

## JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MEDICAID

NC Department of Health and Human Services

# Strategies for Cost Containment

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# Current Cost Containment Efforts at DHB

- Continue increasing managed care efficiency assumptions through managed care capitation rate setting
- Ongoing active management of pharmacy preferred drug list with quarterly updates (was historically semi-annually)
- Population health and value-based purchasing initiatives
- Health plan accountability (e.g., withholds, minimum medical loss ratio)
- Aggressively rooting out fraud, waste and abuse
- Implementation of value-based purchasing model for cell and gene therapies and revised reimbursement logic for other select high-cost drugs
- Deep dive on strategies to address growing utilization of autism services
- Supporting county eligibility functions through increased automation efforts
- Third party liability management

# Significant Savings Opportunities are Limited this SFY

- **Immediate-term Savings Options**
  - Provider Rate Reductions
  - Service Elimination or Reductions
  - Capitation Rate Reductions (limited by federal regulations)
  - Eligibility restrictions (requires legislative change)
- **Longer-term Savings Options**
  - Improving Health
  - Utilization Management Review
  - Operational Efficiency Initiatives
  - Clinical Policy Review

# Considerations for Assessing Cost / Benefit of Cost Containment Efforts

- **Beneficiary impact:** Will the program change introduce new barriers to care or impact quality?
- **Provider impact:** Will the change introduce new administrative burden on providers to get paid for appropriate services? How will provider revenues be impacted, especially in light of other pressures expected from federal changes? Will providers limit their participation in Medicaid as a result?
- **Managed care impact:** Will the change impact administrative burden or bottom line for health plans?
- **State savings:** Will the program change yield savings to the state or managed care plans?
  - Efforts to reduce or shift costs from hospital settings reduce total cost, but also reduce hospital receipts, limiting savings to the state (hospitals fund 55% of their base rates)
  - How much savings will accrue to the state (rather than managed care) and over what time period?

# Managed Care Impact

- In 2019, NC Medicaid, as directed by NCGA in SL 2018-5, developed a 7-Yr Forecast of Managed Care
- Analysis of managed care costs for SFY 2024 are consistent with that 2019 forecast:
  - Medical services costs were **\$829.4M less** than what it would have been in fee-for-service, primarily due to lower hospital spend
  - Lower medical services costs were **offset by \$836.2M** in non-benefit costs included in capitation for general administration, care management / care coordination, and risk / profit margin
  - Additionally, capitation rates included **\$161M** for the state's 1.9% insurance premium tax, which is revenue that goes to the state general fund although it is funded by Medicaid

## **Some Proposed Initiatives Are Currently in Operation or Planned for Implementation**

- **Implementing 30-day inpatient readmission policy (currently 7-days)**
- **Implementation of new skilled nursing facility payment policy**
- **Completing mental health parity reviews and reinstating utilization management for certain BH services**
- **Consolidation of two Standard Plans**

## Other Proposals Require More Analysis of Cost / Benefit

- **The following changes require additional analysis to weigh the cost savings opportunity with the impact on providers and beneficiaries**
  - Permit utilization management of medical pharmacy (PAPD, Outpatient Hospital)
  - Allow PHP management of site of service where appropriate
  - Greater use of lower-cost lab service providers
  - Restore national clean coding initiative and medically unlikely edit standards for outpatient hospital
  - Reduce high-dollar threshold for itemized bill reviews
  - Expanded flexibility to adjust claim payment
  - Renegotiating Drug Rebates

# Longer-Term Cost Reduction Efforts

- **Other program enhancements require careful design and planning in alignment with plans and providers; infrastructure and training investments are needed to be successful in continuing to evolve these efforts**
  - Value based purchasing initiatives, including multi-payer models
  - Health improvement initiatives - prevention / health related social needs
  - Population health / care management initiatives
  - Operational efficiency initiatives
- **Continue monitoring claims and enrollment using our robust fraud, waste, and abuse protocols**



# Savings Opportunities Requiring Legislative Partnership

- **Infrastructure investments to support rural primary care, population health, prevention, value-based care initiatives, addressing non-medical drivers of health**
- **Network management flexibility (e.g., closing provider network)**
- **Fewer health plans**
- **Premium tax revenue generated by Medicaid comes back to Medicaid**
- **Strengthening health plan accountability (e.g., withholds, minimum medical loss ratio)**
- **Funding for enhanced plan oversight and AI**

