

# CIVITAS INSTITUTE

## LEGISLATIVE POLICY BRIEFING

### 2007 General Assembly

#### **Amnesty for Illegal Immigrants: Medicaid Costs Will Increase by \$3.2 Billion**

By Dr. Jameson Taylor, Policy Director

With the U.S. Senate having revived legislation that would grant amnesty to millions of illegal immigrants (S.1639: “The Secure Borders, Economic Opportunity and Immigration Reform Act of 2007”), it is important to consider what impact this bill could have on North Carolina. In effect, the proposed legislation would create a “path to citizenship” for an estimated 12.5 million to 20 million illegal aliens. After being granted “legal permanent resident” status, former illegals would be eligible for some 60 different federal welfare programs, including Medicaid.<sup>1</sup> An estimated 3.1 million children from illegal immigrant households are currently eligible for such means-tested programs.

Already, North Carolina’s counties are having trouble shouldering the public costs imposed by illegal immigration. As a result, Gaston County and Lincoln County have issued resolutions that prohibit local funding for nonmandated federal and state services used by illegals. As everyone acknowledges, however, the greater burden will be imposed by those mandated programs that counties have little control over – in particular, Medicaid.

According to The Heritage Foundation, even if the proposed amnesty is limited to 8.5 million adult immigrants, the total cost (federal, state and local) will be at least \$2.6 trillion in future retirement costs over the next generation. The bulk of these costs will be from Social Security, Medicare and Medicaid. Just to put things into perspective, the federal government’s total expenditures for FY2004 were \$2.4 trillion. Thus the costs of the proposed amnesty would effectively double the size of the federal government.

Why are these costs so high? In short, many illegal aliens are uneducated and unskilled laborers; in turn, uneducated and unskilled workers – regardless of whether they are given amnesty or not – earn less money.

- Between 49 percent and 61 percent of illegal immigrants do not have a high school diploma.<sup>2</sup>
- Illegal immigrants (27 percent) are more than twice as likely to live in poverty as nonimmigrant adults (13 percent). The children of illegals fare even worse, with a poverty rate of 37 percent, as compared to 17 percent for children from nonimmigrant families.<sup>3</sup>
- Elderly low-skilled immigrants impose an average net cost (benefits consumed minus taxes contributed) of \$17,000 per year.<sup>4</sup>
- In FY2004, low-skill immigrant households contributed only \$10,573 in taxes, but consumed \$30,160 in government benefits. **In other words, low-skill immigrant households consumed nearly twice the amount of government benefits (\$19,588) as taxes paid (\$10,573).**<sup>5</sup>

<sup>1</sup>Cf. Robert Rector, “Amnesty Will Cost U.S. Taxpayers at Least \$2.6 Trillion,” *WebMemo* 1490 (Washington, D.C.: The Heritage Foundation, June 18, 2007); available from <http://www.heritage.org/Research/Immigration/wm1490.cfm>.

<sup>2</sup>Rector, “Amnesty Will Cost U.S. Taxpayers at Least \$2.6 Trillion.”

<sup>3</sup>Rector, “Amnesty Will Cost U.S. Taxpayers at Least \$2.6 Trillion” and Steven Camarota, “Immigrants at Mid-Decade” (Washington, D.C.: Center for Immigration Studies, December 2005), 26; available from <http://www.cis.org/articles/2005/back1405.html>.

<sup>4</sup>Rector, “Amnesty Will Cost U.S. Taxpayers at Least \$2.6 Trillion.”

