
# Current Medicaid Eligibility and Financing

**Dave Richard**
**Deputy Secretary, NC Medicaid**
**Department of Health and Human Services**

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# Transition to Managed Care

- NCGA & NCDHHS working on managed care since 2015
- Leverage 1115 waiver flexibility and innovation
- Key legislation passed in each session 2015-2021
  - SL 2020-88 required capitated contracts begin no later than July 1, 2021
- Single statewide rollout of NC Medicaid Managed Care occurred on July 1, 2021
  - About 1.7 million Medicaid beneficiaries enrolled in one of five Standard Plan options
  - Over 4,000 individuals enrolled with EBCI Tribal Option

# North Carolina's Vision for NC Medicaid Managed Care

"To improve the health of North Carolinians through an innovative, whole-person centered, and well-coordinated system of care that addresses both the medical and non-medical drivers of health."

## Day 1 Priorities

Individuals get the care they need, and providers get paid

# Behavioral Health/IDD Tailored Plans

- Serve individuals with significant mental health and substance use disorders, intellectual and developmental disabilities (I/DDs) and traumatic brain injury (TBI), as well as people using state-funded and waiver services
  - Approx. 175,000 individuals
- Fully integrated, whole person, physical and behavioral health care
- Same services as Standard Plans plus more

# Who Does Medicaid Cover?

## Mandatory Coverage Groups

- Low-income children
- Low-income pregnant women
- Families who would have qualified under 1996 Aid to Families with Dependent Children (~$8,000 per year for family of 3 in NC)
- Aged, blind and disabled who qualify for social security income
- Low-income Medicare beneficiaries

## Optional Coverage Groups

- Low-income children and pregnant women at higher income levels
- Medically needy
- Medicaid expansion (adults with income up to 138% of FPL)

Kaiser Family Foundation, Medicaid at 50 (2015).

# Who Receives Full Medicaid?

| Group | Annual Income | |
|---|---|---|
| Older Adults > 65<br>People with blindness<br>People with disabilities<br>*Asset limits also apply | 100% of Poverty Level<br>1 - $12,888<br>2 - $17,424 | |
| Parents/caretakers of children <18, individuals 19 and 20 | ~40% of Poverty Level<br>1 - $5,208<br>2 - $6,828<br>3 - $8,004 | |
| Children <6 | Medicaid<br>210% of Poverty Level<br>1 - $27,048<br>2 - $36,588<br>3 - $55,656 | |
| Children >6 | Medicaid<br>133% of Poverty Level<br>1 - $17,136<br>2 - $23,172<br>3 - $29,208 | NC Health Choice<br>134-211% of Poverty Level<br>1 - $27,180<br>2 - $36,768<br>3 - $46,344 |
| Non-disabled childless adults 19-64 | Not covered | |

