



# Medicaid Managed Care and Cost Containment

North Carolina Joint Legislative  
Oversight Committee on Medicaid

October 14, 2025



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With a strong belief in the importance of the legislative institution, NCSL knows **when states are strong, our nation is strong.**



Source: NCSL

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NCSL delivers training tailored specifically for legislators and staff

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# Medicaid

National Landscape: Medicaid Costs and Budgets

Medicaid Managed Care: National Landscape and State Examples

State Policy Options: Balancing Medicaid Budgets



# Medicaid

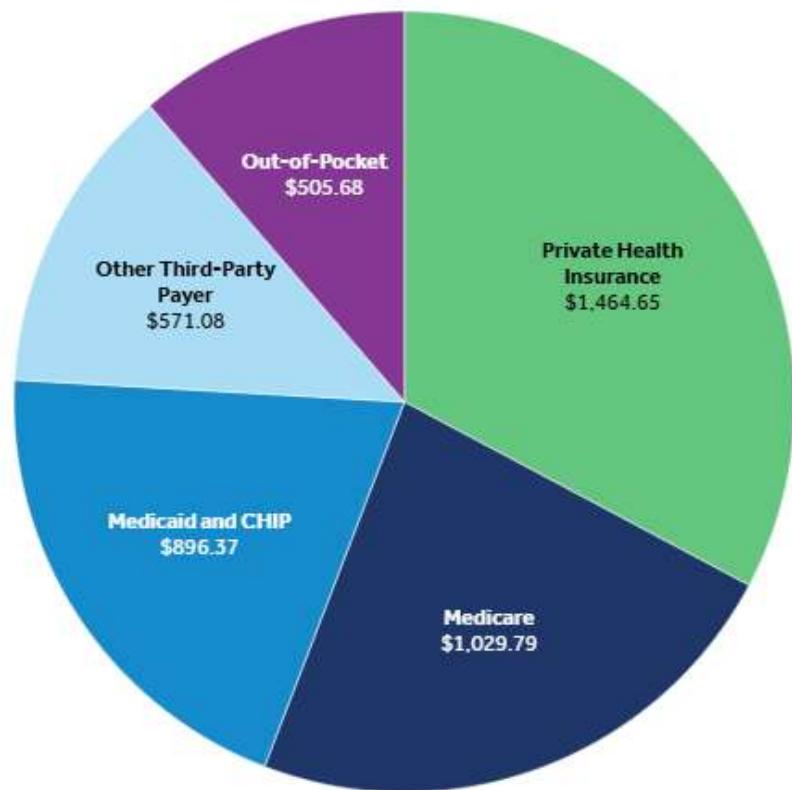
National Landscape: Medicaid Costs and Budgets



Total national spending on health consumption expenditures, \$U.S. billions, by payer, 2023

# National Medicaid Spend (2023)

- In 2023, **Medicaid and CHIP accounted for \$896.37 billion** in health expenditures
- Behind Private Health Insurance (\$1.46 trillion) and Medicare (\$1.03 trillion)



Note: Other Third-Party Payers includes Department of Veteran Affairs and Department of Defense.