- Low-skill immigrant households impose an average lifetime net cost on U.S. taxpayers of nearly \$1.2 million.<sup>6</sup>

### ***Illegal Immigrants Already Use Medicaid Dollars***

Even though illegal immigrants are not eligible to enroll in North Carolina’s Medicaid program, federal law requires treatment for anyone who needs emergency care. As a result, many illegals use Emergency Medicaid as their primary source of healthcare. Consider the following:

- Between 2001 and 2004 total spending on Emergency Medicaid services for illegal immigrants in North Carolina increased by 28 percent.<sup>7</sup>
- State Medicaid spending for illegals more than doubled between 2000 and 2005, going from \$25.8 million to \$52.8 million.<sup>8</sup>
- As much as two-thirds of total operating costs in some hospitals is for uncompensated care for illegal immigrants. North Carolina hospitals had more than \$1.4 billion in unreimbursed costs in 2003.<sup>9</sup>

### ***Already High Medicaid Spending***

In general, federal law requires states who accept Medicaid funding to provide services to pregnant women and children with incomes between 100 percent and 133 percent FPL. In North Carolina, Medicaid spending per capita is higher than the national average, thanks to higher eligibility thresholds and optional forms of coverage.

### **N.C. Medicaid Coverage According to Federal Poverty Limit**

	N.C.	U.S.
Elderly, Blind, Disabled	100%	Not Required
Pregnant Mothers/Babies	185%-200%	133%
Children: 1-5	200%	133%
Children: 6-19	100%	100%
Children: 6-19 (SCHIP)	200%	200% <sup>10</sup>

While the federal government requires Medicaid cover certain services, individual states can provide expanded benefits from a menu of 38 optional services. North Carolina currently covers 33 of 38 such optional services, with the result that 56 percent of the state’s Medicaid expenditures in 2004 were dedicated to optional services.

<sup>5</sup>Robert Rector and Christine Kim, *The Fiscal Cost of Low-Skill Immigrants to the U.S. Taxpayer* (Washington, D.C.: The Heritage Foundation, 2007), 1; available from <http://www.heritage.org/research/immigration/SR14.cfm>.

<sup>6</sup>Rector and Kim, 2.

<sup>7</sup>C.A. DuBard and Mark Massing, “Trends in Emergency Medicaid Expenditures for Recent and Undocumented Immigrants,” *Journal of the American Medical Association* (297), no. 10 (March 2007):1085-1092.

<sup>8</sup>Michael Easterbrook and Jean P. Fisher, “Illegal Immigration: Healthcare,” *News & Observer* (March 1, 2006), A1.

<sup>9</sup>Christina Headrick, “Farm worker protection meets stiff resistance,” *News & Observer* (April 29, 2003), A1 and Federation for American Immigration Reform, “The Sinking Lifeboat,” Executive Summary (Feb. 2004); available from [http://www.fairus.org/site/PageServer?pagename=research\\_researchba61](http://www.fairus.org/site/PageServer?pagename=research_researchba61).

<sup>10</sup>SCHIP coverage gives states much more flexibility in setting eligibility thresholds, but Congress generally anticipated that states would cover kids from families earning up to 200 percent FPL.

## ***Amnesty Will Increase Medicaid Spending By At Least \$3.2 Billion***

Just as a majority of illegal aliens do not have a high school degree, the majority of illegal aliens fall into lower income categories and so would be eligible for means-tested government benefits, such as Medicaid.

- As of 2007, there were more than 600,000 illegal aliens in North Carolina.<sup>11</sup>
- An estimated 75 percent of illegal immigrants in North Carolina earn below 200 percent of the federal poverty level (FPL); 36 percent earn below 100 percent FPL.<sup>12</sup>
- The average Hispanic household in North Carolina has 3.7 people while the average U.S. immigrant household has 3.1 persons.<sup>13</sup> The (weighted) average immigrant household thus has 3.6 persons. This translates into 125,000 households that earn below 200 percent FPL – almost half of which (60,000) earn below 100 percent FPL.
- North Carolina’s spending per medically needy enrollee (aged, blind, disabled) was \$13,449 per person – almost twice the national average of \$7,897.90.<sup>14</sup>
- Assuming current trends, within 25-30 years (i.e., at age 65), 36 percent of North Carolina’s illegal immigrant population will be eligible for Medicaid.

