

**FISCAL RESEARCH DIVISION**

A Staff Agency of the North Carolina General Assembly

# **Overview of NC Medicaid and the Division of Health Benefits**

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

February 26, 2025

# Outline

- Medicaid basics
  - Program description and funding
  - Eligibility and enrollment
  - Services and benefits
- Medicaid transformation
- Enrollment and spending data
- Division of Health Benefits (DHB) budget
- Significant budget actions from 2023-2025 biennium
- Budget considerations for 2025-2027 biennium



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# Medicaid

- Medicaid covers healthcare costs for qualifying low-income individuals
- Authorized by federal Social Security Act Title XIX
- State Medicaid programs are administered by 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

## Federal Share

- Base federal match (“FMAP”) for services provided to the traditional Medicaid population is currently 65.06% in NC, and will be decreasing to 64.62% on October 1, 2025
  - **FMAP** = federal medical assistance percentage
- Services for some children on Medicaid use the enhanced FMAP associated with the federal Children’s Health Insurance Program (CHIP)
  - Current NC enhanced FMAP is 75.54%, decreasing to 75.23% October 1, 2025
- Services for the expansion population are paid with a stable 90% federal match rate

## Sources for State Share

- The traditional Medicaid population (*i.e.*, non-expansion) receives support directly from the General Fund for some of the State share; the expansion population does not
- The State share not funded from the General Fund comes from departmental receipts collected from provider fees, assessments, and transfers or from special funds



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# 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
- 2025 Federal Poverty Level (FPL)/Annual Income

Family of	100% FPL	133% FPL	196% FPL	211% FPL	AFDC*
1	\$15,650	\$20,815	\$30,674	\$33,022	\$5,208
2	\$21,150	\$28,130	\$41,454	\$44,627	\$6,828
3	\$26,650	\$35,445	\$52,234	\$56,232	\$8,004
4	\$32,150	\$42,760	\$63,014	\$67,837	\$8,928

\*Unlike FPL, AFDC income thresholds are written into statute and do not change annually.



# Medicaid Eligibility

- The General Assembly sets eligibility for Medicaid beneficiaries beyond the mandatory categories
  - G.S. Section 108A-54.3A
- Optional beneficiary groups in NC Medicaid:
  - Expansion: adults 18-64 up to 133% FPL
  - Dependent children 19-20 in AFDC limits
  - Children 0-17 134%–211% FPL\*
  - Medically needy
  - Recipients of State-County Special Assistance
  - Non-SSI ABD up to 100% FPL
  - Pregnant women 134%–196% FPL
  - Family Planning 134%–195% FPL\*\*
  - Working disabled
  - Participants in the Breast and Cervical Cancer Program

\* Services for these children use the State's enhanced FMAP (slide 5) to determine federal share

\*\* Benefits for this population are limited to family planning services and draw a 90% federal match



