

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

Introduction to Medicaid and NC Health Choice

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

February 27, 2019

Overview

- What is Medicaid?
- Medicaid Eligibility
- Enrollment
- Services
- Service Costs
- NC Health Choice Program
- Medicaid Transformation
- Summary



What is 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
- The program is jointly funded with State and federal dollars
 - Current federal share for most services is 67.16%, decreasing to 67.03% on October 1, 2019
 - Entitlement



Mandatory Groups and Benefits

- **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

- **Federal Poverty Level (FPL)**

Family of	100% FPL	133% FPL	196% FPL	210% FPL
1	\$12,490	\$16,612	\$24,480	\$26,229
2	\$16,910	\$22,490	\$33,144	\$35,511
3	\$21,330	\$28,369	\$41,807	\$44,793
4	\$25,750	\$34,248	\$50,470	\$54,075



Medicaid Eligibility

- The General Assembly sets eligibility for Medicaid beneficiaries beyond the mandatory categories
 - Eligibility is set in the biennial State Appropriations Act (see S.L. 2017-57, Section 11H.1)
- Optional beneficiary groups for NC Medicaid:
 - ABD up to 100% FPL
 - Children 19-20 in AFDC limits
 - Pregnant women 134%–196% FPL
 - Children 134%-210% in Health Choice
 - Family Planning up to 195% FPL
 - Working disabled
 - Breast and Cervical Cancer
 - Medically Needy



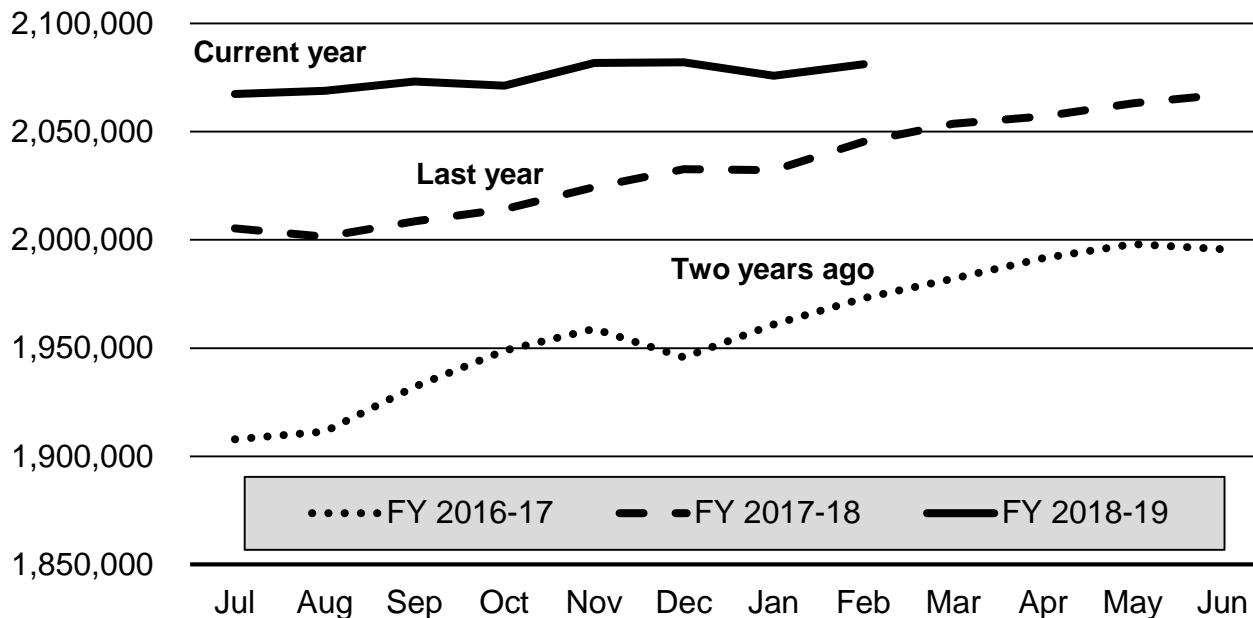
Enrollment in Medicaid

- Local departments of social services conduct eligibility determinations
- The NC Department of Health and Human Services (DHHS) reports Medicaid enrollment in 18 “Program Aid Categories” (PACs) that represent the different beneficiary groups and eligibility requirements
- As of February 1, 2019, there were 2,081,218 beneficiaries in the NC Medicaid program



Enrollment Trends

- Total Medicaid enrollment has been growing

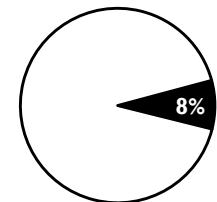


Source: DHHS enrollment reports

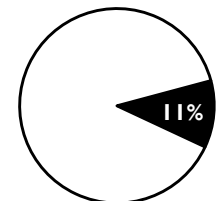
- However, the growth is almost entirely due to increases in the family planning PAC, which added 177,000 beneficiaries from July 2016 to February 2019

