

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

Overview of NC Medicaid and Division of Health Benefits

**Joint House and Senate Appropriations Committees
on Health and Human Services**

February 22, 2023

Outline

- Medicaid basics
 - Eligibility and enrollment
 - Medicaid services
- Medicaid transformation
- Enrollment and spending data
- Division of Health Benefits (DHB) budget
- Budget highlights from 2021-2023 biennium
- Budget issues for FY 2023-24



Medicaid

- Medicaid covers healthcare costs for qualifying low-income individuals
- Authorized by federal Social Security Act Title XIX
- Medicaid programs are administered by the states within the parameters and guidelines set by federal laws and regulations
 - States need approval from the Centers for Medicare and Medicaid Services (CMS) to modify program
- Medicaid is an entitlement



Medicaid Funding

- Medicaid is jointly funded with State and federal dollars
- Base federal match (“FMAP”) for most services is currently 67.71% in NC, decreasing to 65.91% on October 1, 2023 – *this is a big decrease*
 - **FMAP** = federal medical assistance percentage
- Federal COVID relief legislation added 6.2 percentage points to FMAP from January 2020 through March 2023
 - Phase-out of COVID FMAP:
 - +5.0 percentage points Apr – Jun 2023
 - +2.5 percentage points Jul – Sep 2023
 - +1.5 percentage points Oct – Dec 2023 (*final adjustment*)



Mandatory Eligibility Groups

- Mandatory Medicaid groups:
 - Aged, Blind, and Disabled (ABD) receiving Supplemental Security Income (SSI)
 - Pregnant women up to 133% of the federal poverty level (FPL)
 - Foster children and adoptive children under Title IV-E, including former foster care children through age 25
 - Children:
 - Newborns up to 196% FPL
 - Children through age 18 up to 133% FPL
 - Families with children to age 18 who would have been eligible for Aid to Families with Dependent Children (AFDC) in May 1988
- 2023 Federal Poverty Level (FPL)/Annual Income

Family of	100% FPL	133% FPL	196% FPL	210% FPL
1	\$14,580	\$19,391	\$28,577	\$30,618
2	\$19,720	\$26,228	\$38,651	\$41,412
3	\$24,860	\$33,064	\$48,726	\$52,206
4	\$30,000	\$39,900	\$58,800	\$63,000



Medicaid Eligibility

- The General Assembly sets eligibility for Medicaid beneficiaries beyond the mandatory categories
 - See G.S. Section 108A-54.3A
- Optional beneficiary groups in NC Medicaid:
 - Non-SSI ABD up to 100% FPL
 - Children 19-20 in AFDC limits
 - Pregnant women 134%–196% FPL
 - Children 0-5 134%–210% FPL
 - *Apr 1st: Children 6-17 up to 210% FPL, formerly in NC Health Choice*
 - Family Planning up to 195% FPL
 - Eligible parents of children placed temporarily in child welfare system
 - Medically Needy
 - Breast and Cervical Cancer
 - Recipients of State-County Special Assistance
 - Working disabled