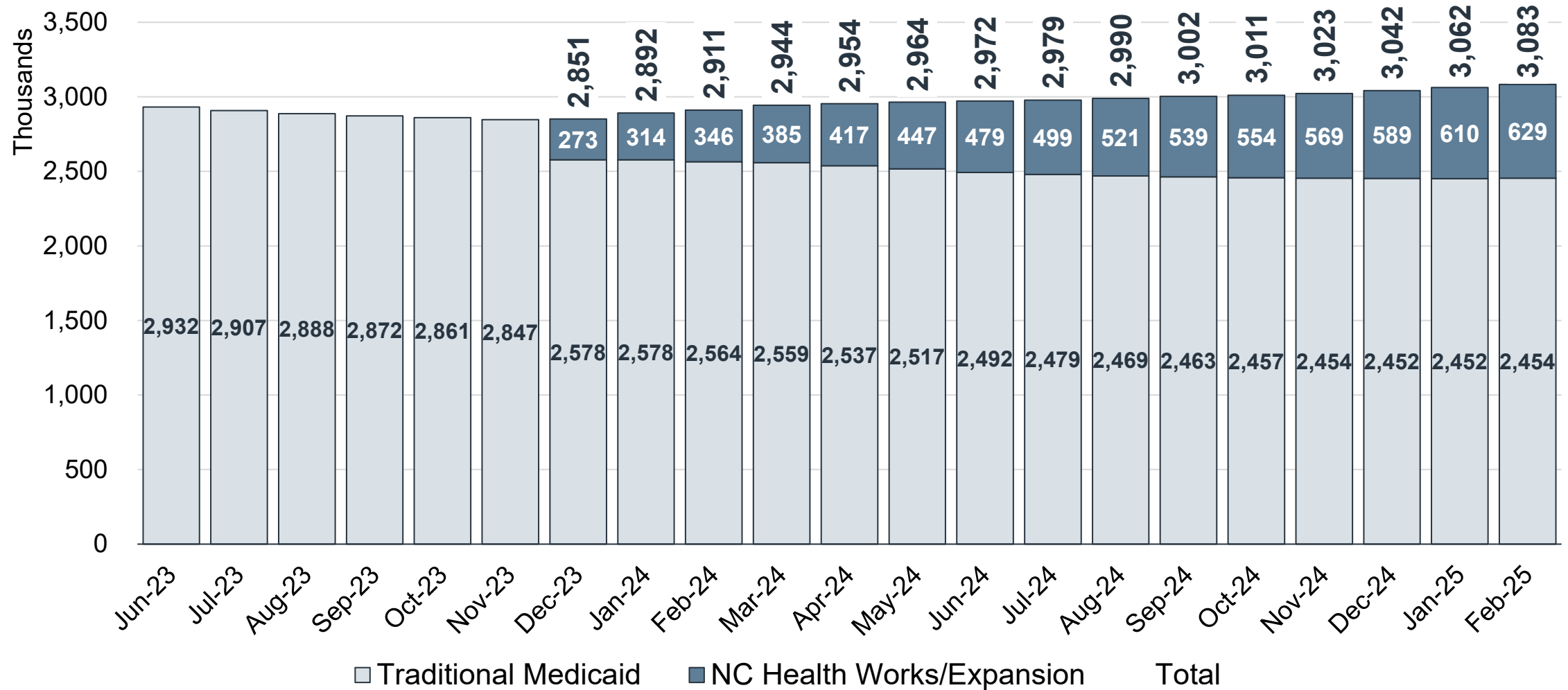


# Enrollment in Medicaid

- County departments of social services conduct Medicaid eligibility determinations
  - In addition, the federally facilitated marketplace is authorized to conduct Medicaid determinations for NC until June 30, 2025, when the authorization expires
- County departments of social services also do Medicaid redeterminations every 12 months for most eligibility categories
- During the COVID-19 Pandemic, most Medicaid enrollees could not be dropped from Medicaid even if they no longer met eligibility requirements
  - The redetermination process currently has a backlog, and enrollment in the traditional Medicaid program remains elevated relative to pre-COVID levels
- In February 2025, there are almost **3.1 million beneficiaries** in the NC Medicaid program



# Medicaid Beneficiaries



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# Mandatory and Optional 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
- Hospital inpatient and outpatient
- Durable medical equipment
- Ambulance/medical transport
- Smoking cessation
- Services provided by federally qualified health centers and rural health centers
- Psychiatric residential treatment facilities and residential services, younger than age 21
- Nursing facilities
- Lab and x-ray
- Family planning and supplies

- NC Medicaid optional Medicaid benefits

- Prescription drugs
- Adult dental and optical services
- Non-mandatory practitioner services
- Personal care services (PCS)
- Inpatient psychiatric services
- Health clinics ... and others



# Medicaid Benefits and Services

- Not all services are available to all Medicaid beneficiaries
  - For example, the Family Planning eligibility category only receives services related to family planning
- DHB has the authority to set clinical coverage policies and the reimbursement rates for most Medicaid services
  - Adjustments to the policies and rates must stay within the budget for Medicaid
- Since July 2021, most Medicaid beneficiaries are enrolled in Medicaid managed care and 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 monthly 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 a network of providers and 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



# Purpose of Medicaid Managed Care

- 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.*





# Medicaid Prepaid Health Plans in NC

- **Standard Benefit Plans** (launched July 2021; see *G.S. 108D-1(36)*)
    - Plans cover 73% of Medicaid beneficiaries
    - 4 statewide health plans; 1 regional provider led entity (Beneficiaries choose their plan)
  - **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 (EBCI)
    - 100% federal match for members served by eligible EBCI providers
  - **Behavioral Health and Intellectual/Developmental Disabilities (BH IDD) Tailored Plans** (launched July 2024; see *G.S. 108D-1(4)*)
    - Approximately 231,000 enrollees (8% of total) with severe behavioral health needs or intellectual/developmental disabilities
    - The 4 LME/MCOs hold initial contracts (enrollment based on LME/MCO region)
  - **Children and Families Specialty Plan** (CFSP; expected to launch in FY 2025-26; see *G.S. 108D-62*)
    - Estimated 30,000-35,000 initial enrollees in foster care or former foster care children
    - Single statewide plan to be administered by Blue Cross Blue Shield of North Carolina
- Some populations will remain in Medicaid fee-for-service (“NC Medicaid Direct”)*



# Managed Care Capitation Rates

## Standard and Tailored Plan Capitation Rates, January - June 2025

Standard Plan Rates	Average Monthly Rate	Tailored Plan Rates	Average Monthly Rate
Aged, Blind, and Disabled (ABD)	\$2,010	Blind/Disabled Children ABD Adults	\$2,170 3,410
Newborns (less than age 1)	1,000		
Children (ages 1-20)	190	Children	1,190
Traditional Medicaid Adults	470	Traditional Medicaid Adults	1,250
Expansion Adults (4 age bands)		Expansion Adults (4 age bands)	
Age 19-24 (youngest band)	230	Age 19-24 (youngest band)	750
Age 45-64 (oldest band)	980	Age 45-64 (oldest band)	1,970
		I/DD Innovations Waiver	9,250
		Traumatic Brain Injury Waiver	8,230
Maternity Event	14,000	Maternity Event	16,710

Note: Rates rounded to the nearest \$10.