Family Planning Percent of Total

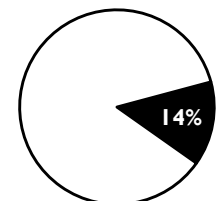
FY 2016-17



FY 2017-18

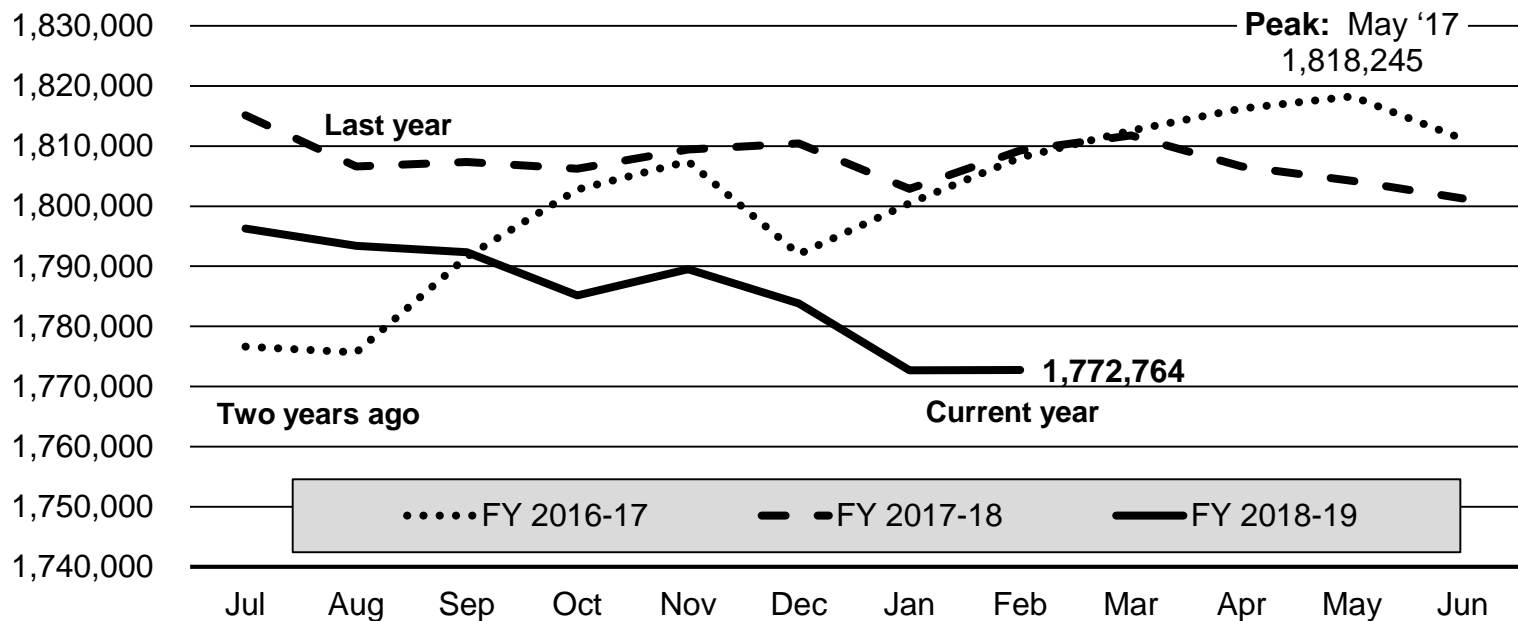


FY 2018-19YTD



Enrollment Trends without Family Planning

- Removing family planning beneficiaries shows a very different pattern in Medicaid enrollment



Source: DHHS enrollment reports



Medicaid Benefits

■ Mandatory Medicaid benefits

- Physicians, midwives, and nurse practitioners
- Children's dental, health check, hearing aids, and routine eye exams and visual aids
- Federally qualified and rural health centers
- Durable medical equipment
- Ambulance/medical transport
- Smoking cessation
- Hospital inpatient and outpatient
- Psychiatric residential treatment facilities and residential services, younger than age 21
- Nursing facilities
- Lab and x-ray
- Family planning and supplies

