010**

The Center elected nine new members to its statewide 23-member Board of Directors and announced its officers for 2010. Elected to the for three-year terms (2010-2012) were Brian Buzby of Raleigh, Lynn Lail of Hickory, Pat Martinez of Charlotte, Robert Morrison of Asheboro, Tara Sandercock of Greensboro, Jo Anne Sanford of Raleigh, Leslie Walden of Chatham County, Dr. Johnny Wilson of Greenville, and Tina Wilson of Raleigh. Buzby is Executive Director of the N.C. Conservation Network, while Lail is a Catawba County Commissioner and President and owner of the Hickory Holiday Inn Express. Martinez is Regional Development Director of the Hispanic Scholarship Fund, and Morrison is President and CEO of Randolph Hospital. Sandercock is Vice President for Grants and Initiatives at the Community Foundation of Greater Greensboro, while Sanford is an attorney, partner in the firm of Blount Street Advisors, and former Chair of the N.C. Utilities Commission. Walden is Senior Public Affairs Director of the N.C. Region for Fidelity Investments, and Johnny Wilson is an education consultant in the Accountability Services Division of the N.C. Department of Public Instruction. Tina Wilson is Manager for Corporate Citizenship and Corporate Affairs for IBM Corporation in Research Triangle Park.

“The Center’s Board is carefully constructed to be representative of the citizens of North Carolina in terms of race and ethnicity, gender, region of the state, and political party affiliation,” says Board Chair Betsy Justus of Cary. “We are very pleased to welcome these outstanding citizens and leaders to our Board.”

Justus was re-elected Chair of the Center’s Board of Directors for 2010. She is Vice President of Sales for Alphanumeric Systems in Raleigh. Also elected as officers for one-year terms were Gregg Thompson of Spruce Pine and Raleigh as Vice Chair and Chair-Elect for 2011, Astrid Chirinos of Charlotte as Secretary, Bob Burgin of Asheville as Treasurer, and Bill Parmelee of Charlotte as Treasurer-Elect. Thompson is the N.C. State Director for NFIB (National Federation of Independent Business) in Raleigh, and Chirinos is President and Creative Strategist for Diverso Global Strategies in Charlotte. Burgin is the retired CEO of Mission Hospitals in Asheville, while Parmelee is Chief Financial Officer for National Gypsum Company in Charlotte.



Center Board Officers for 2010, pictured from left to right: Betsy Justus (Chair), Gregg Thompson (Vice-Chair and Chair-Elect for 2011), Astrid Chirinos (Secretary), and Bob Burgin (Treasurer). Not pictured is Bill Parmelee, Treasurer-Elect for 2011.

## Many Thanks to Our 2009 Year-End Givers

Wade Barber	Heather Hesketh	John Orth
Bob & Carol Bilbro	Martin & Ruth Hines	Jenni Owen
Sandra Boren	Don Hobart	Michael Patrick & Meg Kemper
Richard & Pam Bostic	Bill Holman	George Penick
Richard Boyette	“B” Holt	Bob Sigmon
Ran Coble & Jane Kendall	Martine Kendall	John Soltys
Elsie Cunningham	Marianne & Matt Kersey	Leonorah Stout
Loleta Foster	David Kiel	Charlotte Todd
Joyce Gallimore	Helen Martikainen	H. Celeste Turner
Rep. Rick Glazier	Mary Ann McCoy	Richard Urquhart III -
Joy Hamilton	Sally Migliore & Drew Meyer	Golden Corral Corporation
James & Marie Harris	Luther T. Moore	David Warren
Nelson & Diane Henderson	Jim Newlin	Alice Watkins

## Welcome to Our New Individual and Organizational Members and Thanks to Our Supporting Members

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Mark Bardill	*Commissioner Brenda	Susan Lupton	*Jo Anne Sanford
*Leslie Boney	Howerton	Connie Majure-Rhett	Evelyn Schmidt
Peggy Carter	Dr. & Mrs. Clyde Ingle	Robert & Cama Merritt	*Jessie Rae Scott
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Christie	*Dana Jennings	Heather & Tim Murphy	Edwin Speas, Jr.
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*Ray S. Farris	Dr. James Jones	*Shirley A. Ort	*Betty P. Taylor
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Rep. R. Phillip Haire	*Thelma C. Lennon	Reckhow	Charles Zeigler

\*Indicates **new** contributors or those **rejoining** after an absence of a year or more.