Source: Department of Health and Human Services



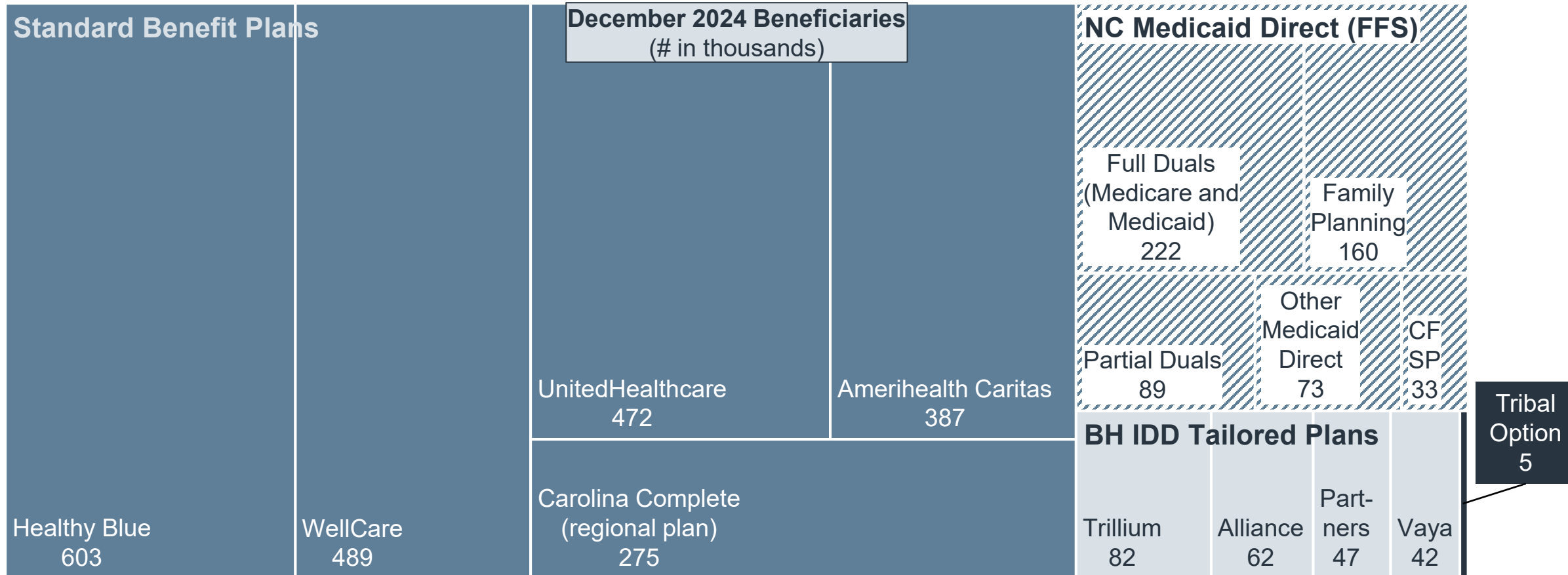
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# Managed Care Status and Plan Among Medicaid Beneficiaries

■ Standard Benefit Plans ■ BH IDD Tailored Plans ■ Tribal Option ▨ NC Medicaid Direct (FFS)

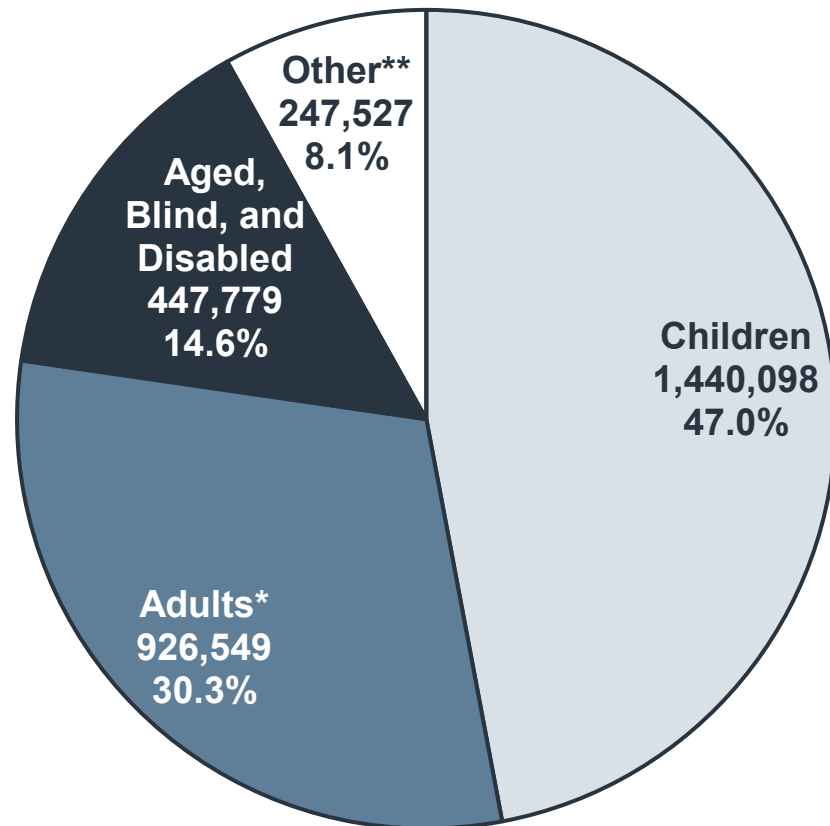


Source: Department of Health and Human Services, Medicaid Enrollment [Dashboard](#)