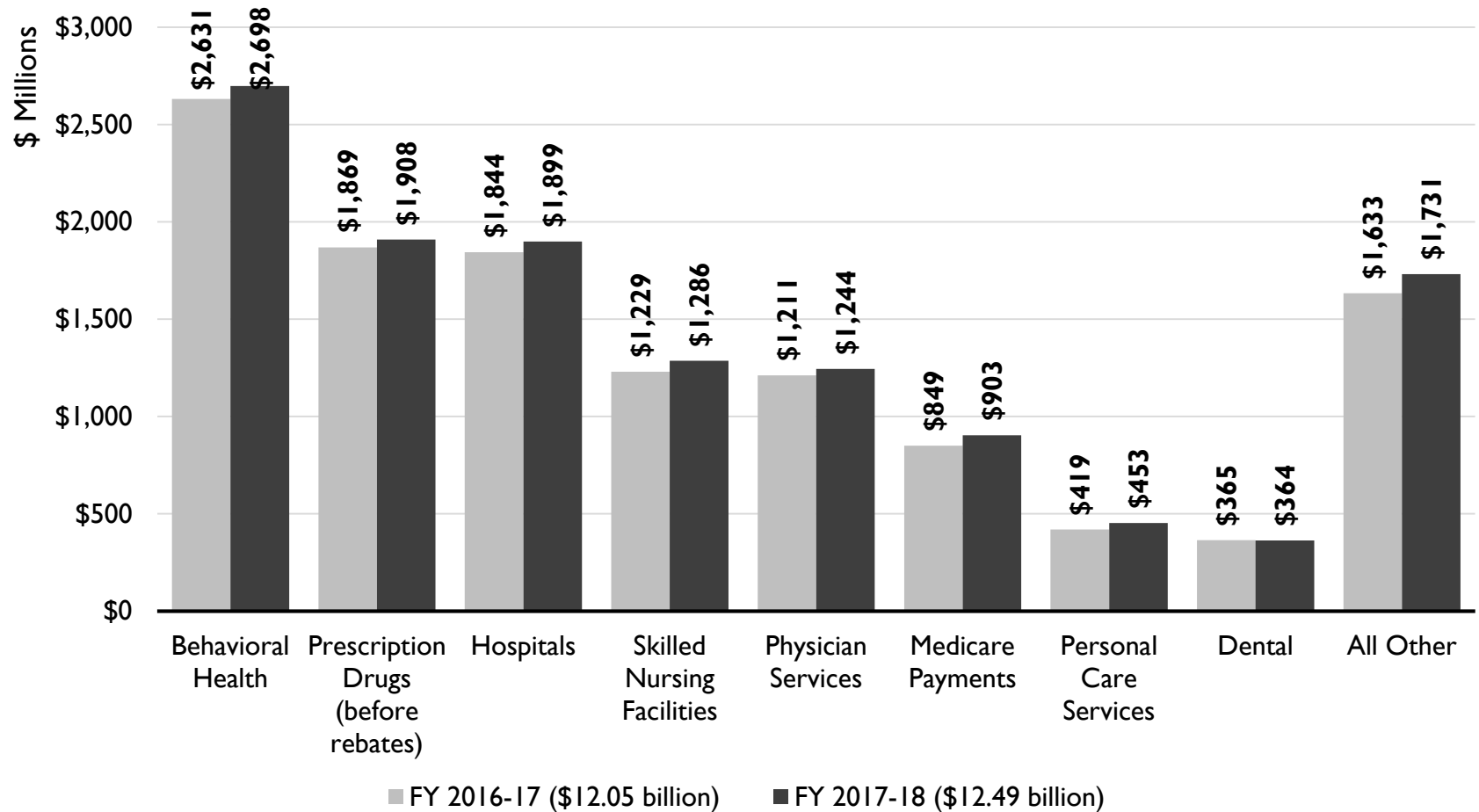


Medicaid Benefits (continued)

- 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 category is eligible for a limited set of services related to family planning
- DHHS has the authority to set coverage policies and the reimbursement rates for most services
 - Changes must stay within the budget for Medicaid