# How is NC Medicaid Financed?

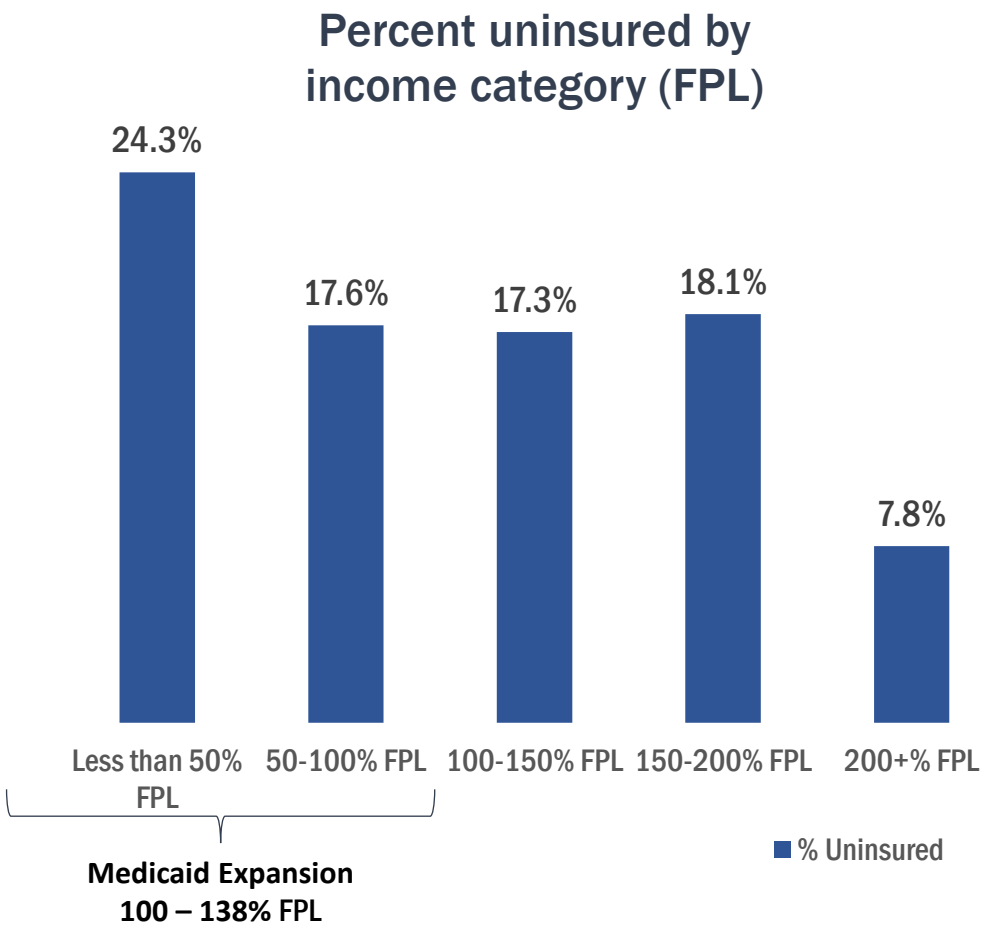
- Medicaid is jointly funded by states and federal government
- Historically, NC Medicaid expenditures are covered by:
  - 67.65% from the federal government
  - 32.35% Non-federal share covered by state appropriations, hospital assessments, intergovernmental transfers and certified public expenditures
- Regular federal match rates vary by state based on per capita income and other factors
  - During the federal public health emergency NC receives an enhanced federal match of 73%
- 90% federal match for the Medicaid expansion population
  - It would require an act of congress to change the law and reduce this match percentage

# Uninsured and Evidence from Expansion

# Who are the Uninsured?

Lower income individuals are more likely to be uninsured

138% FPL = $30,305 for family of 3 in 2022



# Who is Covered under Medicaid Expansion?

**Low-income Parents (annual income between $8,004 and $30,305 for a family of 3)**

- Low-wage workers (agriculture, food service, child care, construction, etc.)
- Veterans and their families

**Low-income Childless Adults (income less than $17,774 per year for a single adult)**

- Children who age out of Medicaid
- Women prior to pregnancy (maternal health outcomes)

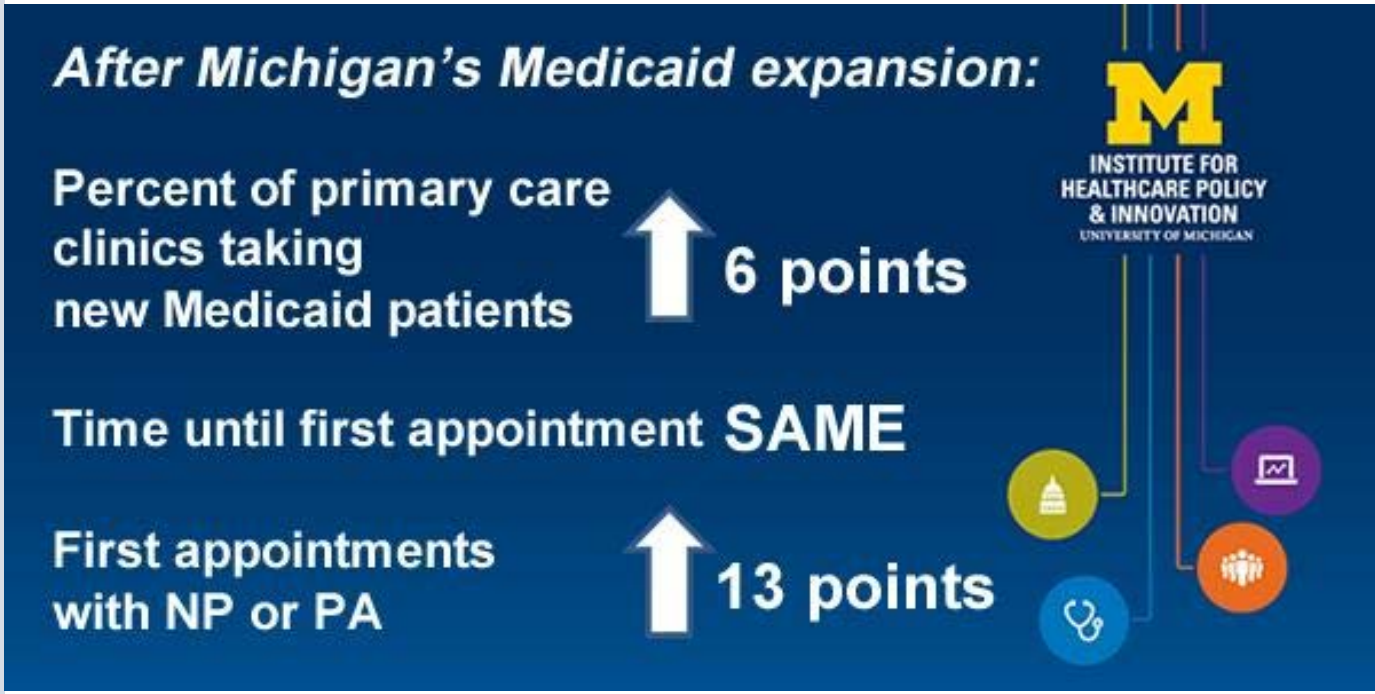
# Sample Industries with Low-Income Uninsured Workers (Pre-Pandemic)