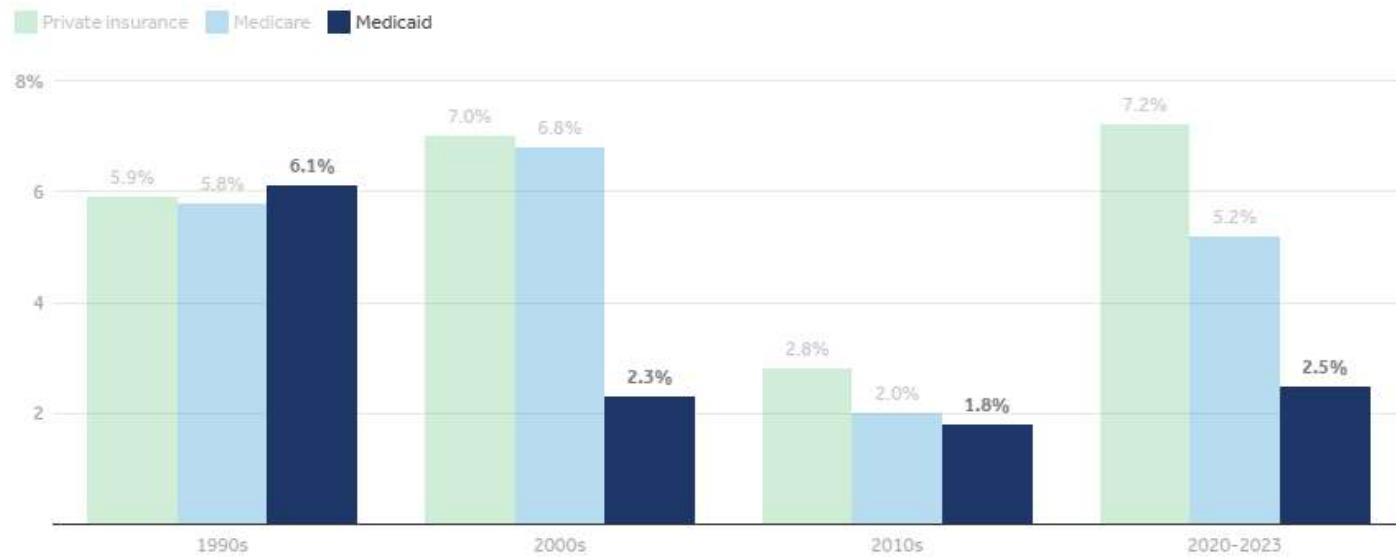
Source: [How has U.S. spending on healthcare changed over time?](#) | Peterson-KFF Health System Tracker (Dec 2024)

# Medicaid Spending Growth

- From 2020 to 2023, Medicaid per enrollee spending has **grown by 2.5%**, slower than Medicare or private insurance.

Per enrollee spending varied in 2023 across payers

Average annual growth rate of spending per enrolled person in private insurance, Medicare, and Medicaid, 1990-2023



Source: [How has U.S. spending on healthcare changed over time?](#) | Peterson-KFF Health System Tracker (Dec 2024)

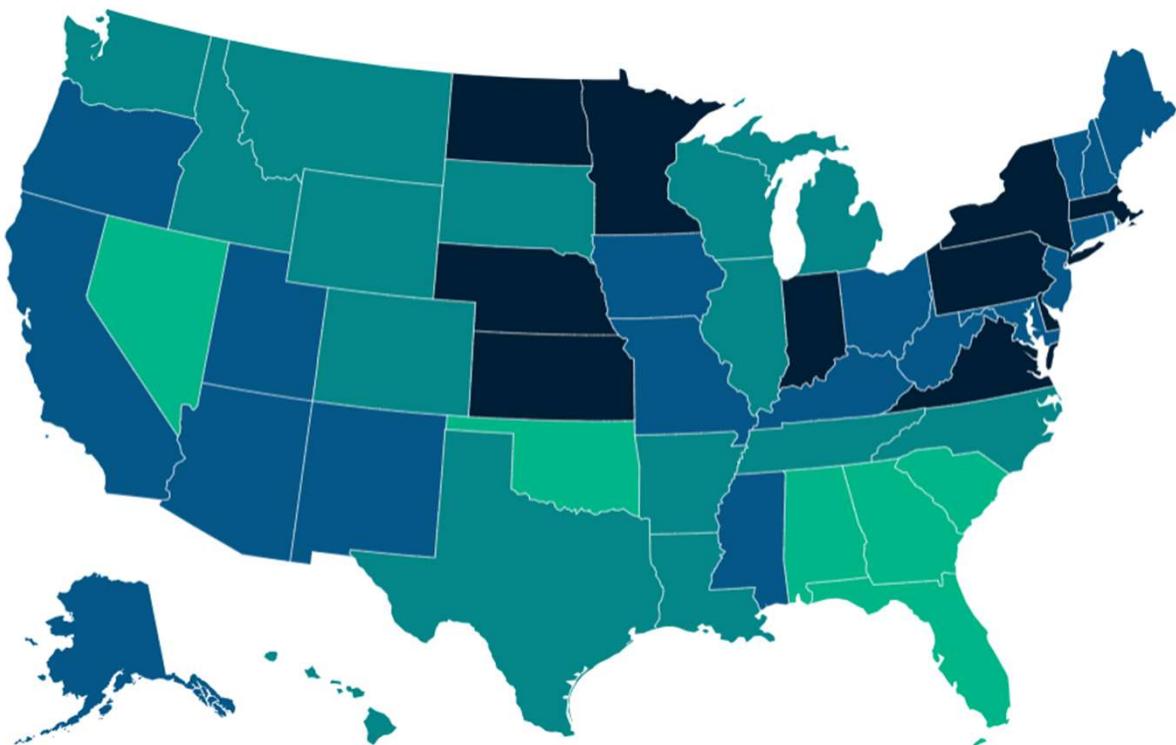
# Medicaid Per Capita Spending (2023)