**Total Cost: \$2.9 Billion per year**

**State Cost: \$881 million per year  
County Cost: \$155 million per year**

- North Carolina’s Medicaid spending for family/children clients is \$2,255 per person.<sup>15</sup> This means that the average immigrant household (3.6 persons = 96,000 children) that earns less than 100 percent FPL will receive at least (but probably more) \$3,600 in Medicaid assistance.

**Total Cost: \$216.5 million per year**

**State Cost: \$65.8 million per year  
County Cost: \$11.6 million per year**

- North Carolina’s NC Health Choice/SCHIP spending averages \$1,712 per child.<sup>16</sup> If thresholds remain at 200 percent FPL (under NC Kids Care, they would go even higher), eligible immigrant households (104,000 children) would receive \$2,739 in SCHIP assistance.

**Total Cost: \$74 million per year**

**State Cost: \$22.5 million per year  
County Cost: \$4 million per year**

<sup>11</sup>In 2005, the Pew Hispanic Research Center estimated there were between 300,000 and 400,000 illegal immigrants in North Carolina. Hispanics are thought to account for 80 percent of illegal immigrants. FAIR estimates that as of 2005, there were 405,000 illegal immigrants in North Carolina. According to the N.C. State Demographics office, from 1990 to 2000 the Hispanic population increased by 333 percent, or 33 percent per year (net migration). In the absence of specific data from the state demographer, we also presume a net migration rate of 1.5 percent for all other illegal immigrants. Using these calculations, which are admittedly inexact, we arrive at a total of 651,022 illegal aliens in North Carolina for 2007.

<sup>12</sup>Poverty rates for illegal immigrants in North Carolina are much higher than the national average. Cf. Camarota, “Immigrants at Mid-Decade,” 26.

<sup>13</sup>John Kasarda and James Johnson, *The Economic Impact of the Hispanic Population on the State of North Carolina* (Chapel Hill: Frank Hawkins Kenan Institute of Private Enterprise, January 2006); available from [http://www.ime.gob.mx/investigaciones/2006/estudios/migracion/economic\\_impact\\_hispanic\\_population\\_north\\_carolina.pdf](http://www.ime.gob.mx/investigaciones/2006/estudios/migracion/economic_impact_hispanic_population_north_carolina.pdf).

<sup>14</sup>“North Carolina: Medicaid Medically Needy Program per Enrollee Spending, FFY 2003,” [statehealthfacts.org](http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=profile&area=North+Carolina&category=Medicaid+%26+SCHIP&subcategory=Medicaid+Medically+Needy&topic=Total+per+Enrollee+Spending), The Henry J. Kaiser Family Foundation; available from <http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=profile&area=North+Carolina&category=Medicaid+%26+SCHIP&subcategory=Medicaid+Medically+Needy&topic=Total+per+Enrollee+Spending>.

<sup>15</sup>*Medicaid in North Carolina*, Annual Report: State Fiscal Year 2006 (Raleigh: Division of Medical Assistance, April 2007); available from <http://www.dhhs.state.nc.us/dma/2006report/2006report.pdf>.

<sup>16</sup>NC Health Choice for Children, Division of Medical Assistance; available from <http://www.dhhs.state.nc.us/dma>.

→ **Total Medicaid/SCHIP Costs Over Next 5 Years: \$1.5 billion**

**State Cost: \$441.5 million per year**  
**County Cost: \$78 million per year**

→ **Total Annual Medicaid/SCHIP Costs, Including Costs for Elderly (beginning 2032): \$3.2 billion**

**State Cost: \$969.3 million**  
**County Cost: \$171 million per year**

Of course, these estimates are very rough and do not account for many factors, such as age, inflation, rising Medicaid costs, family unit, and increased immigration (just to name a few). Nevertheless, the fact remains that the state will be hard pressed to continue Medicaid spending at current levels if amnesty adds an additional 125,000 households to the state's Medicaid rolls.