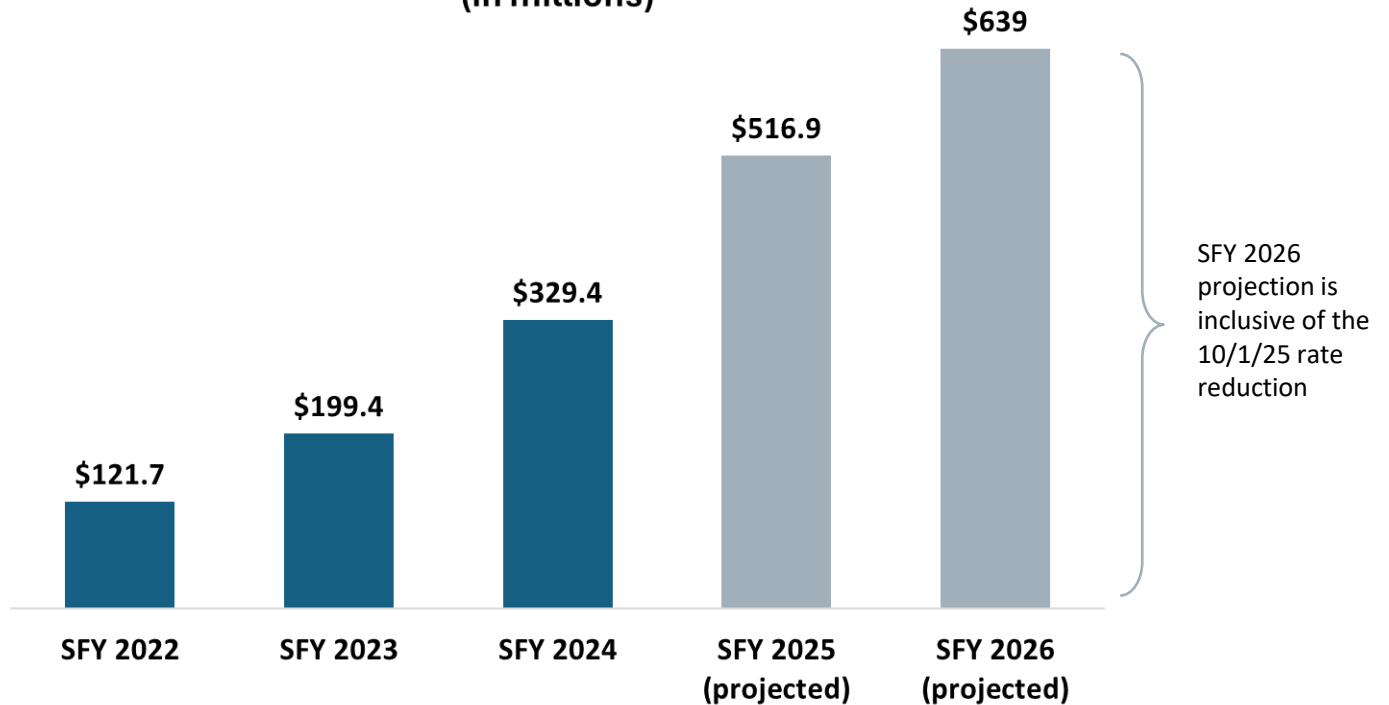
# Research Based – Behavioral Health Therapy (RB-BHT)

**DHHS is strongly committed to ensuring that people with Autism Spectrum Disorder (ASD) have appropriate access to the services that they need.**

- Backed by credible scientific evidence
- Aligned with person-centered care models
- Capable of improving real-world functioning for children with ASD

# RB-BHT Spending Trajectory

**Total RB-BHT Medicaid Spending, SFY 2022-2026  
(in millions)**



# Industry Expects ABA/RB-BHT Market to Grow 25% per year

<https://www.plutushealthinc.com/upcoming-events/join-us-at-the-autism-investor-summit-2025>

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## Where Innovation, Investment & ABA Business Growth Converge

The **BHB Autism Investor Summit (BHB AIS 2025)** is the premier event, bringing together ABA providers, investors, and industry innovators to shape the future of autism services. With the ABA market expected to grow at a 25% CAGR over the next five years, now is the time to optimize operations, secure funding, and position your organization for long-term success.

Whether you're looking to scale your practice, attract investors, or maximize operational efficiency, **BHB AIS 2025 is the year's must-attend event.**

## ABA Market Insights: Why the Time to Invest is NOW

- **\$7B** current ABA market, projected to reach **\$50-70B**
- **25% CAGR** growth expected over the next **3-5 years**
- Less than **20%** of the ABA market is consolidated—massive opportunities for expansion.