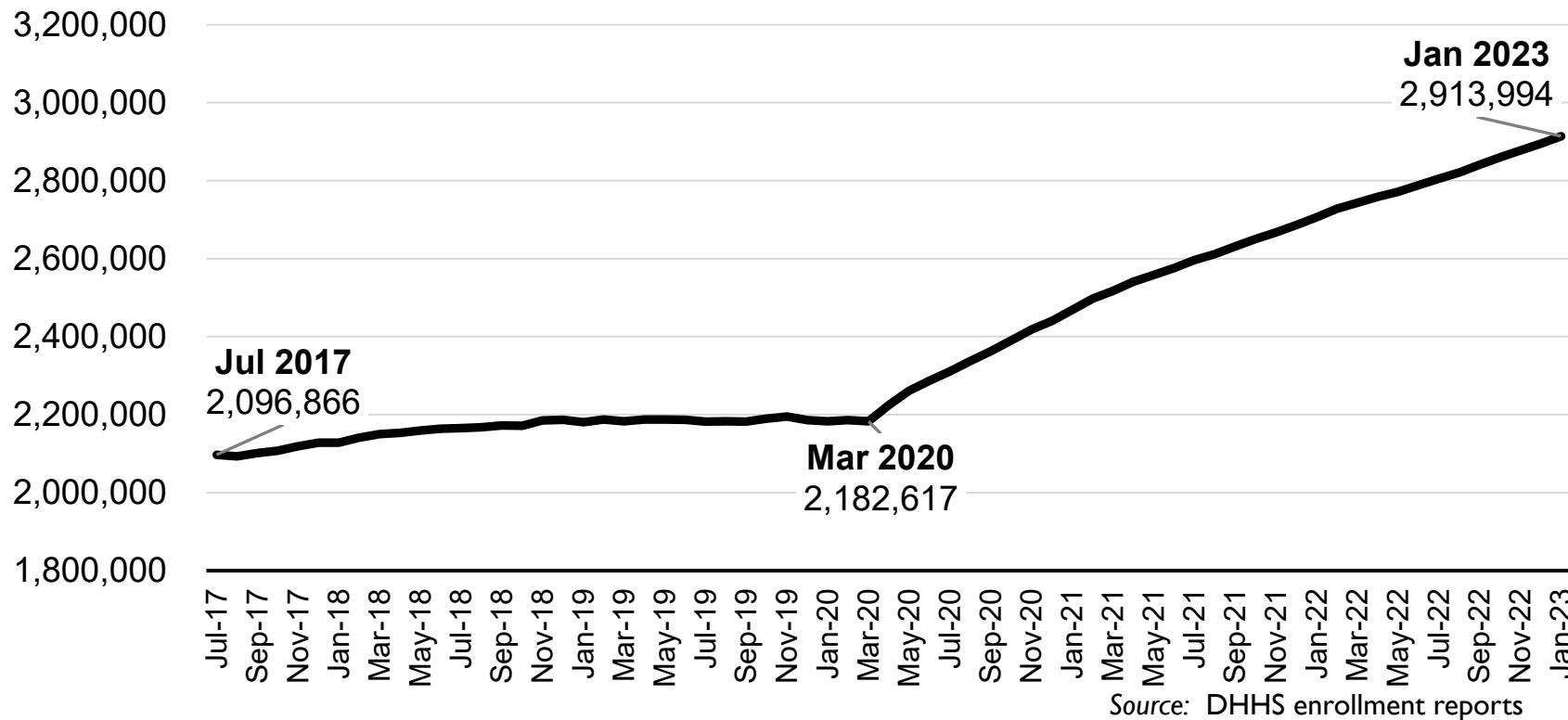
Enrollment in Medicaid

- County departments of social services conduct eligibility determinations and re-determinations every 12 months for most eligibility categories
- DHB reports Medicaid enrollment monthly by eligibility category and managed care status
- COVID-19 Pandemic: Due to the maintenance of effort requirement for the +6.2% federal match (slide 4), the State has not been allowed to terminate Medicaid benefits since March 2020
 - *This requirement ends after March 31, 2023*
- As of January 2023, there were **2.9 million beneficiaries** in the NC Medicaid program (including NC Health Choice)



Medicaid and NC Health Choice Enrollment Trends

- Enrollment has grown steadily since March 2020 due to the non-termination of enrollees during the national public health emergency.
 - The largest increase is in AFDC parents, which has grown from 160,000 to 414,000, a 159% increase



Medicaid Benefits

- Federally Mandated Medicaid benefits
 - Services provided by physicians, midwives, and nurse practitioners
 - Children's dental, health check, hearing aids, and routine eye exams and visual aids
 - Services provided by federally qualified and rural health centers
 - Durable medical equipment
 - Ambulance
 - Smoking cessation
 - Hospital inpatient and outpatient
 - Psychiatric residential treatment facilities and residential services, younger than age 21
 - Nursing homes
 - Lab and x-ray
 - Nonemergency medical transportation
 - Family planning and supplies

Medicaid Benefits (continued)

- NC Medicaid Optional Benefits
 - Prescription drugs
 - Adult dental and optical services
 - Non-mandatory practitioner services
 - Personal care services (PCS)
 - Inpatient psychiatric services
 - Health clinics
 - ... and others
- Not all services are available to all Medicaid beneficiaries
 - For example, family planning eligibility category only receives services related to family planning
- DHB has the authority to set coverage policies and the reimbursement rates for most services
 - Changes must stay within the budget for Medicaid
- In July 2021, a significant portion of Medicaid enrollees moved to Medicaid managed care and now receive most services through prepaid health plans (PHPs)



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Medicaid Managed Care

- What is Medicaid managed care?
 - Instead of paying providers directly for services (“fee-for-service” or FFS), Medicaid pays managed care entities per-person rates to coordinate, manage, and pay for healthcare for beneficiaries
Per-person rates are also called “capitated” or “capitation” rates
- Managed care PHPs contract with providers to serve Medicaid enrollees
 - PHPs must meet network adequacy requirements
- NC has had managed care in *behavioral health* for more than 10 years through local management entities/managed care organizations (LME/MCOs)
- S.L. 2015-245 required a more comprehensive managed care system for NC Medicaid with integration of physical and behavioral healthcare for beneficiaries



Intent of Medicaid Transformation

- S.L. 2015-245, Section 1
 - *“... provide budget predictability for the taxpayers of this State while ensuring quality care to those in need.”*
- Legislative goals from S.L. 2015-245:
 - *Ensure budget predictability through shared risk and accountability.*
 - *Ensure balanced quality, patient satisfaction, and financial measures.*
 - *Ensure efficient and cost-effective administrative systems and structures.*
 - *Ensure a sustainable delivery system.*