- National **median** = \$7,909
- **North Carolina** = \$7,381
- Per enrollee **median** varies widely by eligibility group
  - Children (\$3,321)
  - Non-expansion adults (\$5,122)
  - Expansion (\$6,507)
  - Individuals with Disabilities (\$20,950)
  - Older Adults (\$20,194)

Figure 2

## Medicaid Spending Per Enrollee Ranges From Under \$5,000 to Over \$12,000

■ < \$6,000 (6 states) ■ \$6,000 - \$7,500 (15 states) ■ \$8,000 - \$9,500 (19 states) ■ > \$9,500 (10 states and Washington, D.C.)

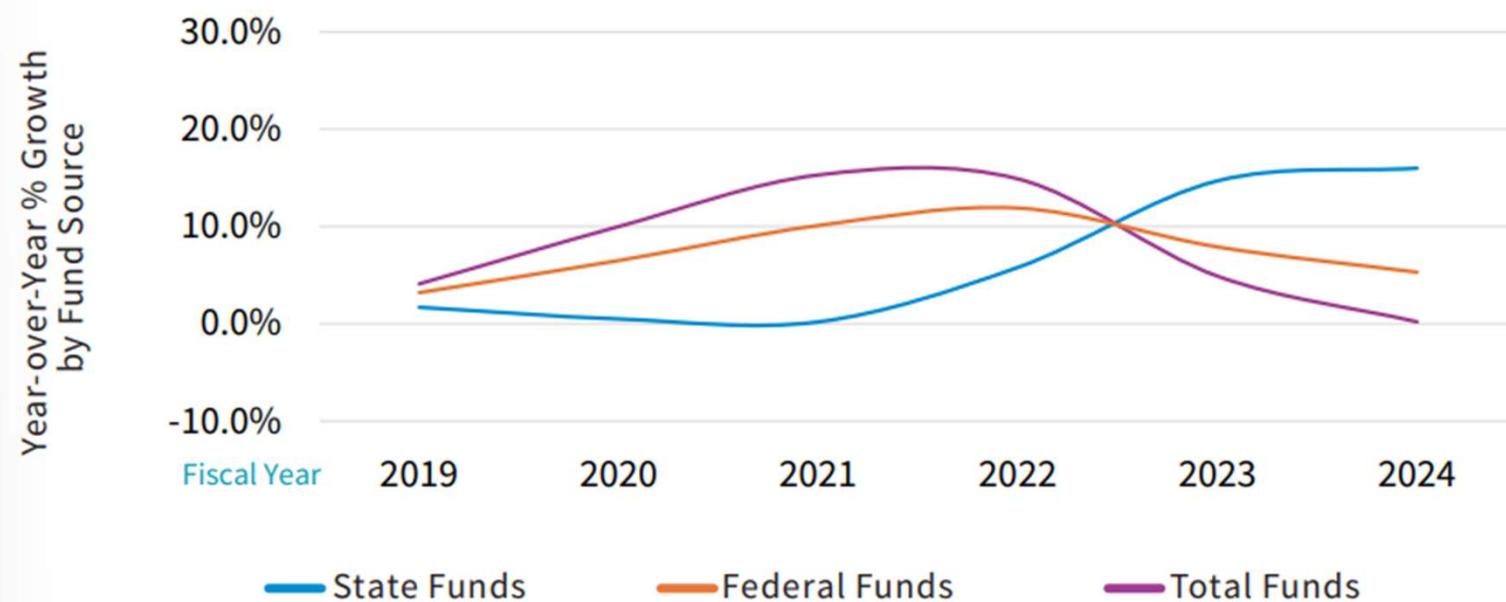


Source: [A Look at Variation in Medicaid Spending Per Enrollee by Group and Across States](#) | KFF (Oct 2025)