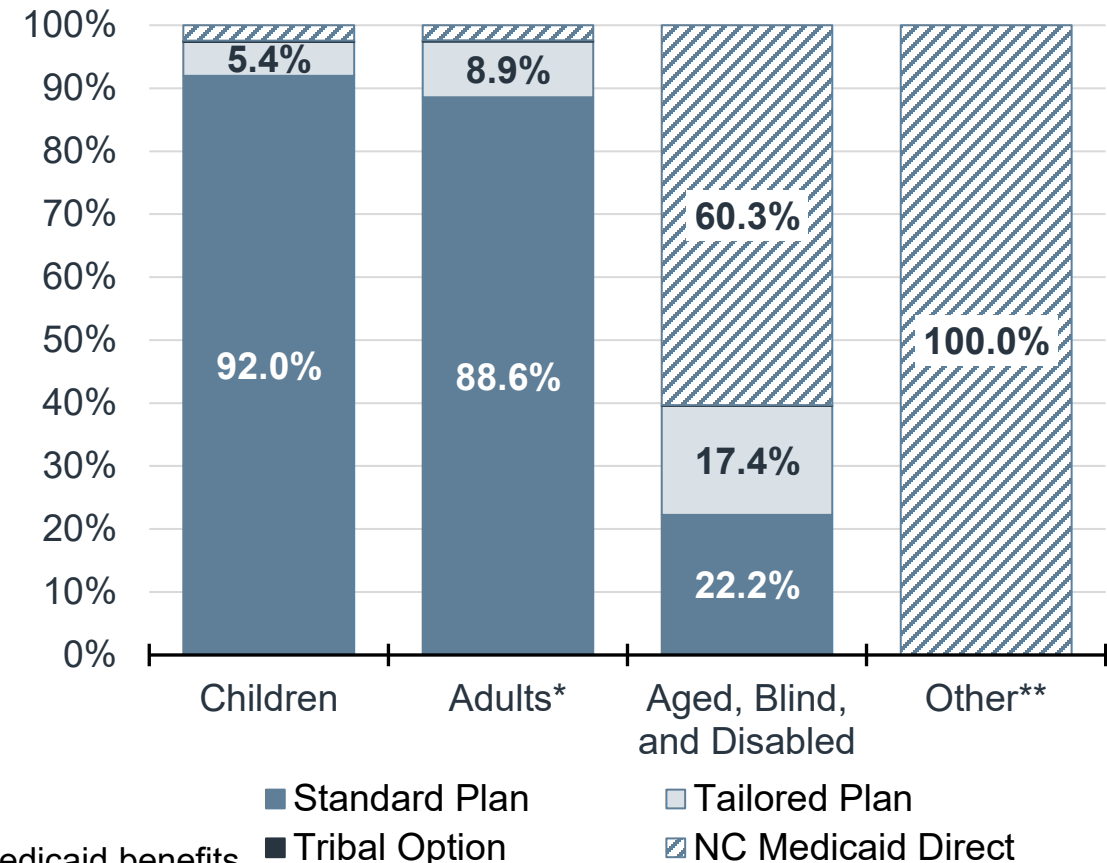


# Enrollment by Category and Managed Care Status January 2025

**Enrollment Category**



**Percent in Managed Care Plan**



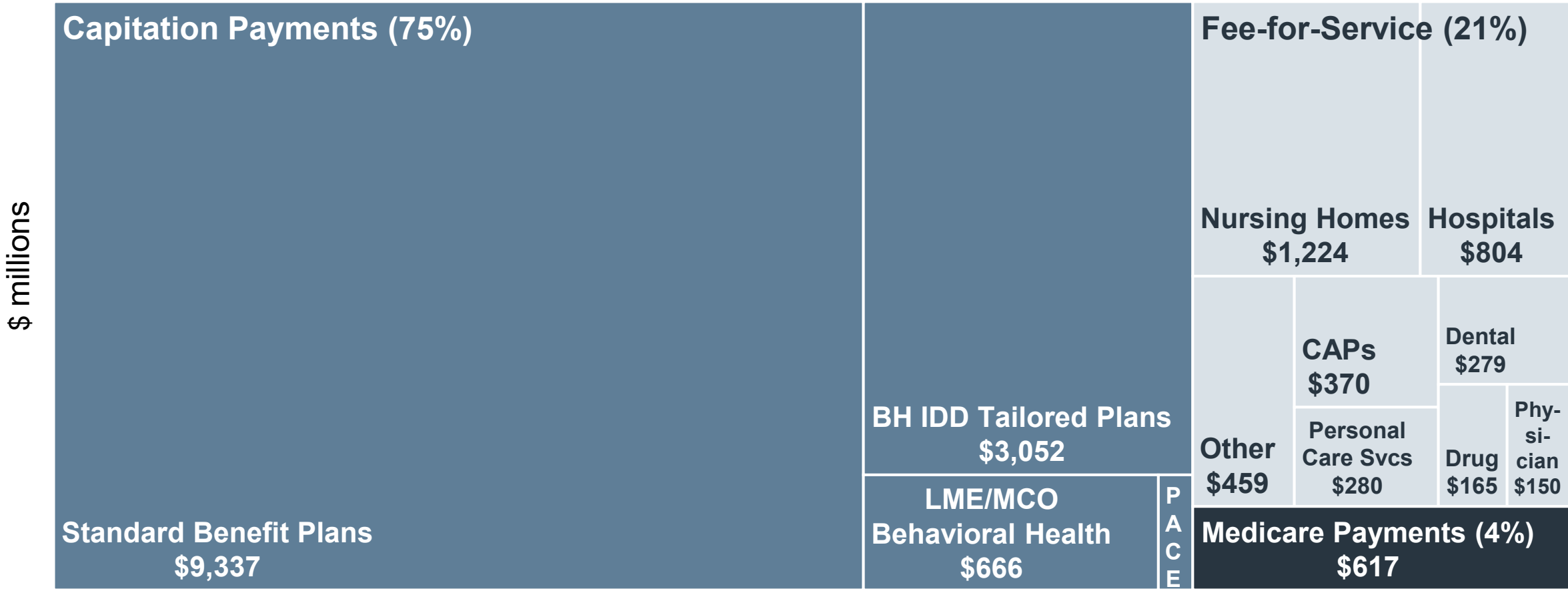
\*Adults category includes expansion population and other adults receiving full Medicaid benefits.