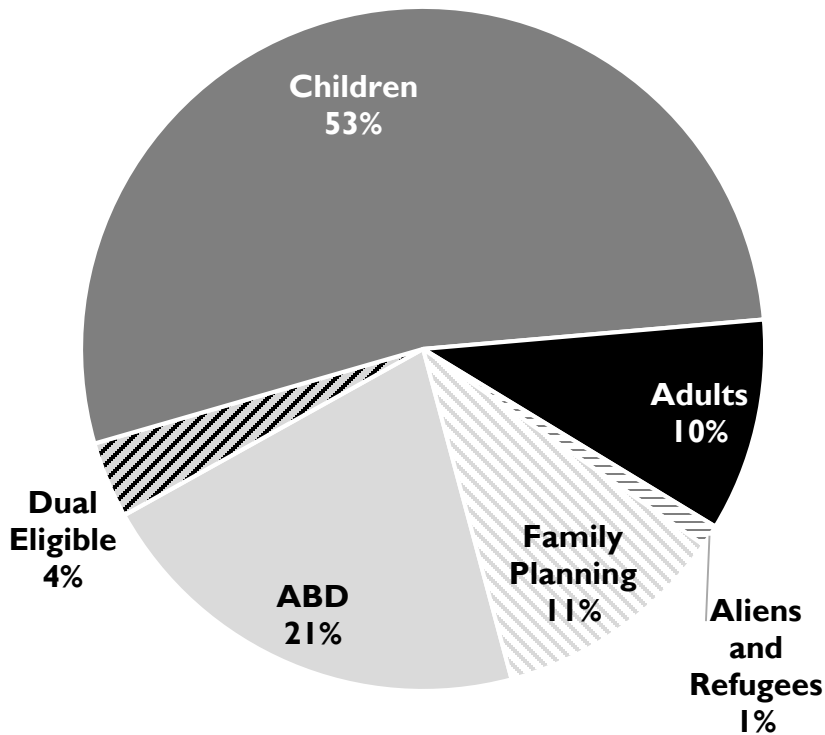


Medicaid Service Costs

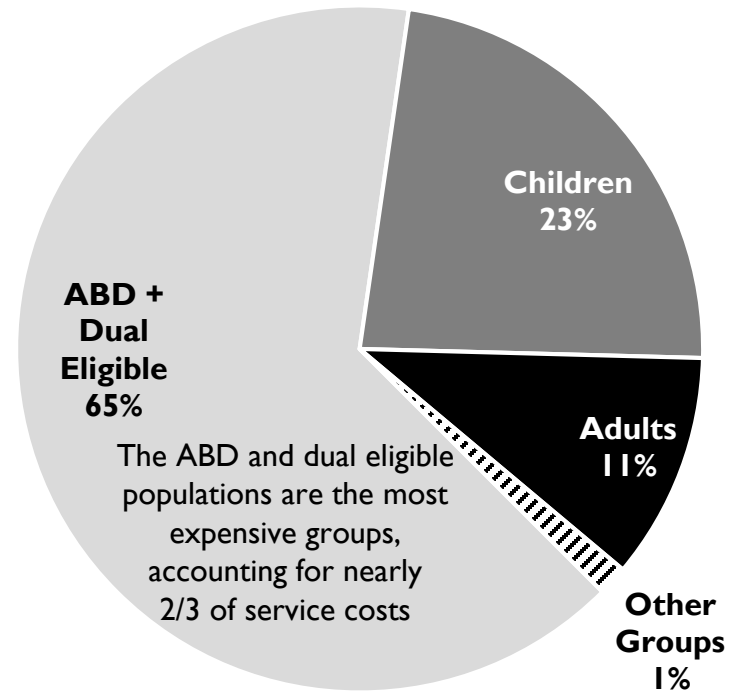


FY 2017-18 Populations and Costs

Population Covered



Service Spending

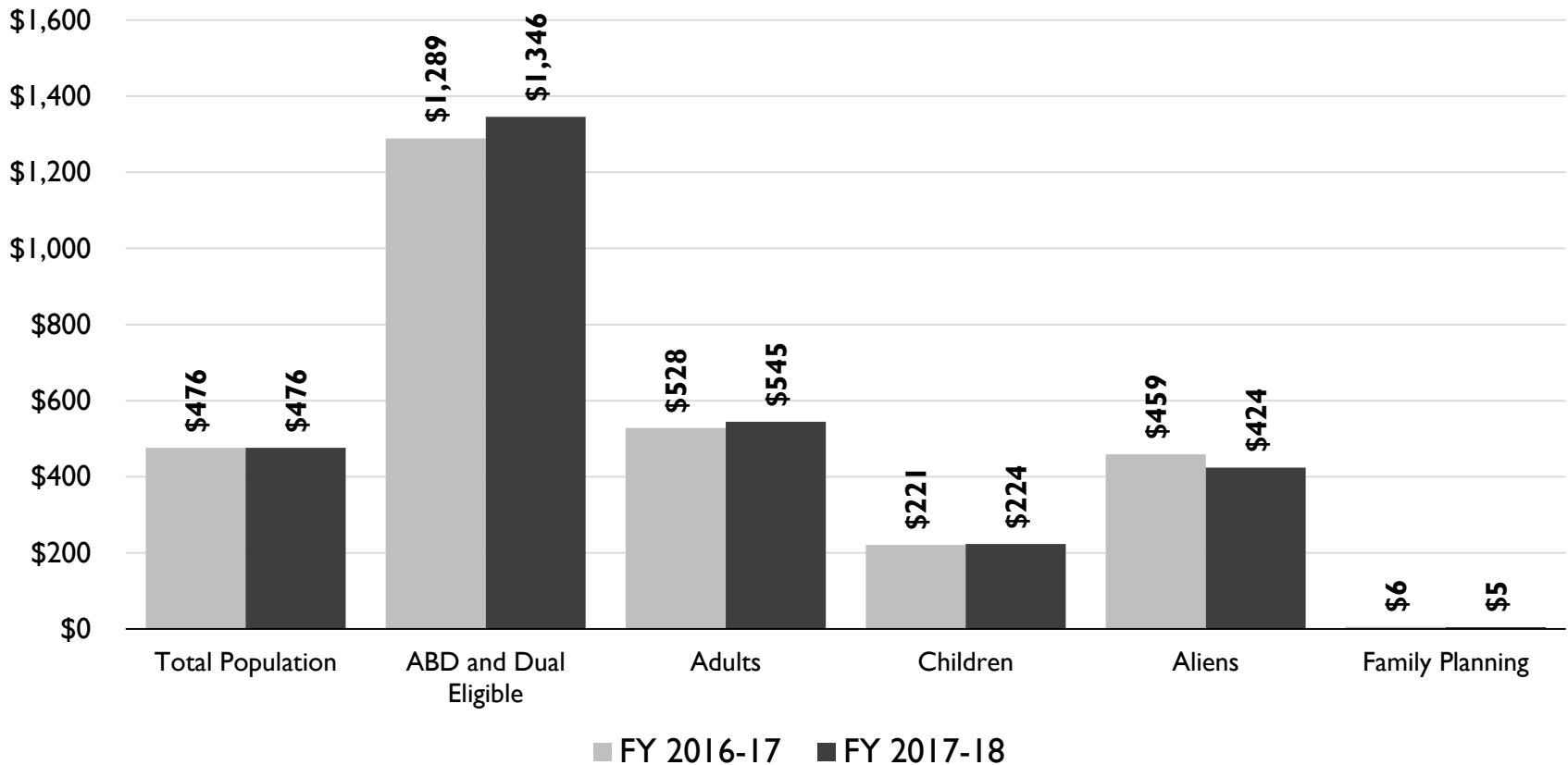


Note: Service spending excludes supplemental payments
Sources: Enrollment, PER, and BD-70I reports



