

**JOINT APPROPRIATIONS COMMITTEE  
ON HEALTH AND HUMAN SERVICES**

**NC Department of Health and Human Services  
NC Medicaid Financial Update:  
Pressures on the SFY 2024 Budget**

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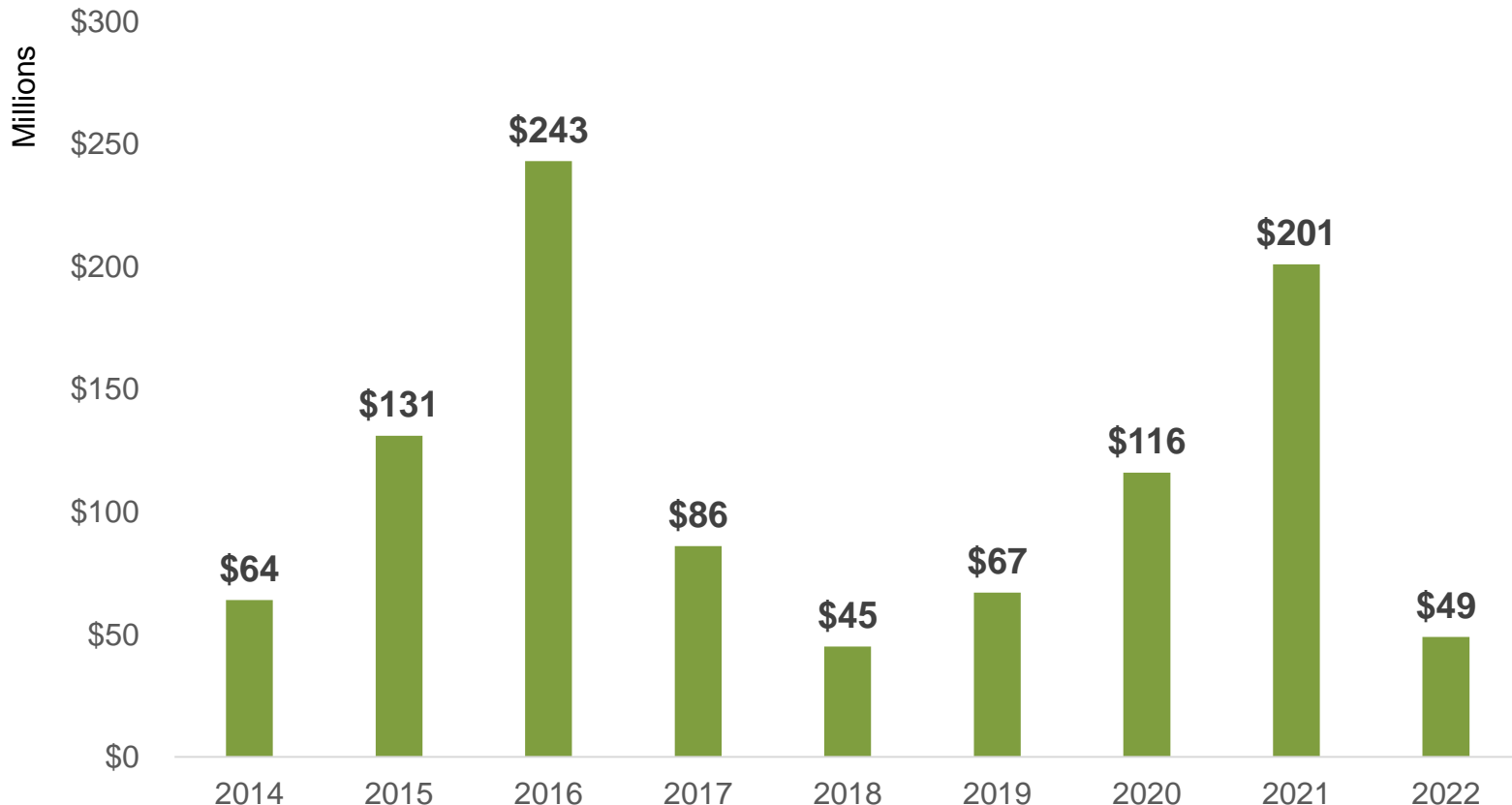
**February 22, 2023**

# Overview

- **Context**
  - **Recent Budget History**
  - **Current Financial Position**
  - **Current Year Pressures**
- **Outlook for Next Year**