\*\*Other category includes the Medicaid Family Planning population, partial dual enrollees, and refugees.

Source: Department of Health and Human Services, Medicaid Enrollment [Dashboard](#)

# FY 2024-25 Medicaid Service Spending Through December 2024 / \$17.5 Billion

■ Capitation Payments (75%) ■ Fee-for-Service (21%) ■ Medicare Payments (4%)



PACE (\$77) = Program of All-Inclusive Care for the Elderly / CAPs = Community Alternatives Programs

Sources: Medicaid checkwrites and financial reports

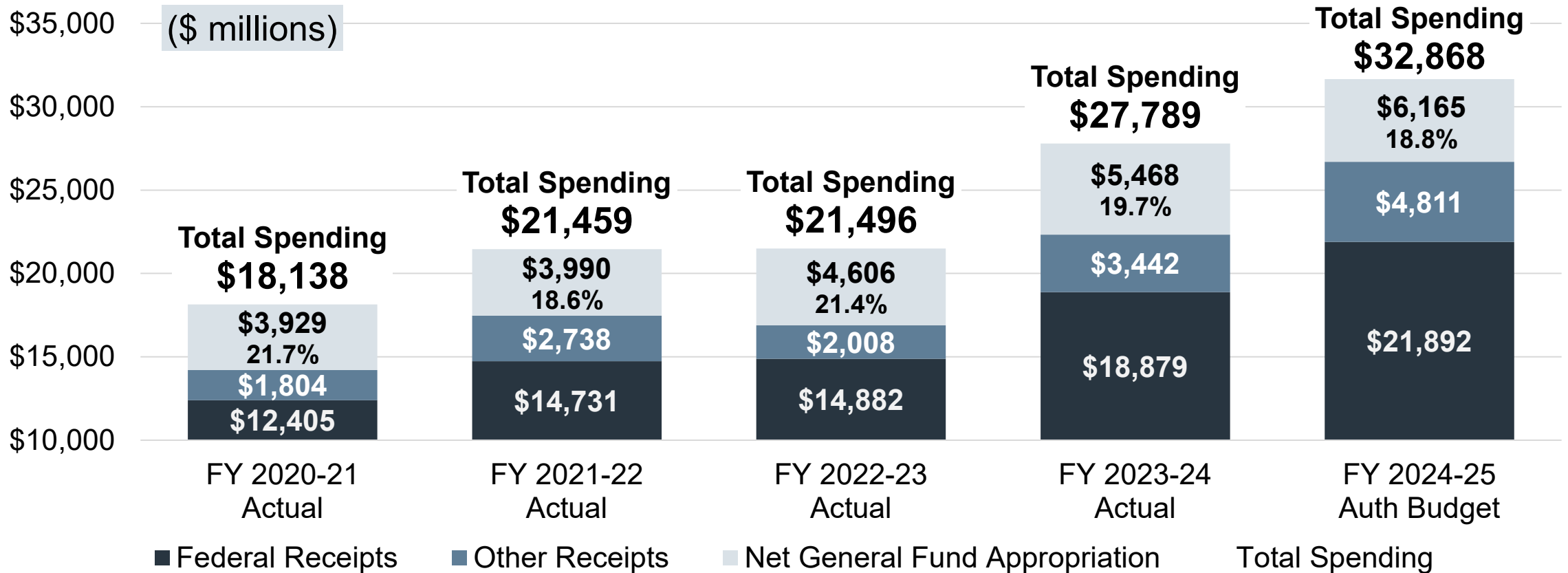


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# Division of Health Benefits Budget by Funding Source, FY 2020-21 through FY 2024-25



Source: DHB financial reports

- Most of the growth in spending in FY 2023-24 and FY 2024-25 is due to initiatives and enhancements enacted in 2023. Increases in General Fund appropriations are due to the expiration of pandemic enhancements to the FMAP and increases to FMAP from the State's improved per capita income