## Special Thanks to Our Foundation and Corporate Contributors

August 1, 2009 – January 31, 2010

The Center recognizes and thanks the N.C. GlaxoSmithKline Foundation, the Park Foundation, the Triangle Community Foundation, and the McMichael Family Foundation for their generous support during the last half of 2009. The **N.C. GlaxoSmithKline Foundation** made a grant of \$136,000 over two years for our study of mental health reform. **The Park Foundation** and **The Triangle Community Foundation** each granted \$15,000 in general operating support. And, we thank the **McMichael Family Foundation** for their grant of \$10,000 for general operating support. We send our appreciation to all these foundations. We also send our thanks to **S2Tech** for their in-kind donation of office equipment.

<p><b>Benefactors (\$2,000+)</b> Altria Client Services *AT&amp;T North Carolina BB&amp;T Charitable Foundation BlueCross BlueShield of North Carolina IBM Corporation Pearsall Operating Company Piedmont Natural Gas</p>	<p>Dominion North Carolina Power The East Carolina Bank *First Bank Goodrich Corporation Greater Raleigh Chamber of Commerce *Little Diversified Architectural Consulting N.C. Bar Association N.C. Hospital Association N.C. Pork Council New Hanover Regional Medical Center O'Brien/Atkins Associates Parkdale Mills <i>The Transylvania Times</i> Volvo Construction Equipment Womble Carlyle Sandridge &amp; Rice</p>	<p>Wyrick, Robbins, Yates &amp; Ponton, LLP</p> <p><b>Full-Service Members (\$250-\$299)</b> Andrea Bazán - Triangle Community Foundation Karen Bean Bob Burgin *Councilman Howard Clement, III Jennifer M. Cohen – Insurance Federation of NC *Commissioner Raymond Cummings Cynthia Davis – Mid-East Commission Area Agency on Aging Estherine Davis – ElectriCities of NC *John W. Davis III – DB Alex.Brown Stephen Dear – PFADP Marilyn Foote-Hudson Loleta Foster Randy Fraser Dr. Gregory Griggs – N.C. Academy of Family Physicians Ellis Hankins – N.C. League of Municipalities Rick Herndon – High Country Council of Governments Dr. George Huffmon</p>	<p>Betsy Justus Dr. Dennis Massey Rep. Danny McComas Jim Melvin – Joseph M. Bryan Foundation Laura L. Meyer – Foundation for the Carolinas Richard Moore – The Weaver Foundation N.C. Association of Realtors N.C. School Boards Association Charles Neely John V. Orth Dennis &amp; Betty Chafin Rash Franklin Roberts – Batchelor, Tillery &amp; Roberts *Commissioner Jerry Stephens Amanda Stone *Dr. Nicholas Stratas Bruce Thompson Rep. Alice Underhill Allen Wellons Jennifer Tolle-Whiteside – N.C. Community Foundation *Carole Woodward – NCTIA Dr. Tony Zeiss – Central Piedmont Community College</p>
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## BECOME AN INDIVIDUAL DONOR TO THE CENTER

As we celebrate our 33<sup>rd</sup> Anniversary year, we need 100 Center members to step forward and become Charter Donors in our new Major Individual Donors Program, and 90 members already have done so. **We need 10 more!** To become a Charter Donor, please make a three-year pledge, preferably at \$500 a year if that's possible for you. We are grateful for all multi-year pledges of any amount. And, please consider putting us in your will or making a bequest. Call Ran Coble at (919) 832-2839 to discuss becoming a Major Individual Donor or complete below:

- I/we want to celebrate the Center's 33<sup>rd</sup> Anniversary year and become a **Major Individual Donor** with a commitment of:
- \$1,000 a year for \_\_\_ years, payable \_\_\_\_\_ semi-annually or \_\_\_\_\_ annually
  - \$ 500 a year for \_\_\_ years, payable \_\_\_\_\_ semi-annually or \_\_\_\_\_ annually
  - \$ 300 a year for \_\_\_ years, payable \_\_\_\_\_ semi-annually or \_\_\_\_\_ annually
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  - Other: \$ \_\_\_\_\_ a year for \_\_\_\_\_ years, payable \_\_\_\_\_ semi-annually or \_\_\_\_\_ annually.

Please bill me in this month: \_\_\_\_\_. Or, make your check payable to the N.C. Center for Public Policy Research, or charge it to your Visa, MasterCard, or Discover. You can also donate online through Network for Good. Just go to [www.nccppr.org](http://www.nccppr.org) and click the Network for Good icon. Call Tammy Bromley at (919) 832-2839 if you want to charge it to your credit card or for more information.

- I/we will make provisions **in my will** for a deferred gift to the N.C. Center for Public Policy Research.
- I plan to **donate stock** to the Center's account. Please call Nancy Rose at (919) 832-2839 for Center account information.
- I'd like to create a **Charitable Gift Annuity** with guaranteed life income and major tax benefits.
- I am employed by this company that has a **Matching Gifts Program**: \_\_\_\_\_

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