

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON MEDICAID

H.R.1 Eligibility & Enrollment Changes for NC Medicaid

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NC Medicaid has Department-supervised, County-administered eligibility determination system

- NC Medicaid applications and eligibility verifications are processed automatically by our NCFAST Eligibility System or by 100 county Departments of Social Services (DSSs) and 1 Tribal Office
 - Eligibility workers are hired, employed and trained by the counties and subject to county rules, salary restrictions, and county funding availability
 - County DSSs also conduct eligibility determinations and redeterminations for Food and Nutrition Services (FNS), Women, Infants and Children (WIC) Supplemental Nutrition services, Temporary Assistance for Needy Families (TANF), Low Income Energy Assistance Program (LIEAP), child support enforcement, and other means-tested and social programs
- NC Medicaid has implemented automated data matching and verifications to reduce administrative burden on counties through straight through processing for beneficiary applications and redeterminations where possible.
- Increasing the frequency of redeterminations of the nearly 700,000 Medicaid expansion beneficiaries will significantly increase county administrative burden, staffing and costs, and potentially create backlogs in unprocessed cases, increasing overall program expenditures

Electronic Verification Sources Used For Medicaid Eligibility

The following CMS-approved verification sources are used in the NC FAST eligibility system to automatically verify attested information (e.g., citizenship, social security number, income). These verification sources are called automatically during the STP process and by caseworkers when processing applications manually.



H.R. 1 Eligibility and Enrollment Changes for NC Medicaid

H.R. 1 Provision	Effective Date	NC Compliance Status
(Sec. 71109) "Qualified Alien" Medicaid Eligibility	October 1, 2026	Changes Required
(Sec. 71119) Work Engagement Requirements for Expansion Adults	January 1, 2027	Changes Required
(Sec. 71107) Eligibility Redeterminations for Certain Individuals	January 1, 2027	Changes Required
(Sec. 71112) Limits on Retroactive Medicaid / CHIP Coverage	January 1, 2027	Changes Required
(Sec. 71103) Reducing Duplicate Enrollment Under the Medicaid and Children's Health Insurance Program (CHIP) Programs	January 1, 2027	No changes required – NC has existing process for health plans and enrollment broker to report changes of address
(Sec. 71104) Ensuring Deceased Individuals Do Not Remain Enrolled	January 1, 2028	TBD – may be able to automate existing process for quarterly review of the Master Death file
(Sec. 71108) Revising Home Equity Limit for Determining Eligibility for Long Term Care Services	January 1, 2028	Changes Required

Not Currently in Scope:

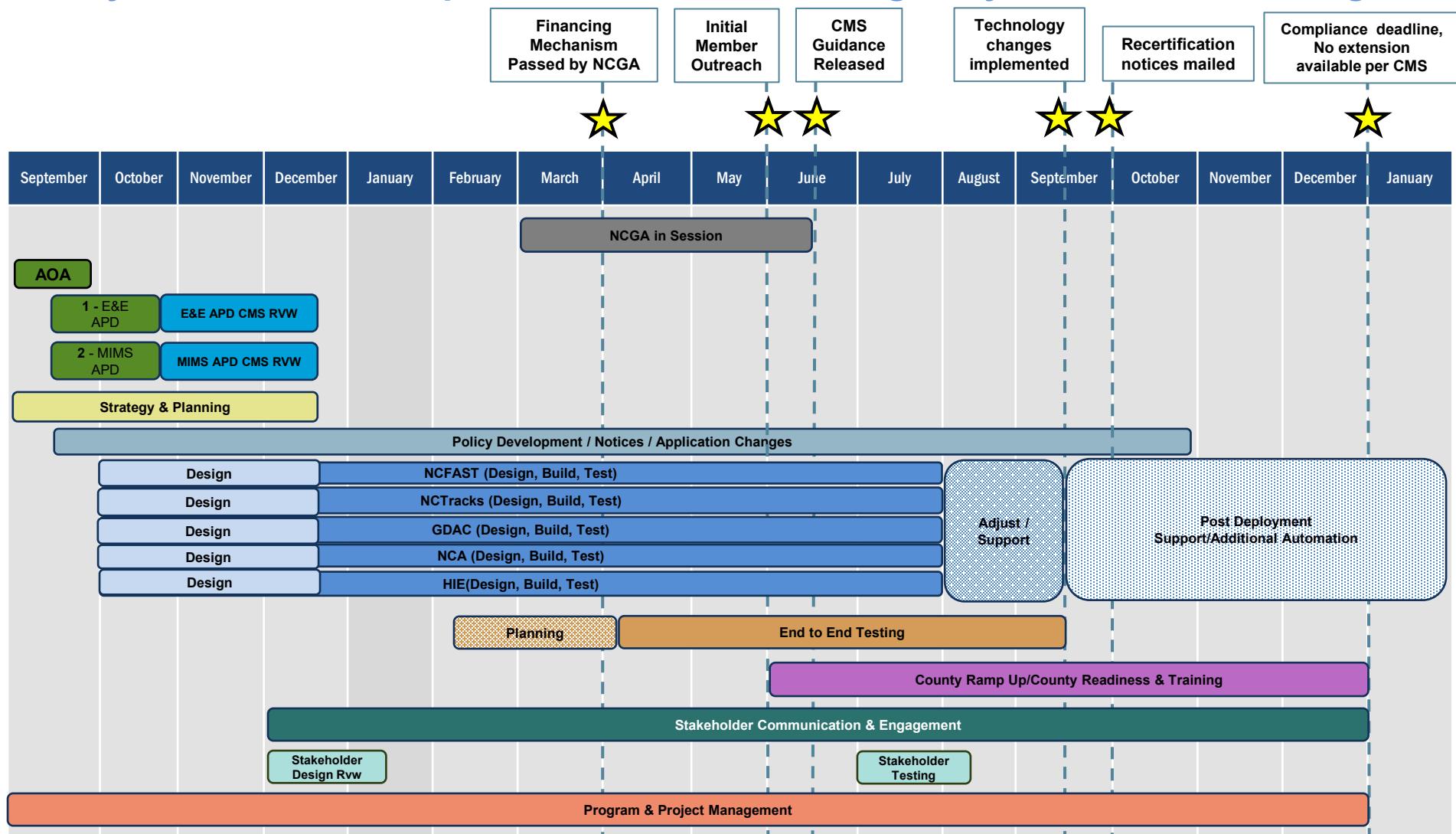
(71120) Imposing copayments for expansion adults with incomes up to 100% FPL

(71101, 71102) Moratorium on Select Final Rule Provisions (already included in CCU program scope)

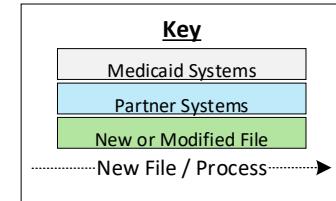
Requirement within 71103 for federal database to identify individuals enrolled in Medicaid in more than one state

Provisions related to payment/financing, Medicaid providers.

Key Dates for NC's Implementation of H.R. 1 Eligibility & Enrollment Changes



Technology & Data Sharing Implementation Plan



1 - NC FAST

Beneficiary Information Gathering, Verifications, MXP Eligibility Rules with (NEW) Exception & Compliance Criteria, Proactive Comms

2 - NCTracks

Transmits Member Eligibility and Enrollment information with (NEW) Exception Met or Compliance Met indicators via the 834 Member file