| | | |
|---|---|---|
|  | Grocery Workers<br>19% Uninsured | Annual Income: $21,680<br>2018 Employer Insurance: 52% |
|  | Nursing Home/Home Health<br>14%/19% Uninsured | Annual Income: $33,280/$29,952<br>2018 Employer Insurance: 57%/39% |
|  | Clothing Store Workers<br>14% Uninsured | Annual Income: $19,800<br>2018 Employer Insurance: 55% |
|  | Hotel / Lodging Workers<br>28% Uninsured | Annual Income: $24,450<br>2018 Employer Insurance: 40% |
|  | Restaurant Workers<br>28% Uninsured | Annual Income: $17,160<br>2018 Employer Insurance: 40% |
|  | Hair Cutters<br>20% Uninsured | Annual Income: $28,320<br>2018 Employer Insurance: 37% |
|  | Child Day Care Workers<br>20% Uninsured | Annual Income: $22,360<br>2018 Employer Insurance: 52% |

# Medicaid Providers

90% of North Carolina family doctors participate in NC Medicaid

Medicaid expansion doubled access to primary care and increased attention to health risks in low-income individuals in Michigan




KFF: Among responding plans operating in states that expanded Medicaid, more than 7 in 10 reported that they expanded their provider networks between January 2014 and December 2016 to serve the newly eligible population.

# Rural Health, Uncompensated Care, and Hospitals

- Rural residents are 40% more likely to be uninsured and eligible for Medicaid expansion
- Prior studies have shown that Medicaid expansion is associated with improved hospital financial performance and reductions in hospital closure
- 11 rural hospitals have closed in North Carolina since 2005; many others have cut key services
- There are 6 rural hospitals that the Sheps Center classifies as having high financial risk – these hospitals serve communities of about 180,000 people
- Losing the only hospital in a county implies a decrease of about $1,300 dollars in per capita income
- North Carolina hospitals provided approximately $1,825,000,000 in uncompensated care in 2019

Source: Sheps Center Analysis 2020 originally presented at Coverage Council December 2020

# Earlier treatment means better health

- Uninsurance and uncompensated care leads to worse health for beneficiaries
- Gaps in coverage and churn
- Expansion evidence has shown:

| Increases in: | Decreases in: |
| --- | --- |
| People getting regular check ups | Skipping medications due to cost |
| Early-stage cancer diagnoses | Positive screenings for depression |
| Prescriptions filled for heart disease and diabetes | One year mortality among patients with end-stage renal disease |
| People getting surgical care consistent with clinical guidelines | People without a personal physician |

Source: Ghosh et al. 2019, Loehrer et al. 2018, Miller et al. 2019, Sommers et al. 2016. Soni et al. 2017, Swaminathan et al. 2018