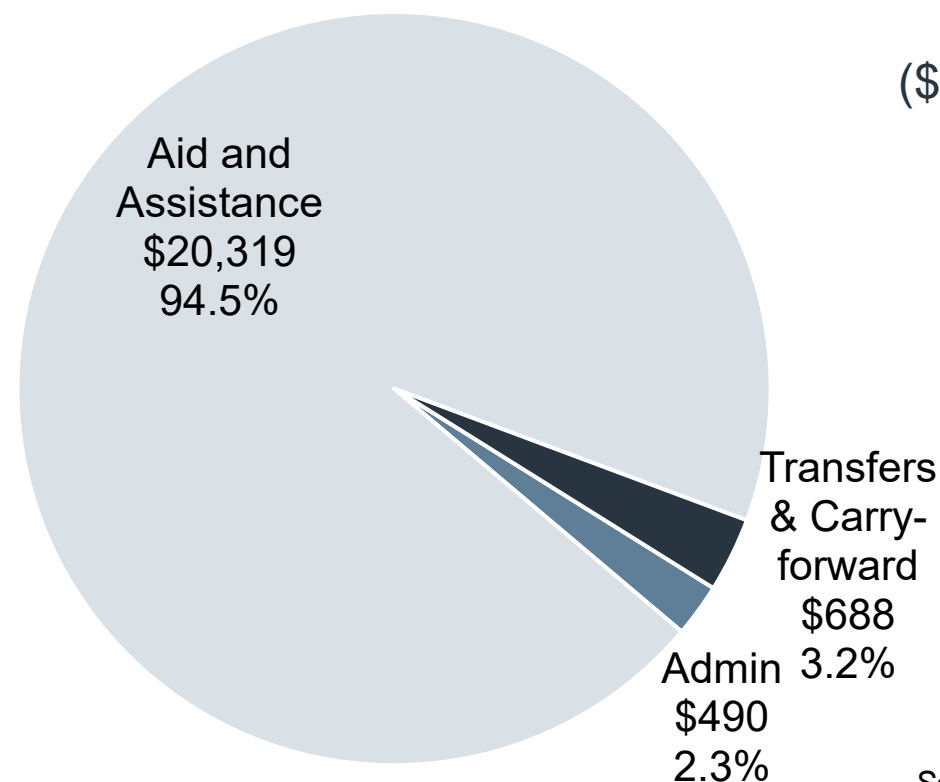




# Division of Health Benefits Spending

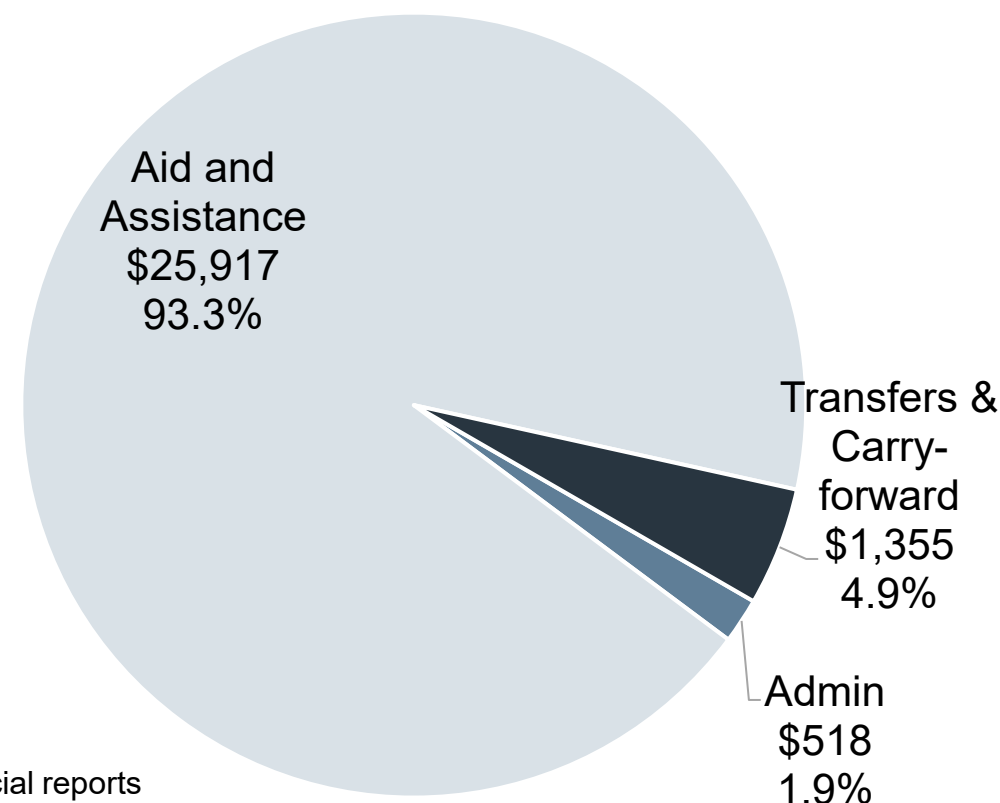
## FY 2022-23 DHB Spending

(\$21.5 Billion)



## FY 2023-24 DHB Spending

(\$27.8 Billion)