Per Member Per Month Service Costs

Service Costs by Beneficiary Group



Sources: PER reports; DHHS Weekly Checkwrite report; BD-701

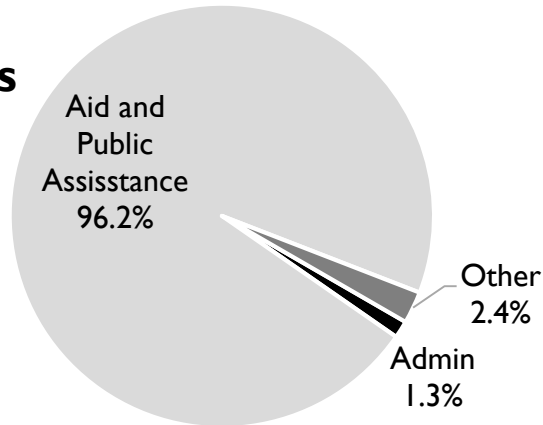


Medicaid Funding

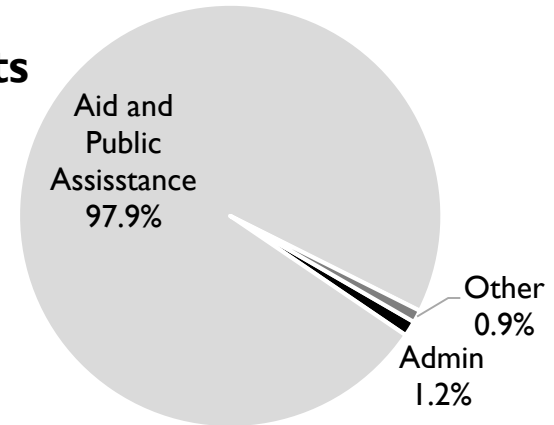
FY 2017-18 Actuals

FY 2018-19 Certified Budget

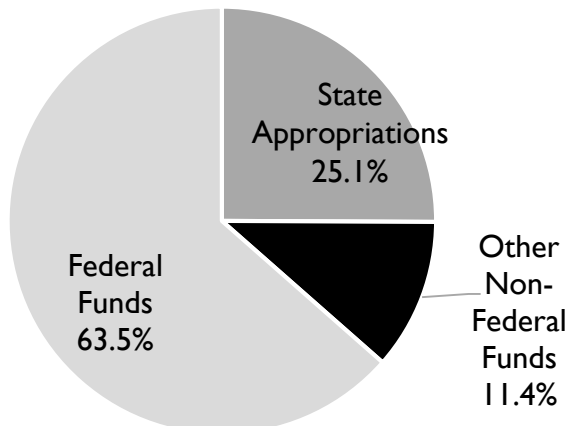
Requirements



Requirements

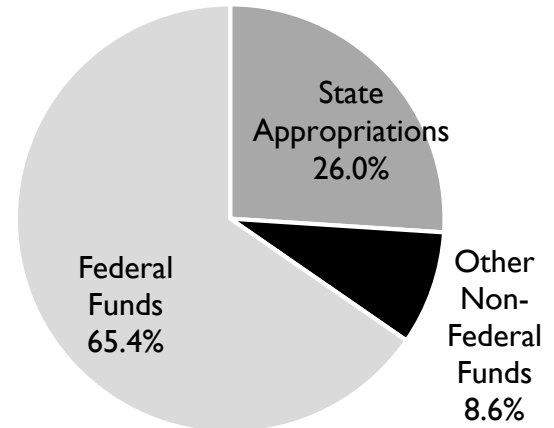


Funding Source



(Total spending = \$14.61 billion)

Funding Source



(Total budget = \$14.65 billion)



Medicaid Providers

- Generally, any licensed provider in good standing who is willing to accept the rates paid by Medicaid can participate
- Providers pay a \$100 provider application and re-credentialing fee every 5 years
- Providers receiving Medicaid payments in FY 2017-18

Type of Provider	Number Receiving Payments	Total Payments
Professional	16,239	\$3.199 billion
Institutional	1,628	\$3.428 billion
Pharmacy	2,650	<u>\$1.929 billion</u>
		\$8.556 billion

Source: DHHS Medicaid dashboard



NC Health Choice

- Provides medical coverage to children ages 6 through 18 in households with income between 133% and 210% of FPL
- Benefits are similar to Medicaid but not exactly the same
- There are enrollment fees for beneficiaries from households with incomes over 159% FPL
 - \$50 annually for a single child
 - \$100 annually for 2 or more children from same family