# Veterans and their Families

- North Carolina has 730,357 Veterans
- Only 338,5050 of those receive care through the VA
- Even if a Veteran receives health care through the VA their families may remain uninsured
- Veterans uninsured rate decreased 4.3 percentage points in expansion states.
- Medicaid Expansion could help approximately 14,000 additional North Carolina Veterans gain health coverage

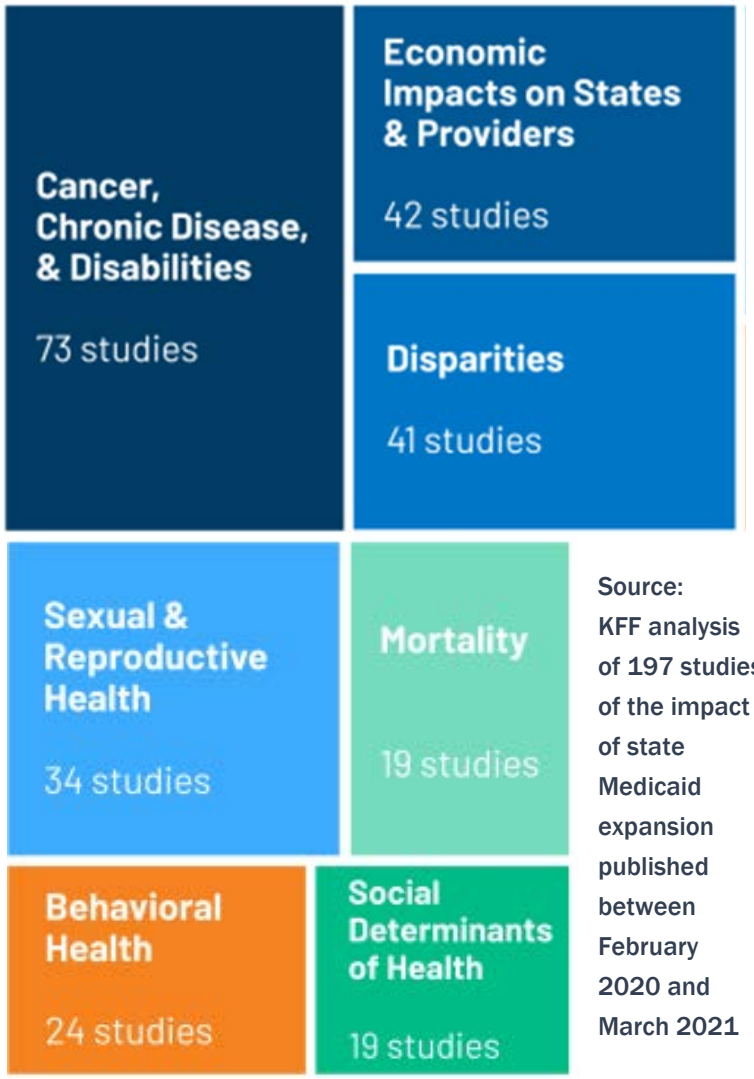
Source: Robert Wood Johnson and Urban Institute Analysis

# Mental Health and Substance Use Disorder

Research has shown Medicaid expansion has led to:

- Improvements in self-reported mental health
- Reductions in opioid overdose deaths
- Improved access to medications and services for treatment
- Opioid treatment increases with no increase in opioid prescribing rates
- Increased behavioral health providers enrolling in Medicaid

Post-Pandemic need for mental health support in the state




Source: KFF analysis of 197 studies of the impact of state Medicaid expansion published between February 2020 and March 2021