Types of Prepaid Health Plans in NC

- Standard Plans (launched July 2021; see G.S. 108D-1(36))
 - Plans cover most Medicaid enrollees
 - 4 statewide commercial plans; 1 regional provider led entity
- Tribal Option (launched July 2021; see S.L. 2020-88, Sec. 12)
 - Indian Managed Care Entity; first of its kind in the nation
 - An option for members of the Eastern Band of Cherokee Indians
 - 100% federal match
- Behavioral health and intellectual/developmental disabilities tailored plans (scheduled to launch April 2023; see G.S. 108D-1(4))
 - Plans for approximately 150,000 enrollees with severe behavioral health needs or intellectual/developmental disabilities
 - LME/MCOs hold initial Tailored Plan contracts
- Foster care plan: Suggested by DHHS but authorizing legislation is still needed

Some populations will remain in Medicaid fee-for-service (“NC Medicaid Direct”)



Managed Care Capitation Rates

Estimated Standard and Tailored Plan Capitation Rates, FY 2022-23

Standard Plan Rates	Average Monthly Rate	Tailored Plan Rates	Average Monthly Rate
Aged, Blind, and Disabled	\$1,715	Blind/Disabled Children	\$1,775
		ABD Adults	2,915
Newborns (< age 1)	915		
Children (ages 1-20)	170	Children	1,040
Adults	435	Adults	1,215
		I/DD Innovations Waiver	7,265
		Traumatic Brain Injury	8,160
Maternity Event	11,915	Maternity Event	16,005

Source: FY 2022-23 Medicaid Rebase file (DHHS & OSBM)