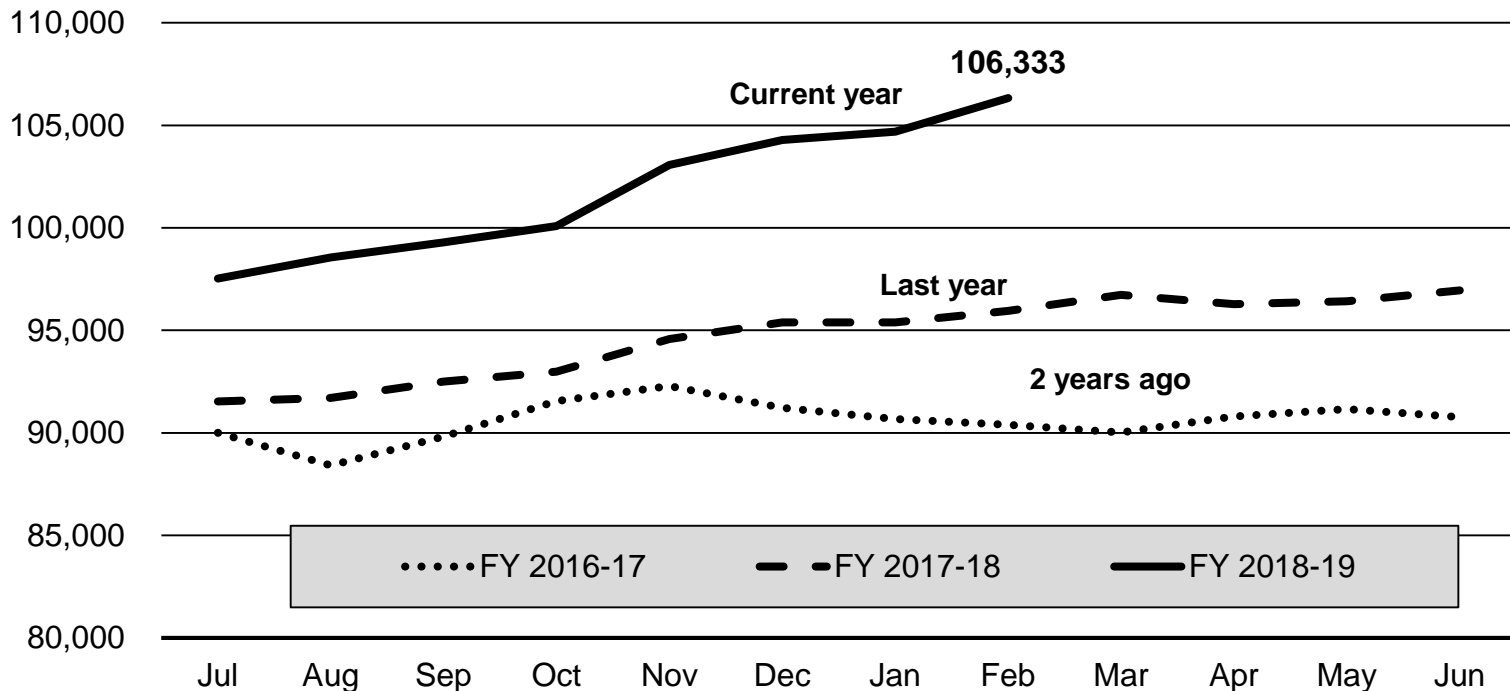
NC Health Choice Federal Match

- NC Health Choice is under the federal Children's Health Insurance Program (CHIP)
 - Title XXI of the federal Social Security Act
- Federal CHIP funding is an allotment, not an entitlement like Medicaid
- Historical federal match rate was around 75%
- Since October 2015 there has been an enhanced federal match for CHIP of +23 percentage points
 - With the enhancement, the current match is 100% for NC
- The enhanced match will phase down 11.5 percentage points in October 2019 and is eliminated October 2020
 - The enhancement phase out will also affect 150,000 children in the Medicaid budget



NC Health Choice Enrollment

- Health Choice enrollment has been growing this year

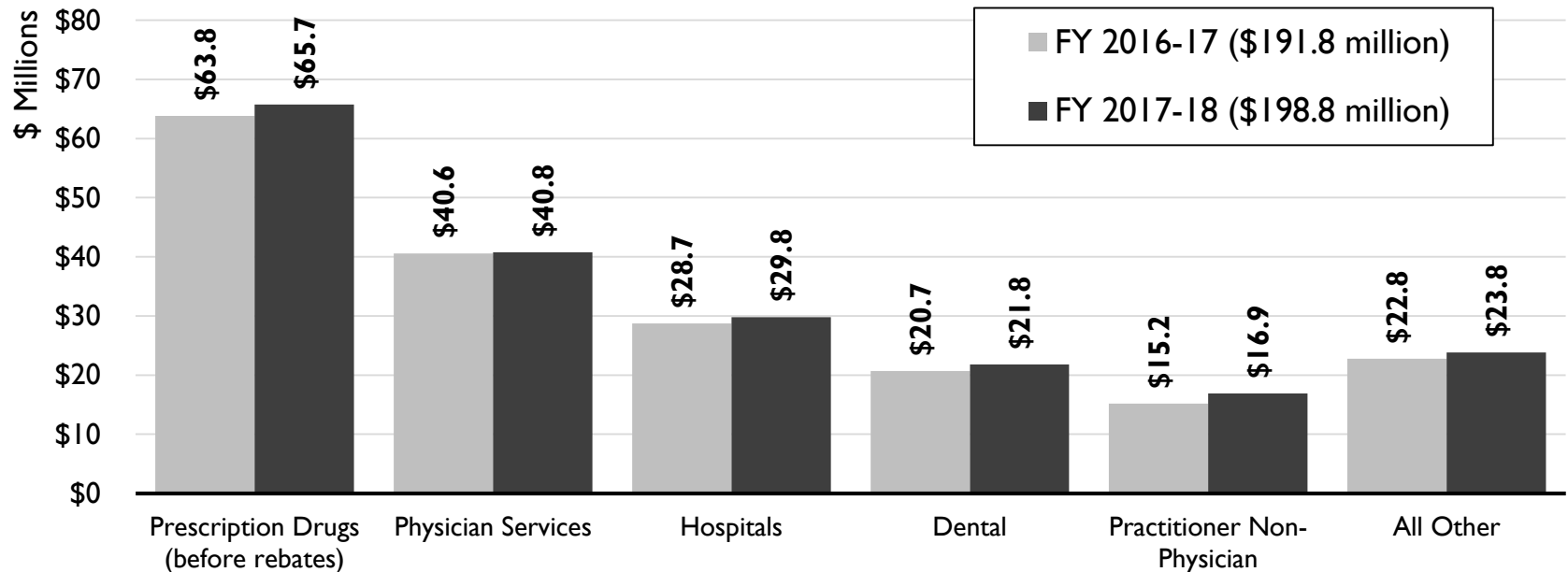


Source: DHHS



Health Choice Service Costs

- NC Health Choice has a different mix of services compared to Medicaid



- PMPM costs for Health Choice were \$176.30 in FY 2016-17 and \$175.10 in FY 2017-18



Medicaid Transformation

- S.L. 2015-245 began the Medicaid reform process
- The State will move from the fee-for-service delivery system for physical health to managed care
 - Prepaid Health Plans will receive per-person payments (capitated payments) to coordinate and pay for physical and mental medical costs of enrollees
- Roughly 1.6 million Medicaid and NCHC enrollees will move to managed care, beginning November 1, 2019



Medicaid Summary

- State/federal partnership
- Scope of the program
 - Combined, Medicaid and Health Choice account for nearly \$15 billion in total requirements and \$4 billion in State General Funds
 - Approximately 2.2 million people per month are enrolled in NC Medicaid and NC Health Choice
 - Approximately 20,000 providers were paid \$8.6 billion from Medicaid in FY 2017-18
- Ongoing transformation



Division of Health Benefits Base Budget 2019–2021 Fiscal Biennium



Division of Health Benefits (DHB)

- Division of Medical Assistance (DMA) and NC Health Choice (NCHC) budgets are being consolidated into the Division of Health Benefits
- The Base Budget process *does not* rebase the Medicaid and Health Choice budgets for projected changes in enrollment, utilization, pricing, and federal match rates
 - The rebases will be part of the Governor's Recommended Budget



Recommended Base Budget

- Actual 2017-18 and Authorized 2018-19 columns sum the DHB, DMA, and NCHC budgets

