



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Merge NC Health Choice & Medicaid.
Bill Number: House Bill 747 (First Edition)
Sponsor(s): Representatives Clemmons, Adcock, Cunningham, and von Haefen

SUMMARY TABLE

FISCAL IMPACT OF H.B.747, V.1

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund Revenue/					
Federal Receipts	266,000.0	-	-	-	-
<u>Less Expenditures</u>	<u>400,000.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Fund Impact	(134,000.0)	-	-	-	-
NET STATE IMPACT	(\$134,000.0)	-	-	-	-
Local Impact					
Local Revenue/Enrollment Fees	decrease	decrease	decrease	decrease	decrease
<u>Less Local Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOCAL IMPACT	negative	negative	negative	negative	negative

FISCAL IMPACT SUMMARY

House Bill 747 makes enrollees of the NC Health Choice (NCHC) program – children ages 6 through 18 from households with incomes from 133% to 210% of the federal poverty level (FPL) – eligible for Medicaid and eliminates NCHC effective January 1, 2022. Although there are differences between NCHC and Medicaid, merging the programs would not have a material impact on service costs or federal receipts. The State would incur a one-time net General Fund cost of approximately \$134,000 to update and reprogram information technology systems for the revised eligibility standards. The bill appropriates these funds.

Unlike Medicaid, NCHC is not an entitlement program. By merging NCHC enrollees into Medicaid, the State would lose the ability to limit the enrollment of NCHC to stay within budgeted expenses. This could result in forgone State savings.

Finally, the bill would result in a modest decrease in local revenues. Families with incomes greater than 159% of FPL pay a yearly NCHC enrollment fee of \$50 for a single child or \$100 for two or more children. These fees are retained by the county departments of social services to help support eligibility determinations. Medicaid does not require enrollment fees, so the elimination of NCHC would reduce county enrollment fee receipts.

FISCAL ANALYSIS

NC Health Choice (NCHC) is North Carolina's version of the federal Children's Health Insurance Program (CHIP). There is an option available to states that allows children who would be in CHIP to instead be merged with the Medicaid program. House Bill 747 directs the Department of Health and Human Services (DHHS) to submit a State Plan amendment to elect this option.

Effective January 1, 2022, the bill eliminates NCHC and moves this population of children into Medicaid. NCHC currently covers medical expenses for children ages 6 through 18 from families with household incomes between 133% and 210% of the federal poverty level (\$23,169 to \$36,582 for a family of 2; \$35,245 to \$55,650 for a family of 4). With the change, all children through age 18 from families with incomes up to 210% of the federal poverty level would be eligible for Medicaid. Medicaid and NCHC have different federal match rates and differ slightly in the covered benefits for enrollees.

Federal Match Rate

NC Health Choice has a base federal match of 77.18%, and Medicaid has a base federal match of 66.40%. The federal match rates can change slightly each year, but the NCHC match is always higher than the Medicaid match. Unlike Medicaid, there is a cap on the amount of federal receipts the State can draw down for NCHC. That amount has been more than \$500 million in recent years, and North Carolina has not reached the limit in recent memory.

Under the available state option for CHIP, the children moving from NCHC to Medicaid would retain the State's higher NCHC match rate until the State reaches the maximum allotment for NCHC, at which time the Medicaid match rate would apply. The different match rates, therefore, would be retained and there would not be an impact on federal receipts.

Covered Medical Benefits

Most benefits are identical for NCHC and Medicaid, but there are a few differences described briefly below.

- Children in Medicaid receive vaccines for free through the federal Vaccines for Children program, while the NCHC program pays for the vaccines administered to enrolled children.
- By federal law, children in Medicaid must receive Early and Periodic Screening, Diagnostic, and Treatment (EPSDT), whereas State law bars NCHC from offering this benefit. EPSDT



essentially requires Medicaid to cover any physical or behavioral health needs identified through the EPSDT process.

- Children in Medicaid also receive non-emergency medical transportation (NEMT), which is not a service available to children in NCHC.

According to the Division of Health Benefits and its contracted actuaries, the difference in service costs between Medicaid children and NCHC children are minimal and effectively immaterial. With the State's move to managed care on July 1, 2021, the managed care Prepaid Health Plans will draw the same capitation rates for children regardless of whether they are in NCHC or Medicaid. Merging the programs, therefore, is not expected to have a material impact on State expenditures.

NC FAST

State General Fund expenditures would increase by \$134,000 in FY 2021-22 to make changes to the NC FAST system used to determine eligibility and enroll beneficiaries in the State Medicaid program. Section 1.(b) of the bill appropriates these funds.

Other Considerations

By moving NCHC enrollees into the Medicaid program, the State would forfeit its ability to limit the enrollment of the former NCHC population. Unlike Medicaid, NCHC is not an entitlement program, and the State can freeze or cap enrollment to reduce costs or stay within the federal CHIP allotment for the State. A merger of the programs eliminates this opportunity to generate future savings through NCHC.

Local Impact

NCHC charges an enrollment fee for children from families with incomes greater than 159% of the federal poverty level, and these enrollment fees are retained by the county departments of social services (DSS) to support eligibility determinations. Medicaid does not charge an enrollment fee. It is unclear how much counties rely on NCHC enrollment fees to support DSS operations and whether this would represent a material impact to any of the county departments, but the merger would represent a loss of county revenues.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF HEALTH AND HUMAN SERVICES/DIVISION OF HEALTH BENEFITS

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS



This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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