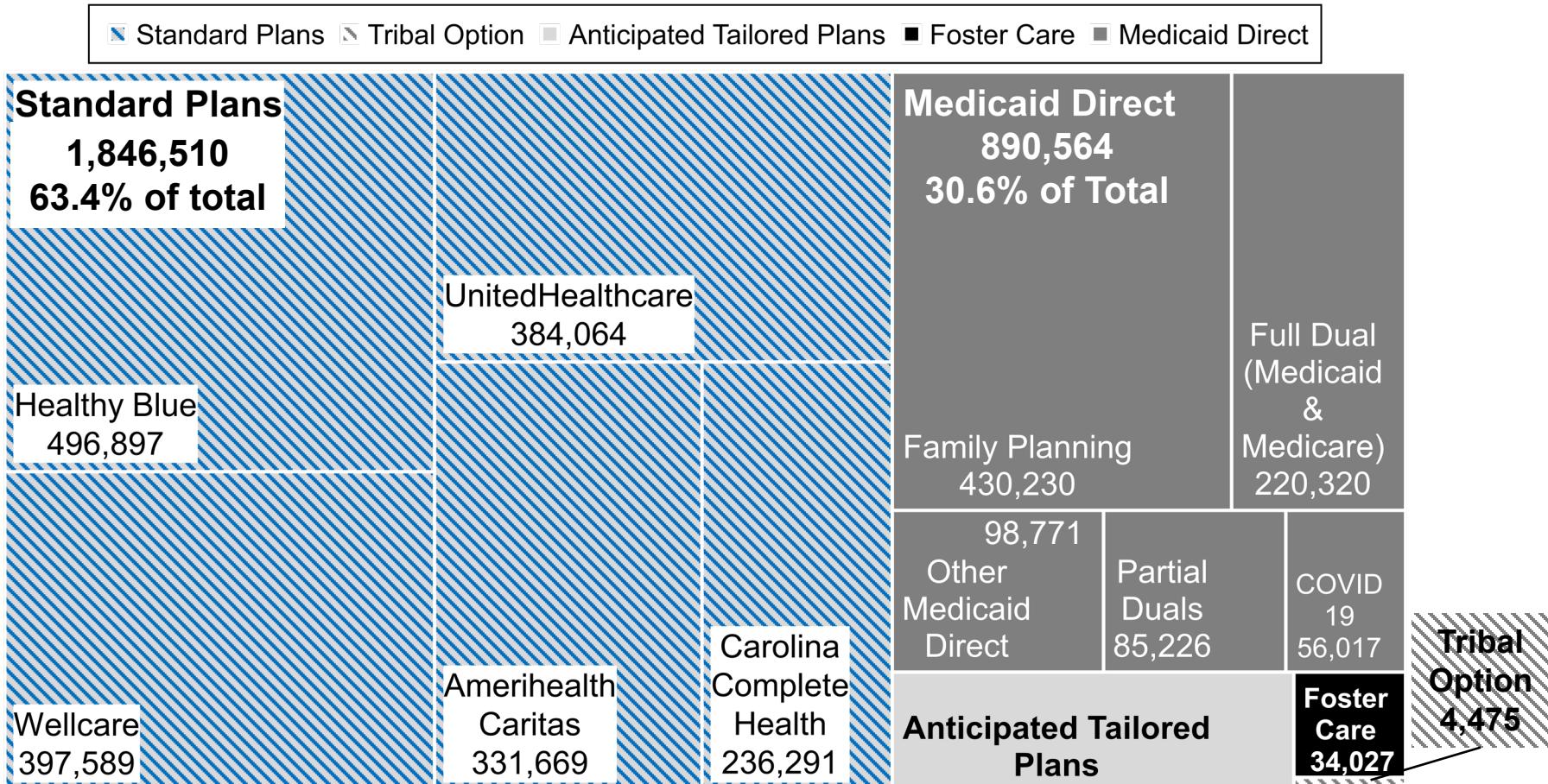
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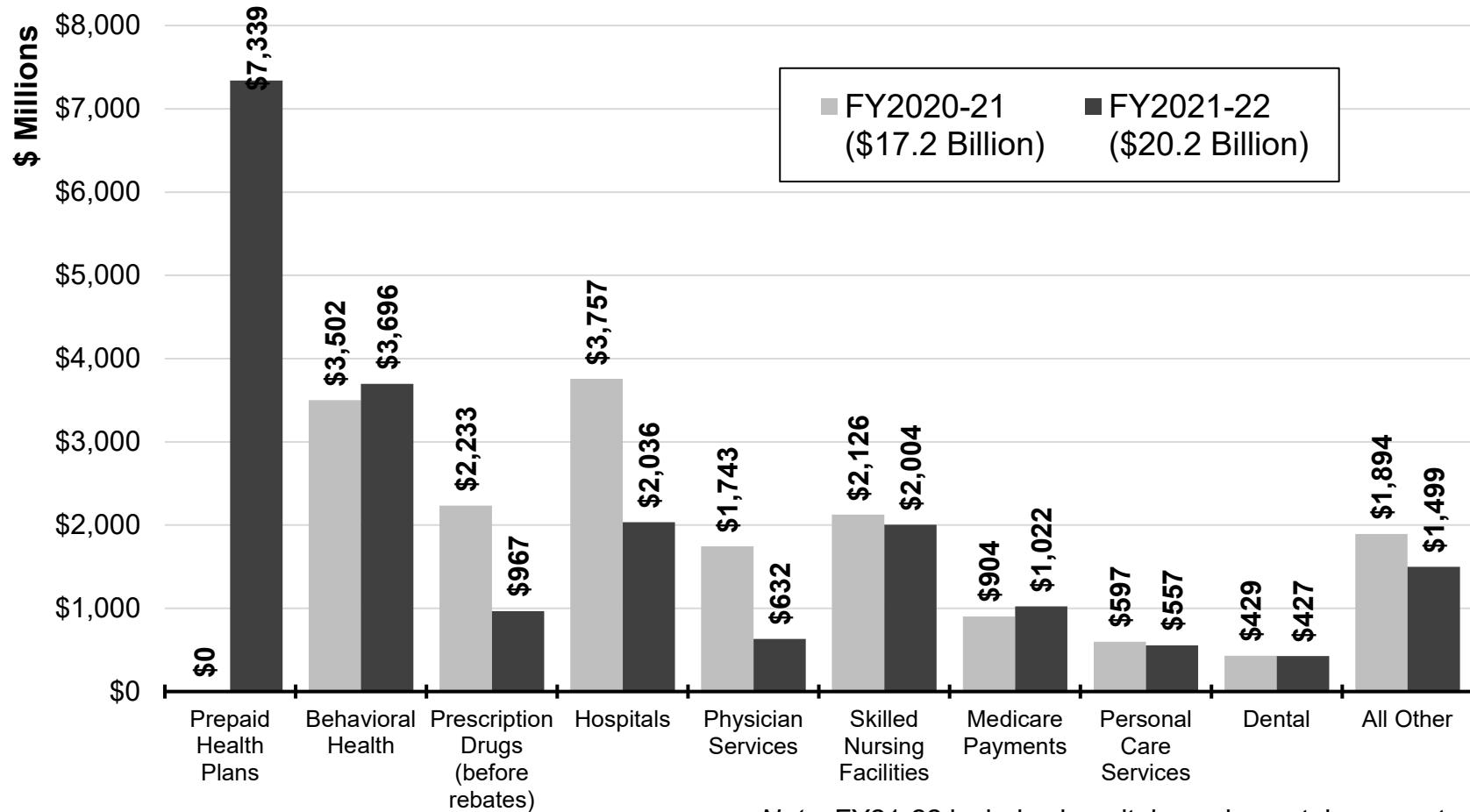
Enrollment by Managed Care Grouping

January 2023 Enrollment



Striped pattern = Currently in managed care; Solid = currently in Medicaid FFS

Medicaid Service Costs



Note: FY21-22 includes hospital supplemental payments
Sources: June 2021 and 2022 BD-701s

Medicaid Providers

- Providers received Medicaid payments for more than 89 million procedures and prescriptions in FY 2020-21