	Actual 2017-18	Certified 2018-19	Authorized 2018-19	Incr/Decr 2019-20	Total 2019-20	Incr/Decr 2020-21	Total 2020-21
14445-DHHS - Health Benefits - General Fund							
PERSONAL SERVICES	\$34,137,510	\$41,999,079	\$43,052,088	\$621,958	\$43,674,046	\$621,958	\$43,674,046
PURCHASED SERVICES	\$159,867,823	\$131,902,667	\$145,040,910	(\$7,973,141)	\$137,067,769	(\$7,967,346)	\$137,073,564
SUPPLIES	\$125,177	\$200,225	\$215,935	\$5,667	\$221,602	\$5,667	\$221,602
PROPERTY, PLANT & EQUIPMENT	\$382,554	\$314,209	\$62,205	\$3,750	\$65,955	\$3,750	\$65,955
OTHER EXPENSES & ADJUSTMENTS	\$1,026,927	\$1,020,989	\$909,059	\$152	\$909,211	\$152	\$909,211
AID & PUBLIC ASSISTANCE	\$14,257,317,464	\$14,592,749,935	\$14,572,749,935	(\$68,415,367)	\$14,504,334,568	(\$68,415,367)	\$14,504,334,568
RESERVES	(\$1)	(\$46,268,470)	(\$46,268,470)	\$46,268,470	\$0	\$46,268,470	\$0
INTRAGOVERNMENTAL TRANSACTIONS	\$356,971,528	\$191,874,372	\$188,781,883	\$4,270	\$188,786,153	\$8,555	\$188,790,438
Total Requirements	\$14,809,828,981	\$14,913,793,006	\$14,904,543,545	(\$29,484,241)	\$14,875,059,304	(\$29,474,161)	\$14,875,069,384
Receipts							
GRANTS	\$400,249,659	\$269,161,031	\$269,161,031	\$0	\$269,161,031	\$0	\$269,161,031
INVESTMENT INCOME	\$315,952	\$0	\$0	\$0	\$0	\$0	\$0
SALES, SERVICE, & RENTALS	\$14,863	\$14,442	\$14,442	\$0	\$14,442	\$0	\$14,442
FEES, LICENSES, & FINES	\$816,982,904	\$667,132,414	\$667,132,414	\$0	\$667,132,414	\$0	\$667,132,414
MISCELLANEOUS	(\$188,493,925)	(\$196,138,346)	(\$188,138,346)	\$0	(\$188,138,346)	\$0	(\$188,138,346)
INTRAGOVERNMENTAL TRANSACTIONS	\$637,546,962	\$521,408,600	\$513,473,552	\$24,205,812	\$537,679,364	\$24,205,812	\$537,679,364
INTRAGOVERNMENTAL TRANSACTIONS (Federal Funds)	\$9,479,166,430	\$9,822,799,802	\$9,813,085,762	(\$148,451,562)	\$9,664,634,200	(\$148,448,665)	\$9,664,637,097
Total Receipts	\$11,145,782,845	\$11,084,377,943	\$11,074,728,855	(\$124,245,750)	\$10,950,483,105	(\$124,242,853)	\$10,950,486,002
Net Appropriation	\$3,664,046,136	\$3,829,415,063	\$3,829,814,690	\$94,761,509	\$3,924,576,199	\$94,768,692	\$3,924,583,382



DHB Base Budget Explanation of Changes

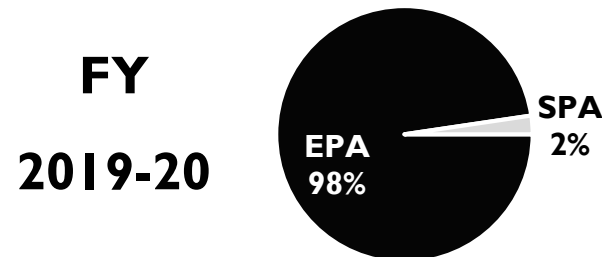
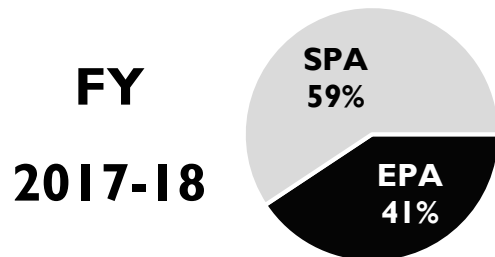
	FY 2019-20	FY 2020-21
NR Items Removed		
Enhanced federal match for CHIP (Medicaid)	\$64,774,677	\$64,774,677
Enhanced federal match for CHIP (NCHC)	46,594,511	46,594,511
Management flexibility reduction	15,000,000	15,000,000
One-time retiree cost-of-living adjustment	(42,210)	(42,210)
NC Tracks changes and enhancements	(2,236,341)	(2,236,341)
Graduate Medical Education (GME)	<u>(30,000,000)</u>	<u>(30,000,000)</u>
Total for NR Items	\$94,090,727	\$94,090,727
Annualization of Partial Year Appropriations		
Personnel and contracts from Appropriations Act of 2018	\$439,738	\$439,738
Mid-year personnel transfers from/to other divisions	<u>223,915</u>	<u>223,915</u>
Total Annualization	\$663,653	\$663,653
Lease Agreement Escalation	\$7,129	\$14,312
TOTAL	\$94,761,509	\$94,768,692