# Historical Budget Overview

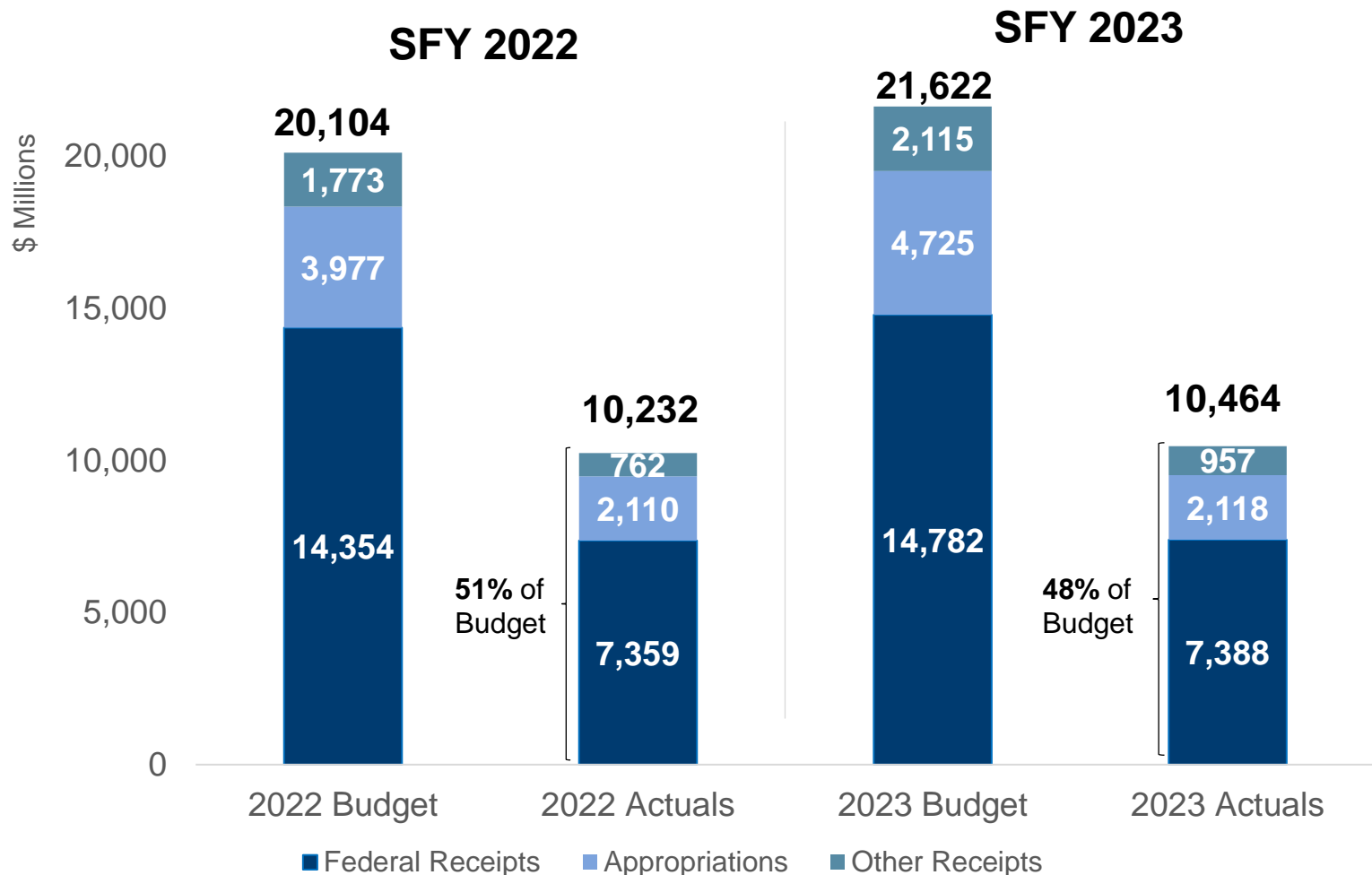
**State Fiscal Year (SFY) 2022** final results continued NC Medicaid's trend of finishing the year under budget.



*Source: BD701, comparison of budget to actual appropriations; bars represent net final budget position.*

# Current Year NC Medicaid Spending: On Track

Through December (1/2 of SFY 2023), NC Medicaid has spent approximately 1/2 of the operating budget for the fiscal year.