# State Spending on Medicaid

*State spending increased 5.3% and state funds increased 16% in FY 2024.*

## State Funds for Medicaid Increased While Federal Funds Growth Decreased



Source: [2024 State Expenditure Report: Medicaid](#) | NASBO (2024)

## TRENDS: BUDGET UNCERTAINTY & DECLINING FEDERAL REVENUE



### FEDERAL AND STATE FINANCING

COVID-19 & unwinding  
Slower state revenue growth  
HR 1: Less federal spending  
HR 1: Provider tax limits



### ENROLLMENT

Post-unwinding  
Acuity  
HR 1: Eligibility limits



### SPENDING

Benefit & Eligibility Expansions  
Rate Increases  
HR 1: Payment limits

Source: [Results from an Annual Medicaid Budget Survey for State Fiscal Years 2024 and 2025: Provider Rates and Taxes & Benefits](#) KFF (Oct 2024)

# Medicaid

Medicaid Managed Care: National Landscape and State Examples



# MEDICAID DELIVERY SYSTEMS

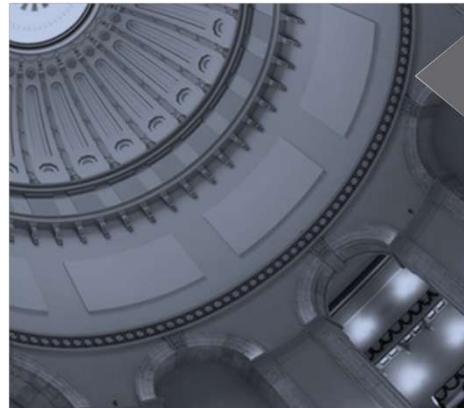


## STATE OPERATED / FEE-FOR-SERVICE (FFS)

- State administers program
- Enrolls beneficiaries, pays providers, set payment rates, oversees and manages benefits, etc.

### NCSL Resources:

- [Medicaid Delivery Systems 101](#)
- [Medicaid Managed Care Brief Series](#)



## PRIMARY CARE CASE MANAGEMENT (PCCM)

- Same as FFS
- Pays primary care providers a capitated per member per month payment for care coordination



## COMPREHENSIVE RISK-BASED MANAGED CARE (MCO)

- State contracts with regulated payer, paid on capitated basis
- Payer establishes payment rates, provider enrollment, etc



## LIMITED BENEFIT PLAN

- State contracts with regulated payer to administer subset of benefits (dental, behavioral health, transportation, etc.)



# MEDICAID MANAGED CARE LANDSCAPE

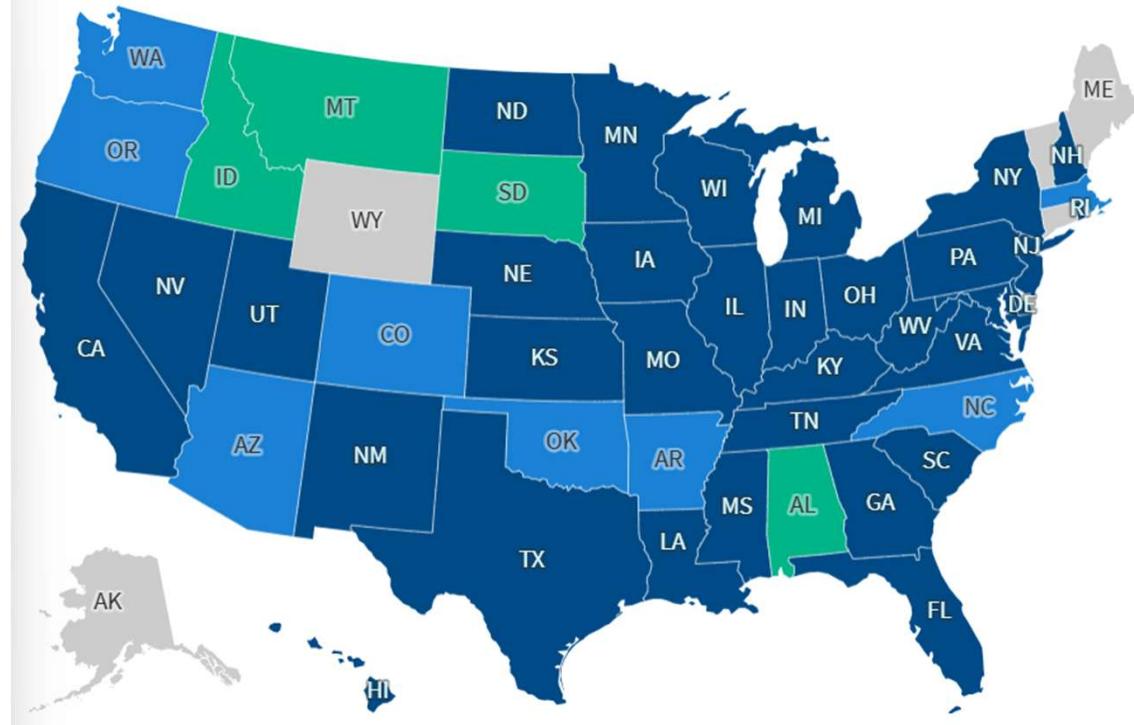
Source: [10 Things to Know About Medicaid Managed Care](#) | KFF (Feb 2025)

