



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Medicaid Expansion Fiscal Background

**Joint Legislative Committee on
Access to Healthcare and Medicaid Expansion**

March 1, 2022

Presentation Outline

- Federal match (FMAP) for Medicaid
 - **FMAP** = *federal medical assistance percentage*
 - Current State Medicaid program
 - Medicaid expansion
 - American Rescue Plan Act (ARPA): additional 5% federal match
- Expansion impact on State budget



Federal Match

Current Medicaid Program

- Medicaid is funded with federal receipts and funds identified at the State level
- Base FMAP for most Medicaid services is 67.65% in NC (for federal FY 2021-22)
- Federal COVID-19 relief legislation adds 6.2% to FMAP during the public health emergency
 - Thus, current FMAP is **73.85%** (the “traditional FMAP”)
- “Non-federal share” is made up of funds from:
 - State General Fund (GF)
 - Hospital assessments
 - Other provider assessments and transfers
 - State special funds (e.g., Medicaid Transformation Fund, HCBS Fund)



Federal Match

Medicaid Expansion

- Per federal law, benefits (including fee-for-service and managed care capitation) paid on behalf of the expansion population draw a **90% FMAP** (the “expansion FMAP”)
 - *42 USC 1396d(y)(1)(E)*
 - *Example:* If expansion benefits were to cost a total of \$5.0B, the 90% match would represent \$4.5B in federal receipts
- The additional 6.2% on traditional Medicaid FMAP from federal COVID-19 relief legislation *does not* apply to the 90% expansion FMAP



Federal Match

American Rescue Plan Act Incentive

- Section 9814 of ARPA provides an incentive for nonexpansion states to expand Medicaid
 - Adds 5% to the traditional FMAP for current Medicaid program for 2 years
 - No change to the 90% expansion FMAP
 - To receive the incentive, eligible expansion enrollees may not be excluded from coverage for failure to meet additional requirements such as working or paying premiums
- The 5% FMAP enhancement would increase federal receipts by approximately \$1.6B to \$1.7B over 2 years
 - *However*, some of the benefit would accrue to providers that pay a portion of the State's nonfederal share
 - *Reduces the need for State GF spending for the Medicaid program by approximately **\$1.4B to \$1.5B** over 2 years*



Medicaid Expansion Fiscal Impact

Short Term

- Cost of expansion (benefits and State and local admin) would depend on timing and enrollment ramp up
 - Initially \$30M to \$40M per month nonfederal share as enrollment ramps up
- Savings to existing Medicaid program
 - From temporary +5% FMAP (*short-term impact only*)
 - Some individuals being served by existing Medicaid program would instead be covered by expansion (*short- and long-term impact*)



Example: Medicaid Expansion Impact FY 2022-23 Medicaid Budget

Chart shows nonfederal share and assumes a January 1, 2023 start date for expansion

	Item	Impact (\$M)	Fund Source	Notes
1	Medicaid expansion	\$200	???	Source would need TBD
2	Medicaid base budget/rebase	(350)	GF	+5% FMAP
3	Postpartum extension	(15)	Hospital Assmt.	Many new mothers would qualify for expansion (& +5%)
4	HCBS enhancements	(10)	HCBS Fund	+5% FMAP; savings would have to be used for HCBS
5	Parents of foster care children	(9)	GF	Separate coverage not needed
6	Healthy Opportunities Pilots	(4)	MTF	+5% FMAP
7	Fee-for-service claims run out	(3)	MTF	+5% FMAP
8	Other Medicaid budget items	(1)	GF	+5% FMAP
9	TOTAL	(\$192)*		Includes \$360M GF savings

*Estimate is based on 6 months of FY 2022-23. Many impacts would double with a full fiscal year.

HCBS = Medicaid home and community-based services / MTF = Medicaid Transformation Fund



Medicaid Expansion Fiscal Impact Long Term (Year 3 and after)

- Once expansion population is fully ramped up, the total nonfederal share of costs would be an estimated \$500M to \$600M per year

Estimates of Key Metrics		
1	Average monthly expansion enrollment	600k – 650k
2	Annual total requirements	\$5.0B – \$6.0B
3	Annual nonfederal share of costs	\$500M – \$600M
4	Annual increase to gross premiums tax	\$70M – \$90M
5	Potential annual savings to non-Medicaid State programs (e.g., behavioral health, prison healthcare)	\$40M – \$50M*

*To realize a reduction in funding needs as savings or reduced appropriations, action would have to be taken to decrease appropriations for the affected programs



Key Takeaways

- Expansion benefits draw a 90% federal share, higher than the share for traditional Medicaid benefits
- The 5% FMAP incentive in ARPA would generate an opportunity for General Fund savings in the existing Medicaid program of approximately \$1.4B to \$1.5B over 2 years (\$700M to \$750M per year)
- With the 2-year ARPA FMAP enhancement, the short-term fiscal impact of expansion is a net positive
- Expanding Medicaid would eventually require the State to identify an estimated \$500M to \$600M annually for the nonfederal share costs



QUESTIONS

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