Type of Provider	Providers Receiving Payments*	Procedures/ Scripts	Total Payments
Professional	15,000	56.5 million	\$3.781 billion
Institutional	1,640	18.7 million	\$4.412 billion
Pharmacy	<u>2,825</u>	<u>14.1 million</u>	<u>\$2.194 billion</u>
Totals	19,465	89.3 million	\$10.387 billion

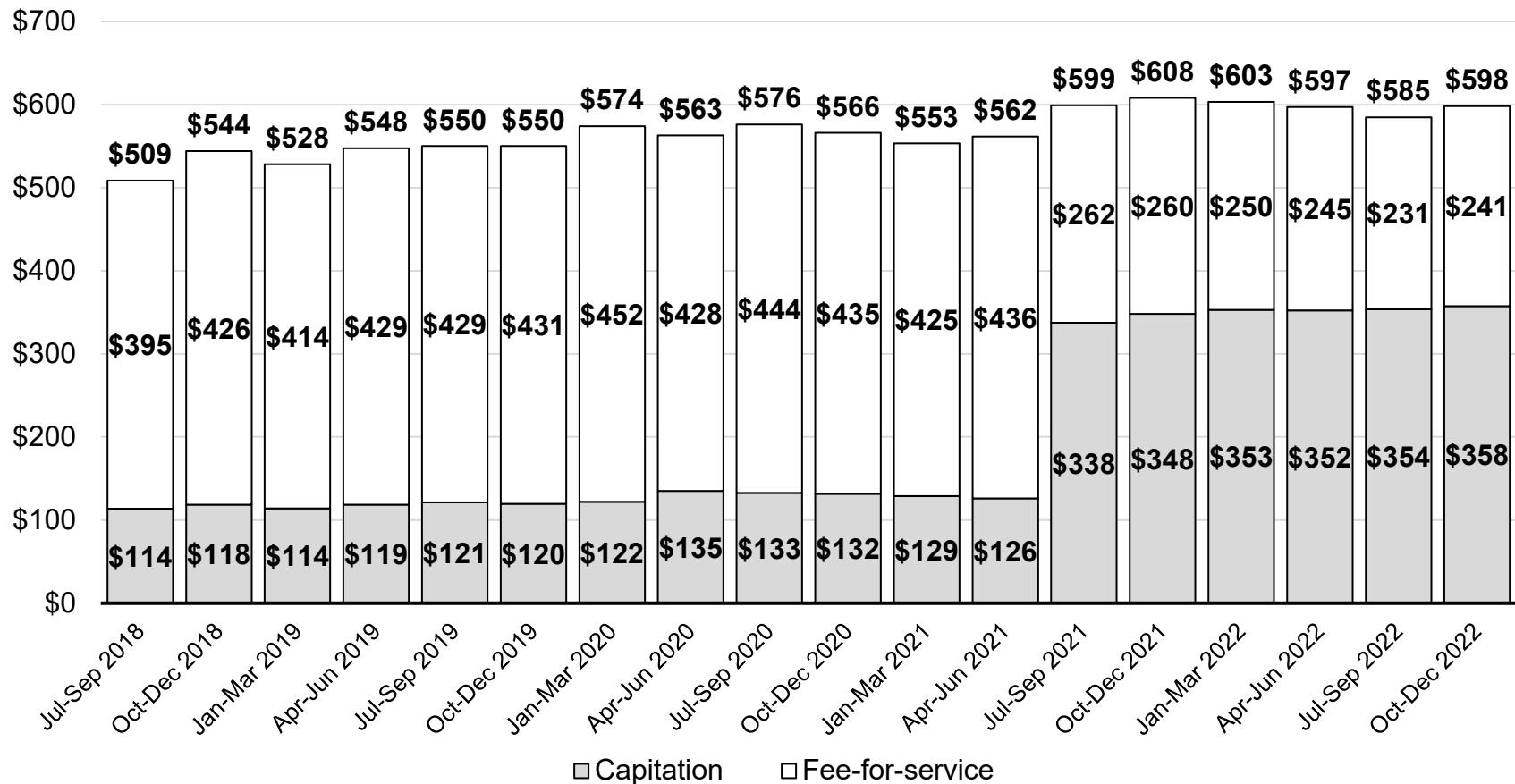
*Count is by National Provider Identifier (NPI), although providers can have more than one NPI.

Note: Claims paid through managed care, supplemental payments, and cost settlements are excluded from the table. Data from FY 2020-21 are used to show provider impact prior to implementation of Standard Plans.

Source: DHHS Medicaid dashboard



Monthly Per Person Service Costs



Notes: Figures are adjusted to standardize the number of checkwrites per quarter. Fee-for-service costs include hospital supplemental payments prior to July 1, 2021, when managed care began. Medicare cost-sharing payments are excluded.