3 - NCAnalytics

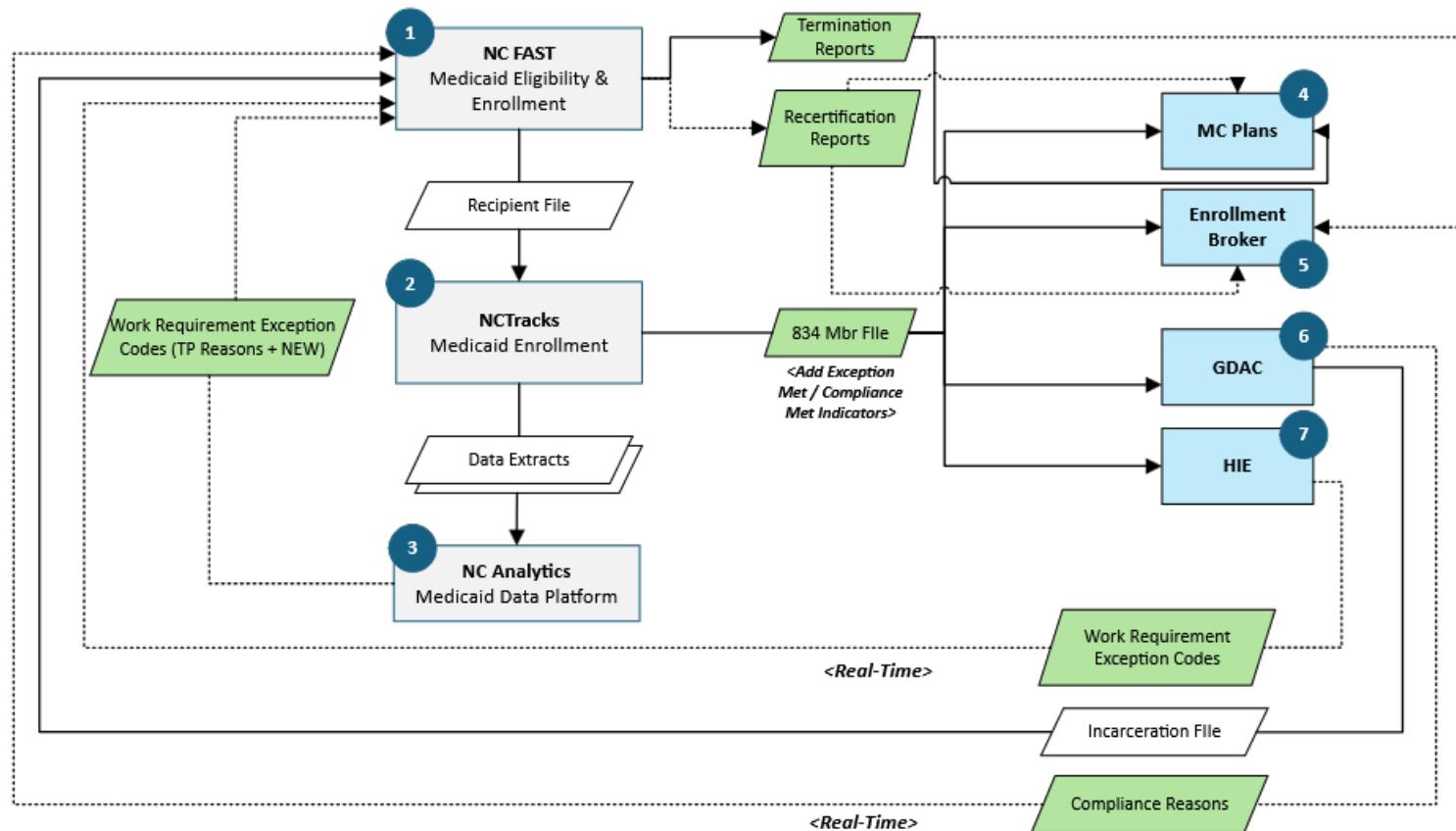
Compiles Medicaid claims data and creates (NEW) Work Requirement Exception Codes (TP Reasons + NEW) and transmits to NC FAST to verify work requirement exceptions

4 & 5 - Managed Care Plans and the Enrollment Broker

Receive Termination and (NEW) Recertification Reports with Work Requirement Exception and Compliance information to complete beneficiary outreach

6 & 7 (NEW) GDAC and HIE

Establish real-time data sharing with NC FAST to verify work requirement compliance and exceptions



H.R. 1 Implementation Impact for North Carolina

Member Impact	North Carolinians will have to provide more information, more often to show compliance or exemptions
Provider Impact	Providers will receive increased requests for medical documentation to support exemption requests and disability determinations
State Budget Impact	Anticipate North Carolinians will move from expansion to traditional Medicaid, potentially increasing participation and costs for traditional Medicaid. Expansion doesn't cost NC any state dollars
County Impact	DSS offices will absorb both complex new work requirements and more frequent eligibility determinations
NCGA Impact	As North Carolinians navigate changes, the General Assembly is likely to receive increased outreach from constituents with questions and concerns about the new requirements