- 42 states\* use MCOs
  - \*Idaho [HB 345](#) (2025)
- MCOs cover 75% of Medicaid enrollees, primarily children and expansion adults
- Payments to MCOs account for 52% of Medicaid spending.
- Increasingly MCOs cover complex enrollees (people with disabilities, older adults)
  - Florida [SB 2510](#) (2023)
- States use value-based purchasing and financial incentives to address quality

Figure 1

## As of July 2024, 42 States Used Capitated Managed Care Models to Deliver Services in Medicaid.

■ MCO only (34 states including DC) ■ MCO and PCCM (8 states) ■ PCCM only (4 states) ■ No comprehensive MMC (5 states)





WHEN YOU'VE SEEN ONE MEDICAID PROGRAM...

... YOU'VE SEEN ONE MEDICAID PROGRAM.

# FLORIDA

## Delivery System Structure and Oversight

### History

- County based pilot initiated in 1982, expanded statewide in 1984.
- Three components: Medical Assistance, Long-Term Care, and Dental

### Percentage of Medicaid Population in Managed Care (2022)

- MCO = 87%
- FFS = 13%

### Value-Based Purchasing

- Value-based payment targets
- Quality withholds for plans



# OKLAHOMA

## Delivery System Structure and Oversight

### History

- Moved from MCO to PCCM model in 2004.
- Integrated behavioral health and substance use disorder care between 2005 – 2018.
- Moved from PCCM to MCO model in 2024 with the state's Medicaid expansion.
- Kept patient-centered medical homes from PCCM model into MCO model.

### Percentage of Medicaid Population in Managed Care

- No current data since delivery system transition.
- Previously:
  - PCCM = 66%
  - FFS / Other = 34%

### Value-Based Purchasing

- Patient-centered medical home
- Primary care payment reform
- Value-based payment targets & [Cell and Gene Therapy Model](#)



### Managed Care Oversight

- [Monitoring and Oversight Tool](#)
- [Quality Advisory Committee](#)
- [Value-based payment targets](#)
- [Performance targets tied to primary care and decreased ED visits](#)
- [Cost growth target](#)
  - Below 5% for SFY 2025
  - Below 6% for SFY 2029

# OREGON

## Delivery System Structure and Oversight

## History

- Comprehensive reform, Medicaid expansion, and transition to MCOs in 2012.
- Covers acute, behavioral and dental services through 16 Coordinated Care Organizations (CCOs), each assigned to geographic region.

## Percentage of Medicaid Population in Managed Care (2022)

- MCO = 91.5%
- FFS = 8.5%

## Value-Based Purchasing

- Accountable Care Organizations
- Primary care payment reform
- Patient-centered medical homes
- Global budgets
- Value-based payment targets and incentives
- All-payer claims database



# Managed Care Oversight

- Cost Growth Target
  - 3.4% from 2021-2025
  - 3.0% from 2026-2030\*
- Health Evidence Review Commission
- Value-Based Payment Compact

# TEXAS

## Delivery System Structure and Oversight

### History

- STAR: Initiated MCO pilot programs for children, pregnant women and adults in 1993. Expanded counties through 2012. Includes acute, behavioral, and pharmacy benefits.
- STAR PLUS: MCO program for complex enrollees. Initiated MCO pilot program for adults with disabilities, older adults in 1997 (STAR+PLUS). Expanded to people with IDD and statewide in 2014. Includes all STAR benefits plus long-term services and supports.
- Other MCO programs include STAR Health, Dual Demonstration, and STAR Kids.