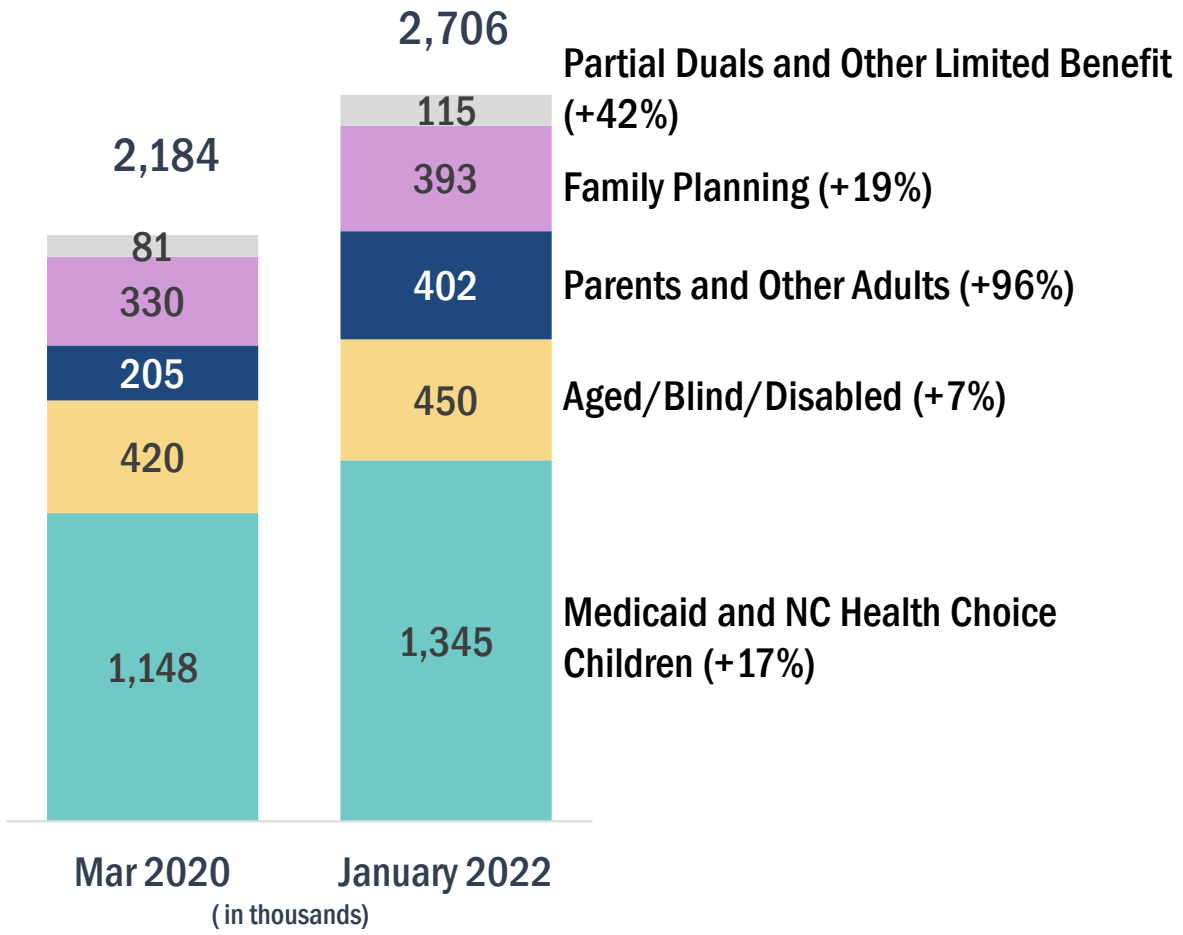
# Pandemic Impact to Coverage Landscape

# Post-pandemic Considerations

- Medicaid enrollment increases due to non-termination
- Broader economic changes
- Changes in medical and behavioral health needs
- New uninsured COVID-19 limited benefit group
- Employer market uncertainty

# Monthly Medicaid Enrollment by Category Growth Since Start of PHE

522,000 (24%) total growth; includes 200,000 parents and other adults who may be eligible for Medicaid Expansion