Source: DHB financial reports

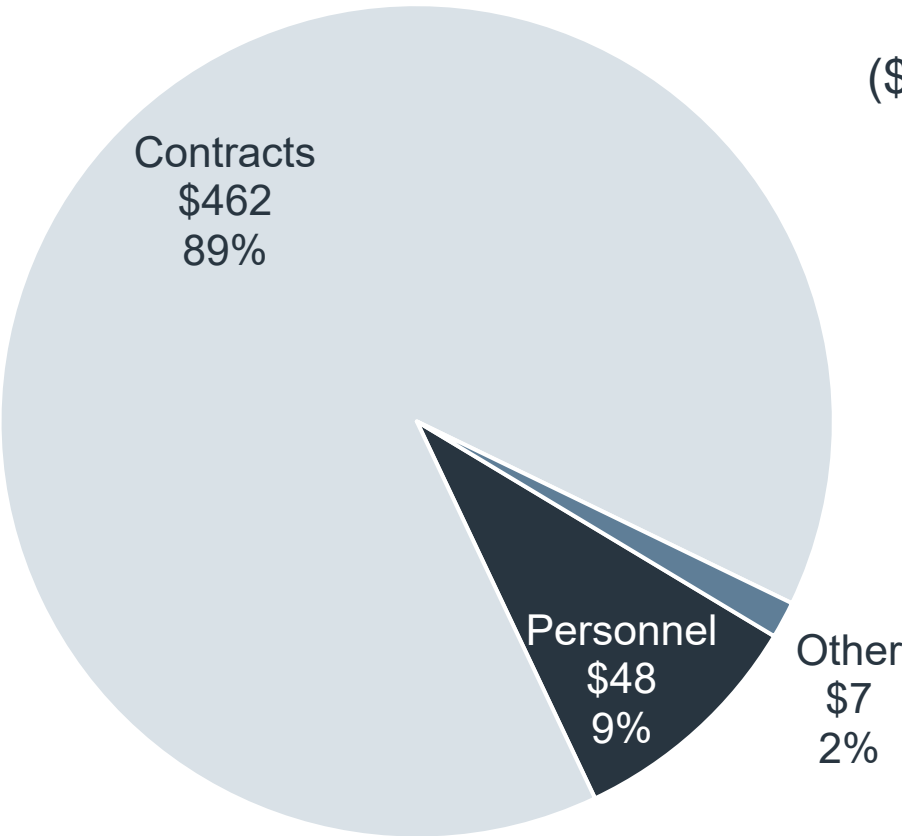
- Excluding transfers and carryforward, more than 97% of the Medicaid budget is used for aid and assistance



# FY 2023-24 DHB Administrative Expenses

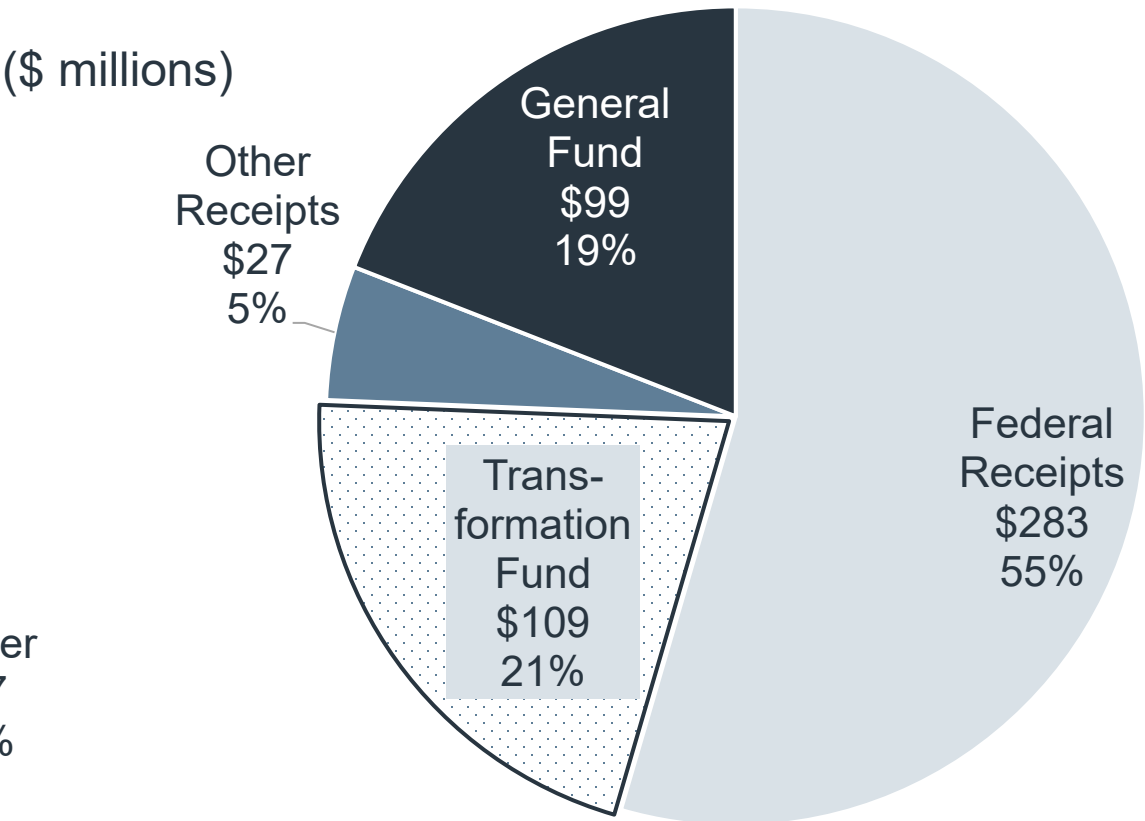
## \$518 Million

Administrative Expenses



Source: DHB financial reports

Administrative Funding Sources



Funding from the Medicaid Transformation Fund has been provided on a nonrecurring basis.