Source: BD701 actuals as of December 2022 and December 2021

# Current Year NC Medicaid Budget (SFY 2023)

## Key Factors:

- **Continuation of the public health emergency (PHE) - relieved pressure**
- **COVID rate increases for Skilled Nursing Facilities (SNF), Hospice, Personal Care Services (PCS) extension to June 30**
- **Tailored Care Management (12/1) and Tailored Plans (4/1) Launch**

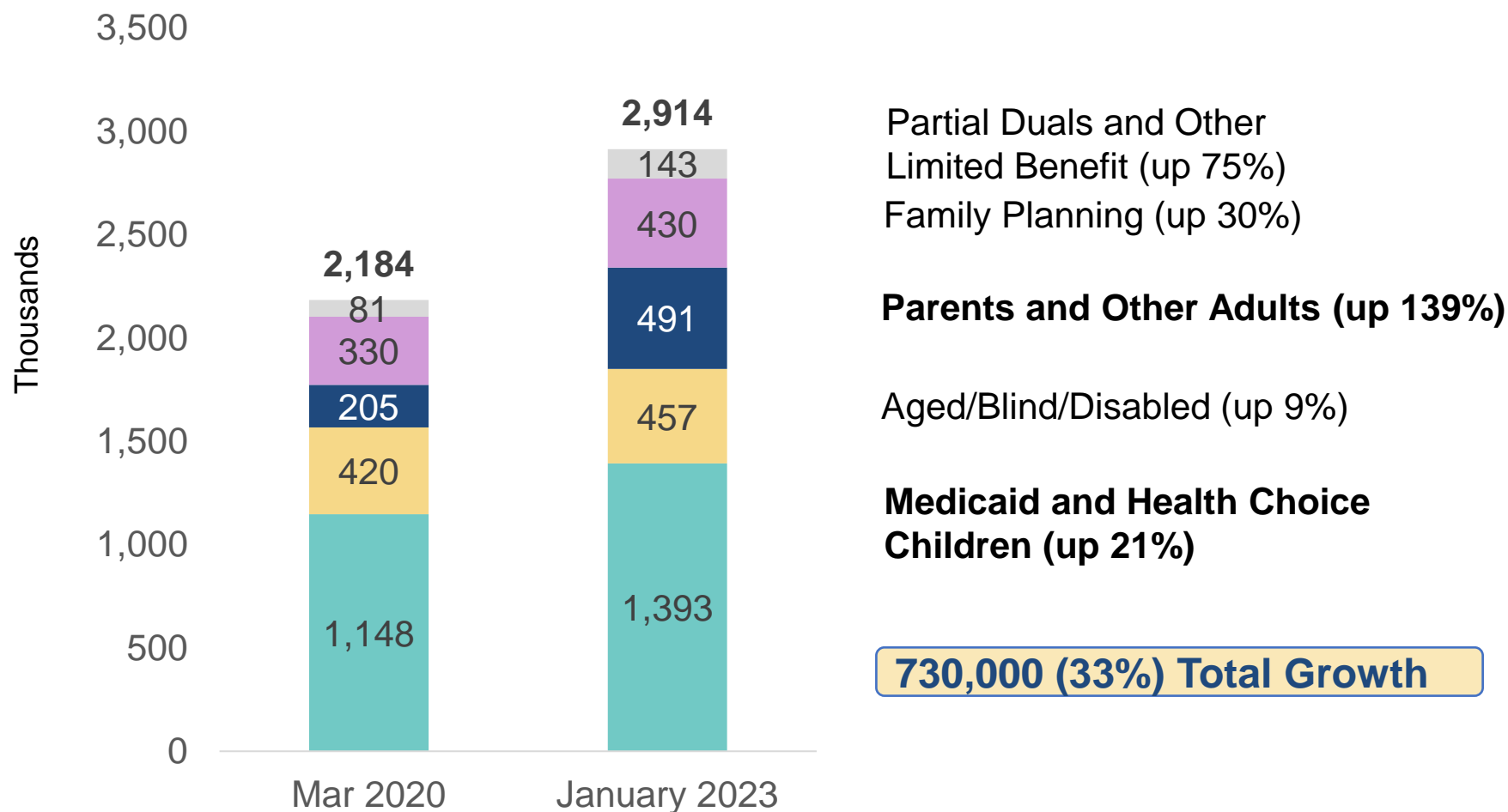
# Looking Ahead to Next Year (SFY 2024)

## Key Factors:

- **Decrease in regular federal match % (67.71 → 65.91)**
- **Continuous Coverage Unwinding**
- **Pressure on capitation rates (acuity, care cost inflation)**
- **New high-cost pharmaceuticals**
- **Direct care workforce**
- **Medicaid Expansion (reduces state expenditures)**

