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STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

April 6, 2026

SENT VIA ELECTRONIC MAIL

Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Matteson:

Session Law 2023-7, Section 1.2.(a) requires the Department to submit a report to the Joint Legislative Oversight Committee on Medicaid, the Office of State Budget and Management, and the Fiscal Research Division containing information on NC Health Works, including detailed data supporting any calculations contained in the report. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

DocuSigned by:
Melanie Bush on behalf of Devdutta Sangvai
B8DC650BFB454DA...

Devdutta Sangvai
Secretary

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SENT VIA ELECTRONIC MAIL

The Honorable Benton Sawrey, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 521, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

The Honorable Larry Potts, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 307B1, Legislative Office Building
Raleigh, NC 27603

The Honorable Donna White, Chair
Joint Legislative Oversight
Committee on Medicaid
North Carolina General Assembly
Room 307B, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

Session Law 2023-7, Section 1.2.(a) requires the Department to submit a report to the Joint Legislative Oversight Committee on Medicaid, the Office of State Budget and Management, and the Fiscal Research Division containing information on NC Health Works, including detailed data supporting any calculations contained in the report. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

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SECRETARY

April 6, 2026

SENT VIA ELECTRONIC MAIL

Ms. Kristin Walker
State Budget Director
Room 5200, Administration Building
Raleigh, NC 27603

Dear Director Walker:

Session Law 2023-7, Section 1.2.(a) requires the Department to submit a report to the Joint Legislative Oversight Committee on Medicaid, the Office of State Budget and Management, and the Fiscal Research Division containing information on NC Health Works, including detailed data supporting any calculations contained in the report. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

DocuSigned by:
Melanie Bush on behalf of Devdutta Sangvai
B8DC650BFB454DA...

Devdutta Sangvai
Secretary

Nonfederal Share of NC Health Works Costs

Session Law 2023-7, Section 1.2(a)

Report to

Joint Legislative Oversight Committee on Medicaid

Office of State Budget & Management

and

Fiscal Research Division

by

North Carolina Department of Health and Human Services

April 6, 2026

Background

Per Session Law 2023-7, Section 1.2.(a), codified at G.S. 108A-54.3B(b), 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.

Session Law 2023-7, Section 1.2.(a), codified at G.S. 108A-54.3B(c), requires the Department of Health and Human Services, Division of Health Benefits (DHB), to provide a report to the Joint Legislative Oversight Committee on Medicaid, the Office of State Budget and Management, and the Fiscal Research Division containing all the following information with supporting calculations:

1) The total nonfederal share of the cost of NC Health Works for the preceding State fiscal year and the total funding available from the sources described in subsection (b) of this section.

2) The projected total nonfederal share of the cost of NC Health Works for the current State fiscal year and the total projected funding available from the sources described in subsection (b) of this section.

3) The method used by the Department to determine the amount of health advancement assessments proceeds that were distributed to each county department of social services in compliance with G.S. 108A-147.13(b) for the preceding fiscal year, including the total amount of proceeds each county received in that fiscal year.

4) The savings and benefits to the State resulting from NC Health Works for the preceding fiscal year, including savings to various State agencies and programs.

Pursuant to the reporting requirement, this report includes all the following information for State Fiscal Year (SFY) 2024.

Report Findings

1) The total nonfederal share of the cost of NC Health Works for the preceding SFY and the total funding available from the sources described in subsection (b) of this section.[1]

a) Total (actual) SFY2024 non-federal share spend was $185,159,346.

SFY 2024 nonfederal share spend:	
Component	Amount
DHB Administration	$ 6,410,000
County Division of Social Services (CDSS) Administration	$ 9,899,346
Expansion Services/Health Access Stabilization Program (HASP)	$ 168,850,000
TOTAL	**$ 185,159,346**

b) Total SFY2024 non-federal funding available from the sources described in subsection (b) of this section was $185,159,346. Quarterly hospital assessments and intergovernmental transfers to support services are determined based on a formula specified in statute and are reconciled to actual expenditures in later quarters. As a result of the lagged reconciliation, the total funds collected during SFY 2024 exceeded the amount expended.

2) The projected total nonfederal share of the cost of NC Health Works for the current State fiscal year and the total projected funding available from the sources described in subsection (b) of this section.[2,3]

a) Total projected SFY2025 nonfederal share spend is $662,465,008.

SFY 2025 nonfederal share spend:	
Component	Amount
DHB Admin	$ 17,440,000
CDSS Admin	$ 28,905,008
Exp. Services/HASP	$ 616,120,000
TOTAL	**$ 662,465,008**

[1] Includes Medicaid Expansion services, HASP, DHB admin, CDSS admin; excludes the Medicaid Reimbursement Initiative (MRI)
[2] Includes Medicaid Expansion services, HASP, DHB admin, CDSS admin; excludes the Medicaid Reimbursement Initiative (MRI)
[3] Per SFY2025 Authorized Budget

b) Total actual SFY2025 funding available from the sources described in subsection (b) of this section is $662,465,008.