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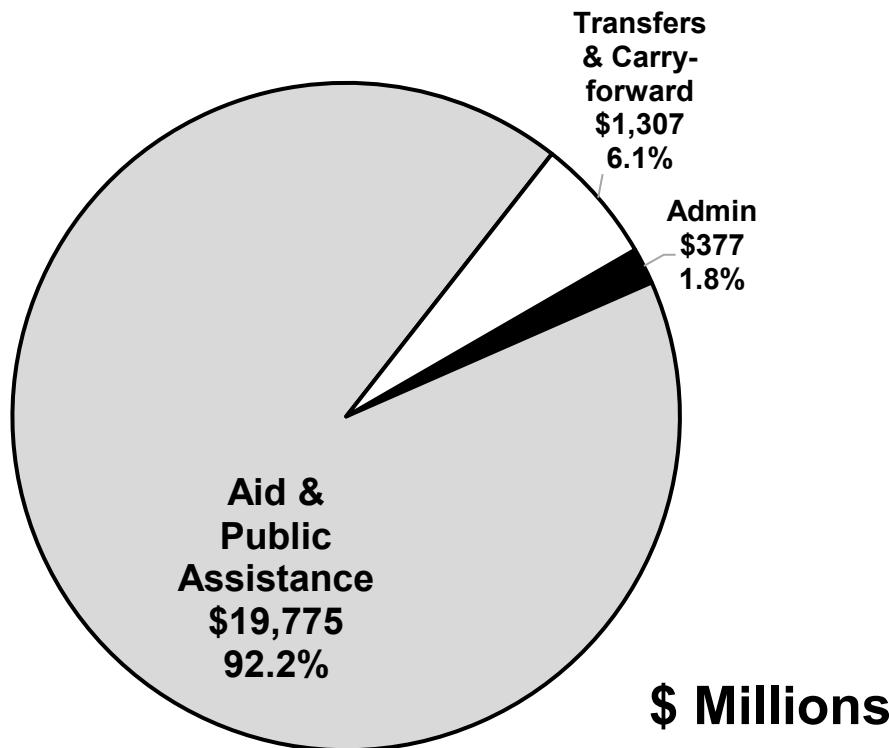
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Division of Health Benefits Expenditures

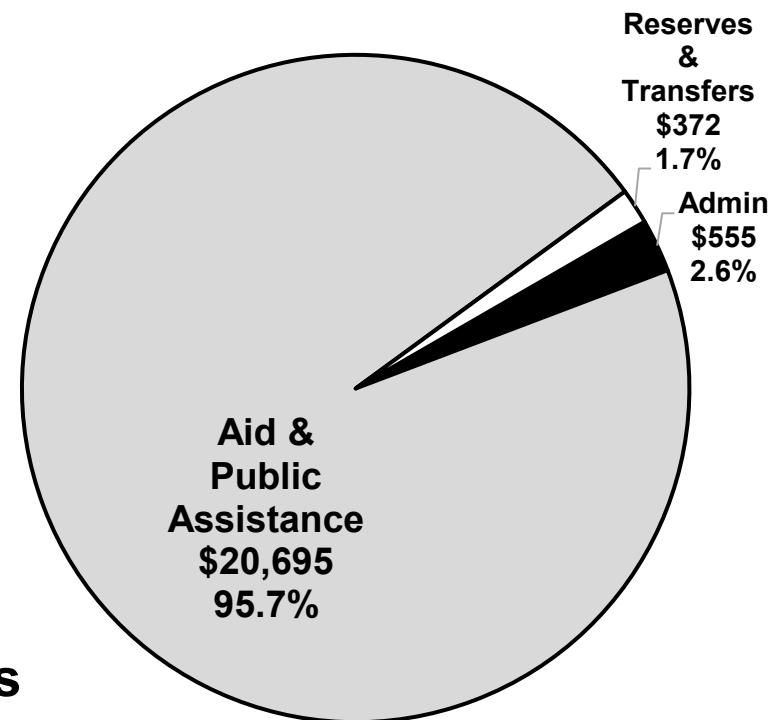
FY 2021-22 Actuals

(\$21.46 billion)



