



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

**State Savings from Adding  
NC Health Works  
Medicaid Coverage**

**Joint Legislative Oversight Committee on Medicaid**

**February 6, 2024**

# Outline

- American Rescue Plan Act (ARPA) Medicaid expansion incentive
- Medicaid savings from incentive/Deposit into ARPA Temporary Savings Fund (ARPA TSF)
- Use of ARPA Temporary Savings Fund
- Timing of Grants from ARPA Temporary Savings Fund
  - *2023 Appropriations Act, Section 4.9*



# Medicaid Expansion Incentive

- Section 9814 of the federal American Rescue Plan Act (ARPA) offered states that had not already expanded Medicaid an incentive to do so.
  - *Incentive:* For 8 fiscal quarters, a state receives an additional 5 percentage points on its Federal Medical Assistance Percentage (FMAP) for the existing (non-expansion) Medicaid program.
- NC Health Works, the State's version of Medicaid expansion, began Dec 1, 2023. ([S.L. 2023-7, Access to Healthcare Options](#))
- NC's current base FMAP is 65.91%. The ARPA incentive increases this to 70.91%.

	<u>State Share</u>
Without NC Health Works	34.09%
With NC Health Works	29.09%

- *The 5 percentage point reduction in the State share results in a decrease of 14.7% in the cost of the State share*



# Savings Deposited in ARPA TSF

- Medicaid budget for FY 2023-25 biennium is funded with recurring General Fund (GF) appropriations that assume no enhancement to the State's FMAP (*i.e.*, no federal incentive).
- When expansion began, the State began receiving additional federal Medicaid receipts. The excess GFs appropriated to the Division of Health Benefits (DHB) will be deposited monthly into ARPA TSF.
- As of January 31, 2024, DHB has deposited **\$198 million** in ARPA TSF, covering the first quarter of the federal incentive (Oct – Dec 2023).

## Approximate Annual Medicaid Budget (*illustrative*)

Oct 1, 2023 – Sep 30, 2024

(\$ millions)	Estimated Claims	Federal Receipts	Provider Receipts*	SF/Other Receipts	GF Approp
Budgeted for Medicaid	\$21,200	\$14,000	\$1,500	\$200	\$5,500
Estimated w/Incentive	\$21,200	\$15,000	\$1,350	\$200	<u>\$4,650</u>
<b>GF savings to be deposited in ARPA TSF</b>					<b>(\$850)</b>

\*Some providers pay the nonfederal share for a portion of their Medicaid reimbursements. These providers include hospitals, nursing homes, intermediate care facilities, local education agencies, local health departments, and others.



# Projects to Be Funded from ARPA TSF

- Most but not all funding from ARPA TSF will be used for projects relating to health care.

Area/Agency	(\$M)	Focus of Funding
Capital Projects	\$813.6	Community colleges (\$295), rural health care centers (\$210), and a UNC children's hospital (\$180)
Department of Health and Human Services	\$565.0	Behavioral health (\$394), rural health (\$74), and Medicaid (\$66)
Education	\$220.0	Healthcare workforce, careers, and personnel (\$157), struggling hospitals (\$25), and health programs (\$24)
Other	<u>\$73.4</u>	Grants to local governments and nonprofits
<b>Two-Year Total</b>	<b>\$1,672.0</b>	

*Note:* \$1.46 billion is appropriated this biennium, and \$208.5 million is estimated for next biennium. The funds to be earned next biennium are authorized for 2 large capital projects that begin this biennium.



# 2023 Appropriations Act, Section 4.9

- S.L. 2023-134, Sec. 4.9, 2023 Appropriations Act:
  - Notes that funds will be deposited in the ARPA TSF over the course of the biennium, not all at once.
  - Sets a priority funding order for allocations from ARPA TSF for each of FY 2023-24 and FY 2024-25.
    - Earliest funding priorities are specific healthcare workforce programs and Medicaid provider rate increases, followed by other operating funding and grants, then capital funding.
    - Within each category, lower grant amounts will be distributed before greater amounts.
- The first grants from ARPA TSF will be distributed in early 2024.

[See Section 4.9](#)



# Key Takeaways

- The ARPA Temporary Savings Fund consists of General Funds appropriated to DHB that are not needed due to the federal Medicaid expansion incentive.
- The funds represent savings that have been or will be generated over time. The first deposit into ARPA TSF was in January 2024, and the final deposits are anticipated in 2025.
- Approximately \$198 million from the October – December 2023 fiscal quarter has been placed into ARPA TSF and will be allocated to initial grantees soon.
- ARPA TSF grantees will receive their funds once sufficient savings have been deposited in the Fund and once their “turn” in the Section 4.9 priority order has been reached.



# Additional Internet Sources

- Office of State Budget and Management
  - [Frequently Asked Questions and Anticipated Disbursement Schedule](#)
  - [FY 2023-24 and FY 2024-25 Direct Grants Database](#)
- Legislation/NC General Assembly
  - [2023 ARPA Temporary Savings Fund Provisions](#)
  - [S.L. 2023-134, 2023 Appropriations Act, Section 4.9](#)
  - [2023 Appropriations Act, Committee Report, ARPA Temporary Savings Fund](#)





# QUESTIONS?

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