3) The method used by the Department to determine the amount of health advancement assessments proceeds that were distributed to each county department of social services in compliance with G.S. 108A-147.13(b) for the preceding fiscal year, including the total amount of proceeds each county received in that fiscal year

a) The Department issued health advancement proceed payments for December through June of SFY2024, allocating $1.667 million per month in State funds to county DSSs (total $11.669 million). County payments consisted of a $5,000 per month base payment, supplemented by a caseload-based payment proportional to each county's share of the total Medicaid beneficiary count. Caseload percentage assumptions were based on an estimated SFY2024 Medicaid population of approximately three million members (including expansion and family planning populations). The total amount of assessments proceeds distributed to each county DSS in SFY2024 can be found in Appendix A.

4) The savings and benefits to the State resulting from NC Health Works for the preceding fiscal year (FY2024), including savings to various State agencies and programs:

a) **NC Disability Determination Services (DDS):** Medicaid expansion resulted in a decrease in the number Medicaid cases processed at DDS. This has benefited DDS and North Carolinians by allowing the DDS to process cases faster, resulting in the average disability application processing time decreasing from 52 days in 2023 to 44 days in 2024. This is also expected to result in a decrease in the number of Medicaid eligibles enrolled based on disability (a group for which the traditional federal match of ~65% applies). The impact of this dynamic is expected to grow over time. Due to the decrease in cases processed, DDS has been able to strategically allocate resources across other priority efforts, such as processing federal disability applications. These savings and operational efficiencies increase access to healthcare and positively impact North Carolinians seeking disability benefits.

b) **Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS):** As a result of Medicaid expansion, 41% of individuals receiving State-funded services through DMHDDSUS in calendar year 2023 transitioned to Medicaid coverage. Of that group, 31% (22,369 individuals) gained coverage specifically through Medicaid expansion rather than through State funds (Single Stream Dollars). Unfortunately, DMHDDUS was limited in the ability to reallocate unused resources from this group to others because the savings were offset by $15.6 million recurring cuts to 3-way bed dollars (Section 2B.4 of SL 2025-89) and $18.5 million recurring cuts to Single Stream Funds (Section 2B.5 SL2025-89). Continued investment in State funds remains

essential. Many individuals remain uninsured, and more than 20,000 individuals with Intellectual and Developmental Disabilities (IDD) are still on the waitlist for services. Ongoing State funding for behavioral health services is vital to ensuring access to care for these individuals. Ultimately, the benefits of Medicaid expansion have improved both access to care and service quality across North Carolina's public mental health, substance use, and intellectual/developmental disability system, regardless of an individual's insurance status.

c) **Department of Adult Correction:** Medicaid expansion saved the Department of Adult Correction $6.7 million for inmate health care, which would have otherwise been fully funded by State funds. This figure was determined by identifying DHB's total paid claims amount for the Medicaid expansion population that was incarcerated during SFY2024.

d) **Division of Health Benefits:**

- **Coverage for Parents of Children in Foster Care:** In 2021, the NC General Assembly appropriated $8,130,000 in State funds for coverage of parents of children in the foster care system for SFY 2022 and $18,000,000 recurring State appropriations starting in SFY 2023. The recurring appropriation was removed with the implementation of Medicaid expansion in SFY 2024, because this group would be covered by Medicaid expansion with no State appropriations. As such, $10.5 million in State appropriations were saved in SFY 2024 for the seven months following Medicaid expansion implementation.

- **Maternity and Postpartum Services:** Medicaid expansion saved NC Medicaid $11.4 million through coverage of maternity and postpartum services previously funded by State appropriations. This figure was determined by identifying applicable claims for members within the 3–12-month postpartum period. The CMS-approved postpartum proxy percentage of 61% was applied to the rate for individuals who would have originally qualified for the traditional Medicaid federal match of 65.91-67.41%.[4] The savings reflect the difference between the traditional Medicaid federal match and 100% coverage through Medicaid expansion (reflecting the 90% federal match and the 10% non-federal share financed using hospital assessments and intergovernmental transfers and the premium tax offset).

- **Medically Needy Population:** Medicaid expansion saved NC Medicaid $3.7 million for non-dually eligible beneficiaries who shifted from the Medically Needy eligibility group to expansion for SFY 2024. This figure was determined by identifying the number of non-dually eligible

[4] Federal Fiscal Year 2024 (Oct23 - Sep24) FMAP for MPW was: 67.41% from Oct23 to Dec23 and 65.91% from Jan24 to Sep24. This does not include the +5% ARP9814 bump.