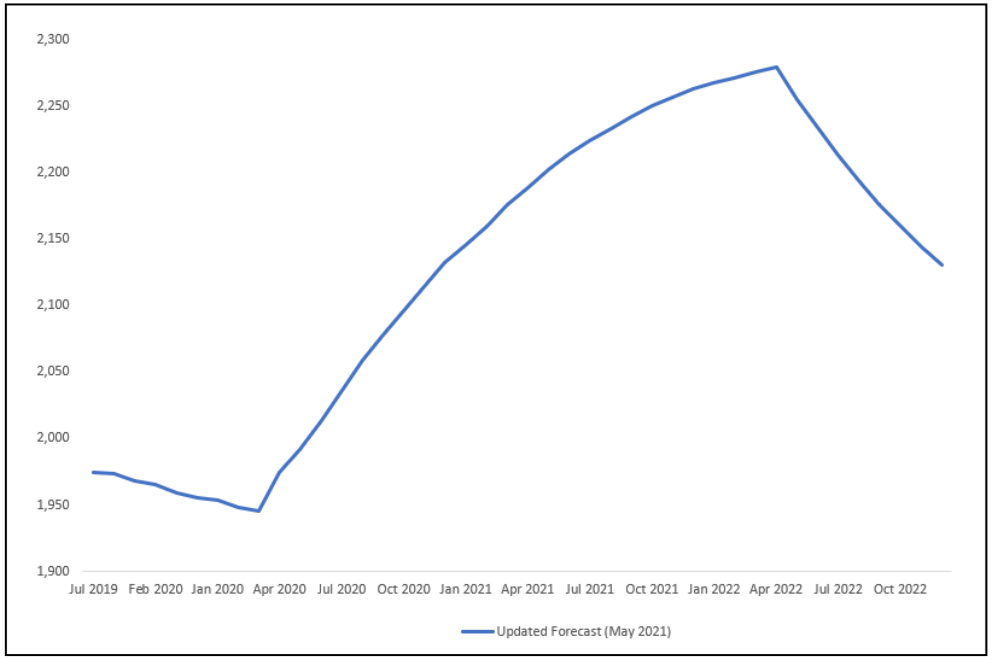

Source: Monthly Medicaid Enrollment Report, January 2022

# Effects on Enrollment

- Non-termination requirements tied to the federal public health emergency has driven significant enrollment growth, including many adults who could be covered at higher expansion match
- County caseworkers will need to work through these higher caseloads when terminations resume

## Medicaid Enrollment Forecast

(excluding Family Planning and assuming public health emergency ends April 2022)