### Percentage of Medicaid Population in Managed Care (2022)

- 97.0% in MCO
- 3.0% in FFS

### Value-Based Purchasing

- Percentage of premiums based on quality and outcome measures
- Patient-centered medical homes
- Bundled and incentive payments



# Medicaid

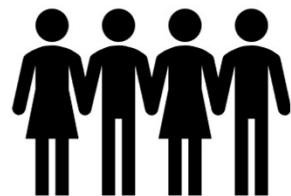
State Policy Options: Balancing  
Medicaid Budgets



# Medicaid Cost Drivers

## NCSL Resources:

- [Snapshot: Balancing State Medicaid Budgets](#)
- *Upcoming December 2025: NCSL Report on Balancing State Medicaid Budgets*



Enrollment &  
Acuity



Service Type  
and Use



Provider  
payments



Administrative  
Costs



Federal-State  
Financing  
Dynamics &  
Economic  
Conditions

# Balancing Medicaid Budgets

## State Policy Options

Contract Program Size	Improve Outcomes	Oversight and Evaluation	Identify Cost Drivers	Maximize Revenue
<ul style="list-style-type: none"><li>• Maximize Economic Mobility and Private Coverage</li><li>• Restrict Eligibility</li><li>• Restrict Benefits</li><li>• Reduce Payment Rates</li></ul>	<ul style="list-style-type: none"><li>• Value-Based Care</li><li>• High-Value Benefits</li><li>• Population Health</li></ul>	<ul style="list-style-type: none"><li>• Program Integrity</li><li>• Managed Care Oversight</li><li>• Vendor Oversight</li></ul>	<ul style="list-style-type: none"><li>• Cost Commissions, Studies, Task Forces</li><li>• All Payer Claims Databases</li><li>• Consensus Budgeting, Forecasting</li></ul>	<ul style="list-style-type: none"><li>• Increase State Revenue</li><li>• Provider Taxes* &amp; Local Share</li><li>• Leverage Enhanced Federal Match Rates</li></ul>

\* The 2025 Budget Reconciliation Bill limits state uses of provider taxes. States may still create provider taxes but would have to comply with hold harmless requirements, which will limit use for supplemental payments and create higher risk of federal recoupment. Scope of permissible state use of provider taxes within hold harmless unclear.



# Balancing Medicaid Budgets

## State Examples



### CONTRACT PROGRAM SIZE

Idaho [HCR 30](#) (2024)

Louisiana [SB 282](#) (2022)

8 states\* decreased hospital pay in 2024.



### IDENTIFY COST DRIVERS

Nevada [SB 40](#) (2021) & [Medicaid Cost Driver Analysis](#) (Dec 2024)

Utah [H 51](#) (2024)



### OVERSIGHT AND EVALUATION

Maine [HB 1317](#) (2024)

Texas [Government Code § 533.0072](#)



### MAXIMIZE REVENUE

Arkansas [H 1025](#) (2024)

Michigan [HB 5696](#) (2024)



### IMPROVE OUTCOMES

Oregon [Health Evidence Review Commission](#)

Kentucky [HB 6](#) (2024)



### INNOVATIONS

Nebraska [N.R.S. 68-996](#)

Indiana [SB 5](#) (2025)

Pennsylvania [62 P.S. § 526-A](#)

\*CA, CO, ME, MI, OK, RI, SC, WA



Questions?



## Additional Resources:

- [Medicaid Delivery Systems 101](#) | NCSL
- [Medicaid Managed Care Brief Series](#) | NCSL
- [Value-Based Care in the States](#) | NCSL
- [The State Legislative Role in Value-Based Care: Results from a 15-State Survey](#) | NCSL
- [State Options for Improving Care for People with Intellectual and Developmental Disabilities](#) | NCSL
- [A Look at Variation in Medicaid Spending Per Enrollee by Group and Across States](#) | KFF (Oct 2025)
- [Top Five Medicaid Budget Pressures](#) | NAMD (2025)





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