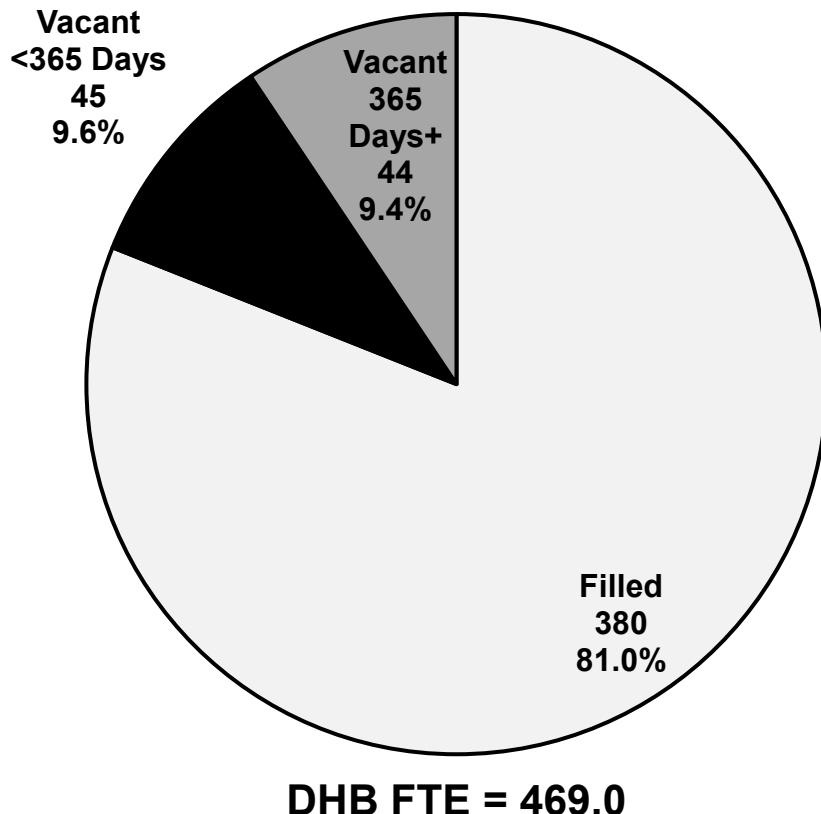
FY 2022-23 Authorized Budget

(\$21.62 billion)



Division of Health Benefits

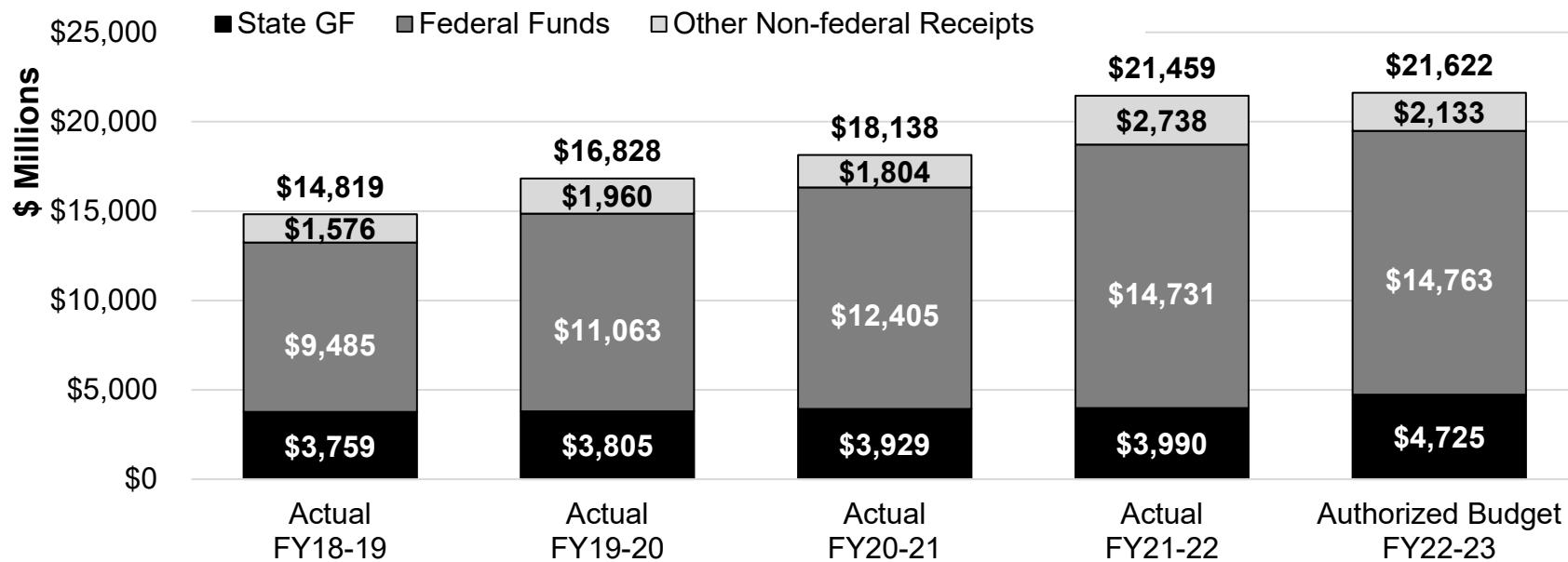
Vacancy Rate



- DHB has 469 FTE
- In January 2023, there were 89 vacancies (19%)
- Governor's budget has requested additional FTE for DHB in recent budget cycles to assist with Medicaid transformation
- DHB has been authorized to use NR transformation funds for temporary positions, but Medicaid has not received new permanent positions since 2018

Division of Health Benefits

Funding Sources



Change in DHB Funding Sources

Actuals FY 2018-19 to FY 2021-22

Total Requirements	44.8%
Federal Receipts	55.3%
State GF Appropriation	6.2%
Other Nonfederal receipts	73.7%