Current Statute Outlining Allowable Funding for Medicaid Expansion Activities

- **Per G.S. 108A-54.3B:**

It is the intent of the General Assembly to fully fund the nonfederal share of the cost of NC Health Works through a combination of the following sources:

- (1) Increases in revenue from the gross premiums tax under G.S. 105-228.5 due to NC Health Works.*
- (2) Excluding any State retention, the increases in intergovernmental transfers due to NC Health Works.*
- (3) Excluding any State retention, the hospital health advancement assessments under Part 3 of Article 7B of Chapter 108A of the General Statutes.*
- (4) Savings to the State attributable to NC Health Works that correspond to State General Fund budget reductions to other State programs*

- Currently the Medicaid expansion non-federal share is funded with the sources described in items (1) - (3) above. State savings are not used.
- G.S.108A-147 sets the financing of the 10% non-federal share for Medicaid Expansion to cover actual service / capitation costs.
- The Administrative funding amounts to support Medicaid expansion are defined (or "hard coded") in statute:
 - \$7.8M per quarter for county eligibility determination costs (with annual indexing)
 - \$3.3M per quarter for state administrative costs (with annual indexing)

Expected New Administrative Costs to Implement Work Requirements

NC Medicaid estimates that additional non-federal administrative funding will be needed to implement and support work requirements and six-month redeterminations.

- These estimates include:
 - \$7.8M per quarter (\$31.2M per year) to support county eligibility determination functions (with annual indexing), doubling the current allocation in statute (starting in Q4 of SFY 2026 to allow counties to begin staffing up in Q1 of SFY 2027)
 - \$6.5M non-federal share for state start-up costs (needed this SFY)
 - \$3.3M per quarter (\$13.2M per year) for ongoing state administrative costs (starting in Q2 of SFY 2027)
 - NC Medicaid recently received \$1.9m federal funding to support implementation of work requirements. While totals will be adjusted to reflect this funding, it is not eligible for federal match and will not reduce the non-federal share funding request dollar for dollar.
- State start-up costs include system changes to support automation where possible and member outreach/education
- State ongoing costs include vendor fees for income verification and systems operations
- Note: Investment of non-federal dollars will be met with federal match – up to 90% for system development and up to 75% for system operations

Financing Options for New Administrative Costs Per G.S. 108A-54

Funding Sources	Considerations
Option 1: Temporarily increase hospital assessments and intergovernmental transfers to cover new administrative costs	<ul style="list-style-type: none">Increasing the administrative component of hospital assessments for Work Requirements and twice annual redeterminations would reduce funding for other programs without other legislative changesTherefore, statute could be amended to shift public hospital assessments to intergovernmental transfers, which would "open-up" additional room under the tax cap to allow for hospitals to cover additional costs associated with work requirements administrationStatute could also be amended to leverage or adjust the presumptive service costs collected upfront and reconciled on the backend (which generates a significant float quarter to quarter)
Option 2: Increase the amount of premiums tax revenue directed to Medicaid Expansion	<ul style="list-style-type: none">Currently 60% of premiums tax revenue generated by Medicaid PHPs for the expansion population is used to offset hospital assessments/IGTs and is directed to Medicaid Expansion Costs; this could be increased to 73% based on more recent dataHASP expenditures for the expansion population are currently excluded from the premiums tax offset calculation; including HASP would further offset hospital assessments/IGTs (but the amount generated would phase out over time)
Option 3: Leverage state savings	<ul style="list-style-type: none">NCGA could redirect already realized state savings generated by Medicaid expansion (through an appropriation)

Key Takeaways and Needed Next Steps

- **Legislative action is needed as soon as possible (by early 2026 at the latest) to provide funding required to implement work requirements within tight federal deadlines.**
- **This includes:**
 - NCGA action to adjust the statute that "hard codes" the funding amounts that support Medicaid Expansion administration to account for increased costs of work requirements and more frequent redeterminations
 - NCGA action to amend statute to implement one of the financing mechanism options presented