AI-driven RCM can reduce admin costs by **40%** and increase collections by **20%**

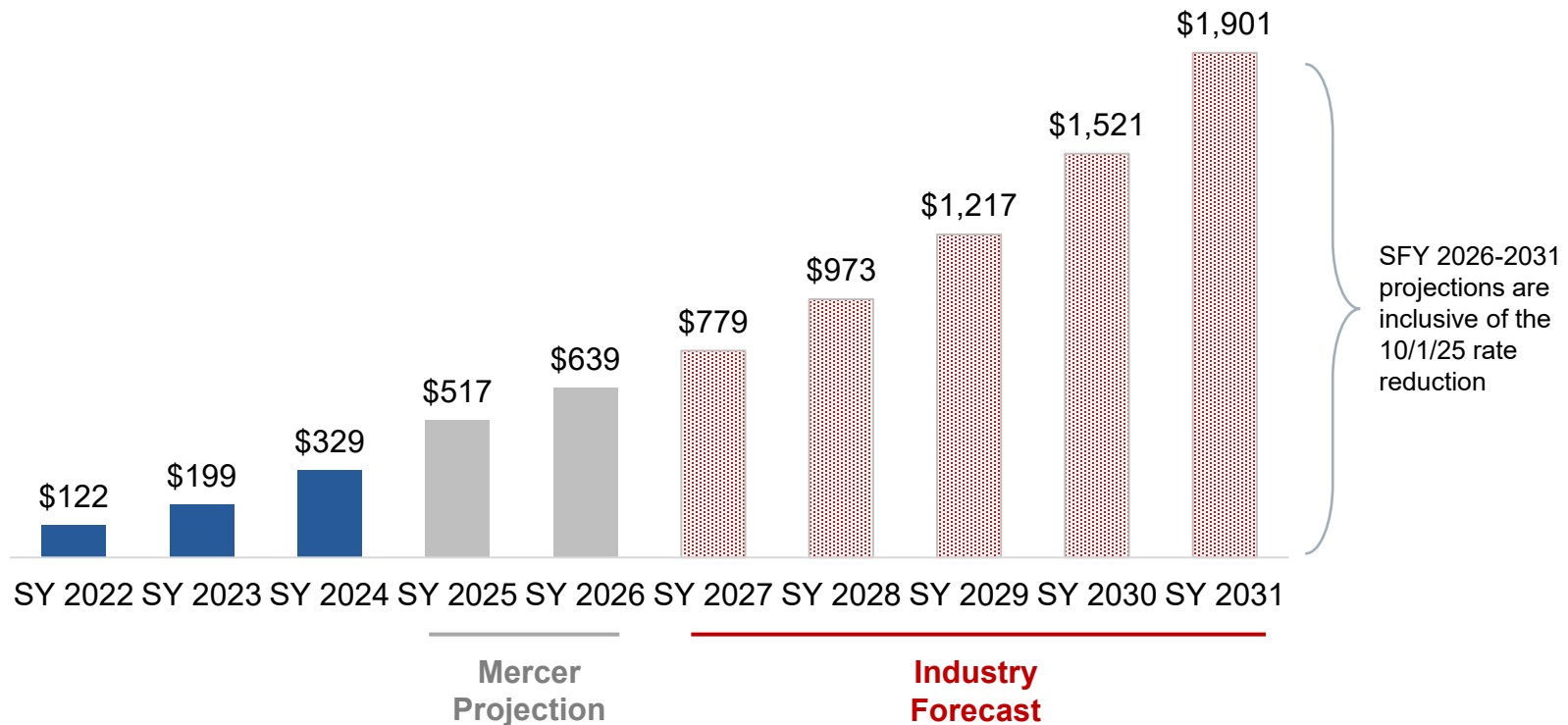
ABA providers are pressured to optimize billing operations and improve financial sustainability as regulatory requirements evolve. **The biggest players are investing in automation, are you?**

## Why Meet Plutus Health at BHB AIS?

At **Booth No. 15**, our team of ABA revenue cycle experts will demonstrate **how AI-driven RCM solutions are transforming the financial health of ABA providers nationwide.**

# Extended RB-BHT Projected

**Total RB-BHT Medicaid Spending, SFY 2022-2026  
(in millions)**



# Looking Ahead: Principles Guiding RB-BHT Policy Considerations

- **Build on the strengths of the RB-BHT program**
- **Calibrate spending and utilization at a sustainable level**
- **Align NC Medicaid more closely with national clinical practice guidelines**