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# S.L. 2023-7, Access to Healthcare Options

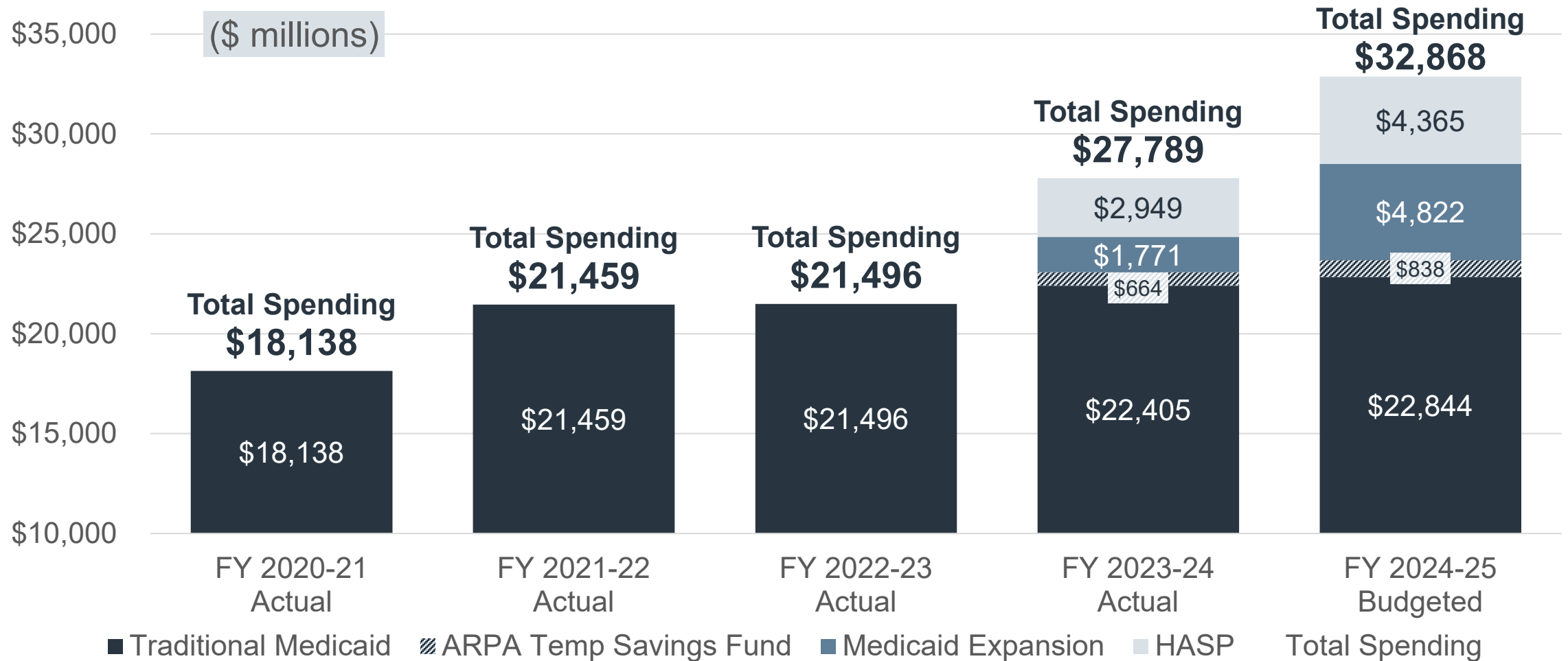
- Expanded Medicaid and established a funding structure to pay the State share for the new Medicaid population using (1) new hospital assessment receipts and (2) the additional gross premiums tax collections resulting from expansion
  - There are now more than 600,000 expansion beneficiaries (chart page 10)
- Established the Healthcare Access and Stabilization Program (HASP) to increase Medicaid managed care hospital reimbursements; hospitals pay the State share for the increased reimbursements
  - NC hospitals received a collective net gain of approximately \$2 billion in FY 2023-24 from the program
- Created the ARPA\* Temporary Savings Fund to hold funds generated by the federal Medicaid expansion incentive
  - More than \$1.5 billion in General Fund savings has been transferred or is scheduled to be transferred from Medicaid to other State projects and initiatives

\*ARPA = federal American Rescue Plan Act



# Medicaid Funding by Use

## FY 2020-21 through FY 2024-25



Source: DHB financial reports



# Other Major Budget Actions for DHB

- Maintained higher COVID-19 reimbursements for skilled nursing facilities and personal care services (\$160.8 million annually)
- Increased provider reimbursement rates for behavioral health services (\$75 million annually)
- Increased provider reimbursement rates for Innovations waiver services, with a requirement that the increases be used to boost compensation for Innovations direct support personnel (\$60 million annually)
- Added 350 slots for Innovations waiver participation (\$10 million annually)



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# 2025-2027 Budget Considerations

- Supporting the Medicaid rebase
  - Estimated at \$500 million in FY 2025-26 and \$810 million in FY 2026-27
- Funding to replace administrative support from the Medicaid Transformation Fund
- Updated Medicaid 1115 waiver provides new authorizations
  - Statewide expansion of the Healthy Opportunities Program
  - Continuous enrollment for children ages 0-5, and 24-month certification for children ages 6-18
  - Inmate eligibility for certain Medicaid services 90 days prior to release
- Implementation of Children and Families Specialty Plan in December 2025
- Medicaid provider reimbursement rate adjustments
- Support for Medicaid direct care workers





# Questions?

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