The enhanced COVID-19 federal Medicaid match kept annual increases in the State's GF contribution for Medicaid low despite increases in total Medicaid costs

Medicaid Program Summary

- State/federal partnership
- COVID federal match enhancements and enrollment requirements are ending soon
- Ongoing transformation to a managed care system
- Scope of the program
 - Medicaid accounts for more than \$20 billion in total requirements and \$4+ billion in State General Fund appropriations annually
 - Approximately 2.9 million NC residents are enrolled in Medicaid
 - Medicaid paid more than 19,000 providers \$10.4 billion in FY 2020-21 for almost 90 million procedures and prescriptions
 - Medicaid paid PHPs and LME/MCOs almost \$11 billion in FY 2021-22



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Major 2021-2023 Budget Initiatives

- 2021 Appropriations Act
 - Medicaid home and community-based services (HCBS)
 - Direct care worker wages
 - Postpartum coverage extension
 - Medicaid coverage for parents of children in the child welfare system
- 2022 Appropriations Act
 - Medicaid rates for nursing homes and personal care services
- 2021 and 2022
 - Medicaid transformation



2021 Appropriations Act

Medicaid HCBS

- Medicaid home and community-based services (HCBS) enable high-needs Medicaid enrollees to be cared for at home or in the community rather than in facilities
- A 1-year federal match enhancement on HCBS allowed states to generate savings to be used to enhance the services
- 2021 Appropriations Act created an HCBS Fund to hold the savings for use on HCBS initiatives
 - \$275 million in projected savings was placed in the Fund
- HCBS initiatives include additional Innovations waiver slots and wage increases for HCBS direct care workers
- \$142 million in annual costs for the initiatives will be funded with increased hospital assessments beginning April 2024, once the savings deposited in the HCBS Fund are expended



2021 Appropriations Act

Direct Care Worker Wages

	FY 2021-22	FY 2022-23	Funding Source
1. Home and Community-Based Services	\$51.0M R	\$68.1M R	HCBS Fund until Mar 24 Hospital assessments beginning Apr 24
2. \$2,000 Direct Care Worker Bonuses	\$133.0M NR	-	State Fiscal Recovery Fund
3. Intermediate Care Facilities (ICF)	\$10.0M R	\$21.8M R	General Fund
Recurring	\$61.0M	\$89.9M	
Nonrecurring	\$133.0M	-	
TOTAL PER YEAR	\$194.0M	\$89.9M	2-Year Total = \$283.9M

Figures show only the State contribution. Additional funds for HCBS and ICF direct care worker wages are provided through the State's federal Medicaid match



2021 Appropriations Act

Extending Medicaid Coverage

- Medicaid postpartum coverage was extended from 60 days to 12 months
 - \$50 million annual nonfederal share to be paid from increased hospital assessments
 - The postpartum extension sunsets March 31, 2027 under NC law, although federal law no longer requires a sunset
- Medicaid coverage can be retained by the parent of a child placed temporarily in the child welfare system if the parent is complying with court-ordered reunification plans
 - \$18M annual General Fund cost
- Combined, the two initiatives are expected to increase monthly Medicaid enrollment by approximately 31,500



2022 Appropriations Act

Continue Enhanced COVID-19 Rates

- \$95 million NR was provided to maintain enhanced COVID-19 provider reimbursement rates for nursing homes and personal care services for 5 to 6 months into FY 2022-23.
- DHB used its budget authority to continue the higher rates through at least March 2023.

	Enhanced Rate	Rate w/out Enhancement	% Dif	Est. State Cost per Month
Personal Care Services Cost per 15 minutes	\$5.96	\$4.87	21.9%	\$7.5M
Nursing Facility Cost per day	Average \$301	Average \$263	14.4%	\$6.0M



2021 and 2022 Appropriations Acts

Medicaid Transformation

- The use of up to \$326.2 million NR was authorized for Medicaid transformation projects
 - Tailored Plan capacity building
 - Enrollment broker contract
 - Program design consultants
 - Health plan readiness checks
 - Medicaid Enterprise System
 - Healthy Opportunities pilot
 - Actuarial rates setting
 - External quality review
 - Provider credentialing agency
 - Program evaluation
- Funding for the projects is from the Medicaid Transformation Fund
- Projects must be approved by Office of State Budget and Management as “qualifying needs” before funds are released to DHB



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FY 2023-2024 Budget Issues

- Unclear when post-pandemic enrollment declines will begin to impact current trends and how quickly enrollment will decline
- The nonfederal share of Medicaid costs will increase from 26.1% currently to 34.1% this time next year, a 30.7% increase
- Standard plan capitation rates for FY 2023-24 will be based on actual PHP experience from FY 2021-22 and continue to be influenced by COVID-19 pandemic
- Long-term strategy for nursing home and personal care services rates
- Continued implementation of transformation



NC Medicaid and Division of Health Benefits

QUESTIONS?

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