# Medicaid Enrollment at an All-time High

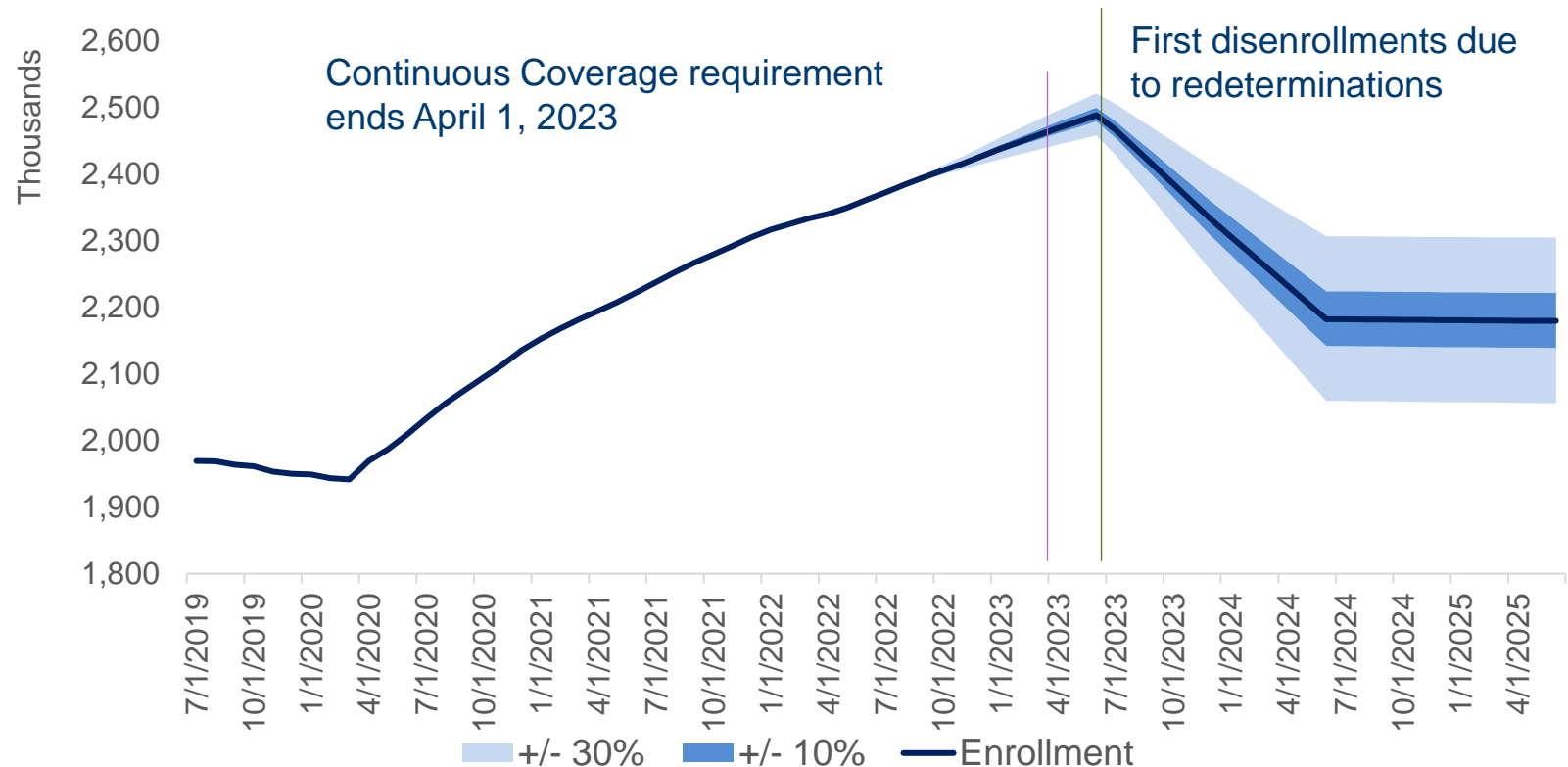
*Medicaid Enrollment by Eligibility Category since the start of the PHE*



Source: Monthly Medicaid Enrollment Report, Feb 2023

# Monthly Medicaid Enrollment by Month, Actual & Forecast (Excluding Family Planning)

Following the Continuous Coverage unwinding, Medicaid enrollment is projected to remain at an elevated level compared to March 2020.



Source: Monthly Member Enrollment Report produced by BIA, August 2022 DHB/OSBM Enrollment Forecast, February 2023



# Upward Pressure on Capitation Rates

**Two factors driving upward pressure on Per Member Per Month (PMPM) rates:**

- 1. Higher “acuity mix” of remaining members**

**Medical needs and costs of individuals projected to remain in Medicaid are expected to be higher on average compared to needs/costs for those whose coverage ends**

- 2. Health Care cost inflation**

**Various goods and services cost more than the prior year**