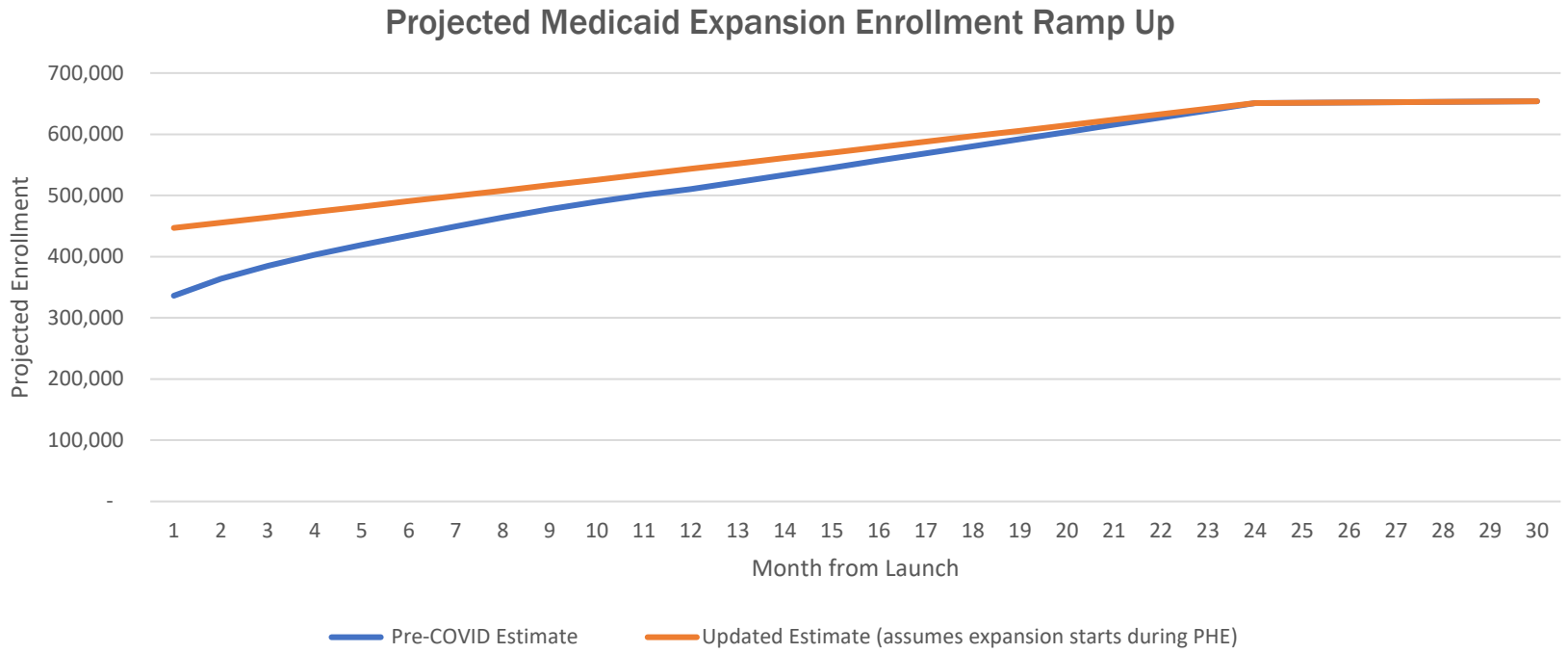

Assumption: PHE ends April 2022

# Expansion Projections and Financing Approach

# Federal Contributions and Incentives for Medicaid Expansion

- Expansion FMAP
  - 90% federal match indefinitely per law
  - 10% non-federal share can be covered by assessments on hospitals and health plans
- American Rescue Plan Act 5% Incentive
  - New expansion states are eligible for eight quarters of 5% increase in federal match on current Medicaid populations
  - For North Carolina that would mean $1.6 - $1.7 billion in additional federal receipts over two years; $1.4 - $1.5 billion available for state initiatives
- Provisions in Build Back Better Proposal
  - Congressional proposal would give all states 93% Expansion FMAP for 2023-2025

# Medicaid Expansion Financial Projections




## Enrollment Assumptions

- More than 600,000 North Carolina adults expected to enroll based on estimates from the Urban Institute
- Enrollment assumed to ramp up over two years
- Ramp up will depend on timing of launch relative to end of public health emergency, public awareness, and economic / other factors

**Estimates are subject to further refinement.**
**Source:** https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid_expansion_2001838_2.pdf

# Medicaid Expansion – Proposed Financing of 10% Non-Federal Share

| | |
|---|---|
| PHP Premium Tax Collections | Current 1.9% premium tax on commercial insurance will apply to Medicaid PHPs |
| Hospital Assessments and IGTs | Current assessments where hospitals contribute portion of program costs |
| Receipts from New Medicaid Coverage Gap Assessment | New assessment applicable to hospitals to cover remaining expansion related costs |

# $180M Recurring Medicaid Expansion State Offsets*

## State-Funded Mental Health — $61M

Up to $61M per year in state-funded mental health and substance use services, including those at state facilities, could be covered under Medicaid expansion (with full take-up); $35 million mental health investments would be retained to meet MOE requirements for federal mental health block grant

## Premium Tax Revenue — $80M

~$80M net increase after accounting for shift of some individuals from Marketplace coverage to Medicaid

## Current Medicaid Program — $25M

$20M per year for populations whose eligibility may change from current limited-benefit category at 67% match rate to expansion adult group (pregnant women, breast & cervical cancer, medically needy)

## Department of Public Safety — $14M

$14M per year for state-paid inmate inpatient care would be covered by federal Medicaid funds

*Much of this $61m can't be cut due to Maintenance Of Effort for Federal Block grants, but this funding can be redirected to address other significant BH needs.

# Planned Coverage Expansions

**2021 budget bill included provisions for extending Medicaid eligibility to 3 groups**

## Parents of Children in Foster Care

Medicaid coverage is currently terminated for an estimated 3,000 – 5,000 parents each year when their children enter foster care

**$18M** recurring appropriations would no longer be needed with Medicaid expansion

## Coverage 12 Months Postpartum

Annually, Medicaid coverage is terminated 60 days after birth for 27,000 women and an additional ~8,500 lose coverage less than a year after birth due to income increases over limit of 42% FPL

**$51M** recurring for 32% non-federal share (covered by hospitals) would be significantly reduced with Medicaid expansion

## HCBS Waiver Slots

1,000 additional Innovations waiver slots and 114 additional CAP/DA slots

**$27M** recurring non-federal share using ARPA HCBS funds through March 2024 would be unaffected by Medicaid expansion

## Takeaways

**Significantly Improve State's Ability to Address Mental Health and Substance Abuse**

**Financially Self Supporting**

**Uncompensated Care Hurts the State Budget, Providers and People's Health**

**State Can Take Advantage of $1.7 Billion in Federal Dollars**

**Program Efficiencies for State, Counties and Partners**