Medically Needy beneficiaries in expansion during each month of SFY2024. The average cost per member per month (PMPM) for this population was then estimated using the SFY 2024 spend by the non-dually eligible Medically Needy population in the Medicaid Direct Behavioral Health program. The savings reflect the difference between the traditional Federal Medical Assistance Percentage (FMAP) of 70.91 - 72.41% for Medicaid and 100% coverage through Medicaid expansion.

e) **Continuous Coverage Unwinding:**

- Due to the launch of Medicaid expansion during the continuous coverage unwinding period (July 1, 2023 – December 31, 2025), it was estimated that 62% of Adult Medicaid beneficiaries whose eligibility was redetermined during the unwinding period would retain their coverage, either by becoming eligible for and enrolling in Medicaid expansion or retaining their coverage outright.

- 272,000 Medicaid members who qualified under expansion transitioned to full expansion benefits due to investments in automation that minimized need for intervention from DSS. This streamlined process helped avoid unnecessary eligibility appeals and reduced county DSS workload.

Appendix A

Amount of the health advancement assessments proceeds that were distributed to each county Department of Social Services in compliance with G.S. 108A-147.13(b) for SFY2024.

County	TOTAL SFY24 County Health Advancement Proceeds Allocations
ALAMANCE	$ 182,529
ALEXANDER	$ 63,967
ALLEGHANY	$ 44,181
ANSON	$ 61,620
ASHE	$ 54,316
AVERY	$ 46,253
BEAUFORT	$ 77,983
BERTIE	$ 54,545
BLADEN	$ 70,338
BRUNSWICK	$ 126,974
BUNCOMBE	$ 204,338
BURKE	$ 112,020
CABARRUS	$ 194,869
CALDWELL	$ 111,489
CAMDEN	$ 39,923
CARTERET	$ 76,935
CASWELL	$ 55,439
CATAWBA	$ 160,623
CHATHAM	$ 71,021
CHEROKEE	$ 60,668
CHOWAN	$ 47,439
CLAY	$ 43,914
CLEVELAND	$ 141,587
COLUMBUS	$ 95,701
CRAVEN	$ 112,361
CUMBERLAND	$ 377,452
CURRITUCK	$ 48,358
DARE	$ 54,432
DAVIDSON	$ 176,543
DAVIE	$ 63,390

DUPLIN	$	92,511
DURHAM	$	248,299
EDGECOMBE	$	102,278
FORSYTH	$	350,395
FRANKLIN	$	90,365
GASTON	$	237,249
GATES	$	42,232
GRAHAM	$	43,749
GRANVILLE	$	81,217
GREENE	$	53,942
GUILFORD	$	494,486
HALIFAX	$	92,855
HARNETT	$	146,962
HAYWOOD	$	83,278
HENDERSON	$	102,793
HERTFORD	$	57,258
HOKE	$	90,962
HYDE	$	38,660
IREDELL	$	159,349
JACKSON	$	65,261
JOHNSTON	$	209,044
JONES	$	43,559
LEE	$	90,442
LENOIR	$	100,002
LINCOLN	$	94,349
MACON	$	63,395
MADISON	$	52,500
MARTIN	$	57,682
MCDOWELL	$	76,046
MECKLENBURG	$	857,102
MITCHELL	$	46,776
MONTGOMERY	$	60,390
MOORE	$	93,163
NASH	$	125,337
NEW HANOVER	$	165,742
NORTHAMPTON	$	53,392
ONSLOW	$	176,279
ORANGE	$	96,879

PAMLICO	$	43,674
PASQUOTANK	$	69,565
PENDER	$	82,334
PERQUIMANS	$	45,394
PERSON	$	67,922
PITT	$	191,371
POLK	$	47,571
RANDOLPH	$	164,016
RICHMOND	$	94,660
ROBESON	$	216,095
ROCKINGHAM	$	116,544
ROWAN	$	166,614
RUTHERFORD	$	96,799
SAMPSON	$	101,084
SCOTLAND	$	80,240
STANLY	$	86,003
STOKES	$	68,990
SURRY	$	97,602
SWAIN	$	51,823
TRANSYLVANIA	$	55,833
TYRRELL	$	38,052
UNION	$	172,528
VANCE	$	94,831
WAKE	$	610,571
WARREN	$	52,882
WASHINGTON	$	47,329
WATAUGA	$	54,404
WAYNE	$	155,782
WILKES	$	93,202
WILSON	$	123,322
YADKIN	$	64,777
YANCEY	$	49,800
Total	**$**	**11,669,000**