Recommended Base Budget FTE

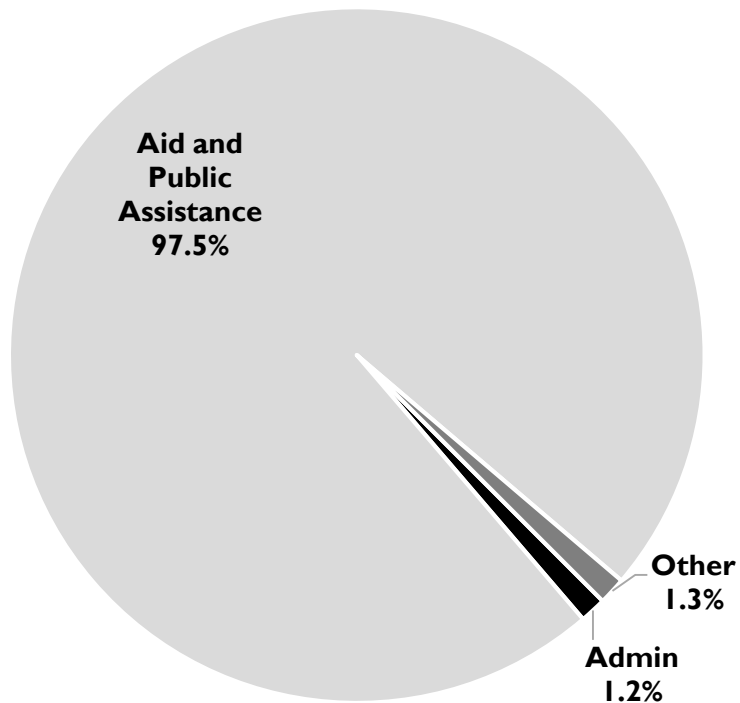
	Actual 17-18	Certified 18-19	Authorized 18-19	Incr/Decr 19-20	Total 19-20	Incr/Decr 20-21	Total 20-21
EPA	182.5	123.76	459.5	0	459.5	0	459.5
SPA	266.0	328.8	11.0	0.0	11.0	0.0	11.0
Total	448.5	452.5	470.5	0.0	470.5	0.0	470.5

- By statute, DHB employees are exempt from the State Personnel Act (they are EPA employees, as opposed to SPA). The transition of personnel from DMA to DHB is evident in the recommended Base Budget.

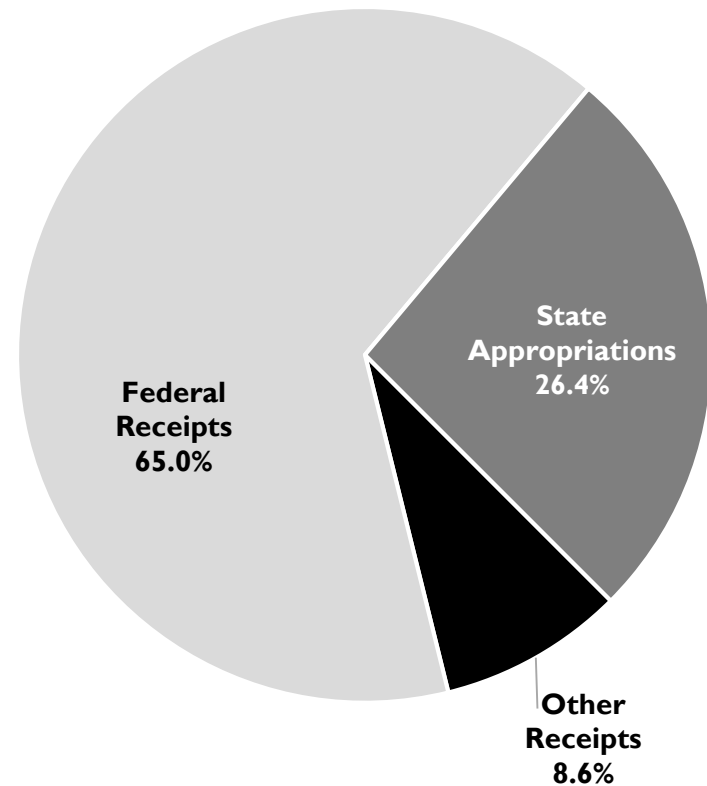


DHB Base Budget Expenditures and Funding Sources

Expenditures



Funding Sources



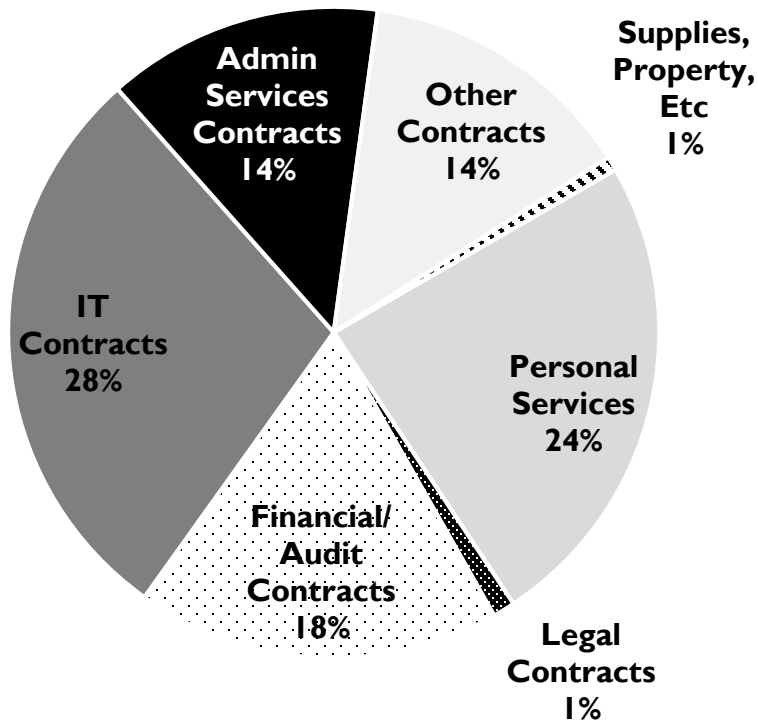
Note: the charts cover both years of the biennium



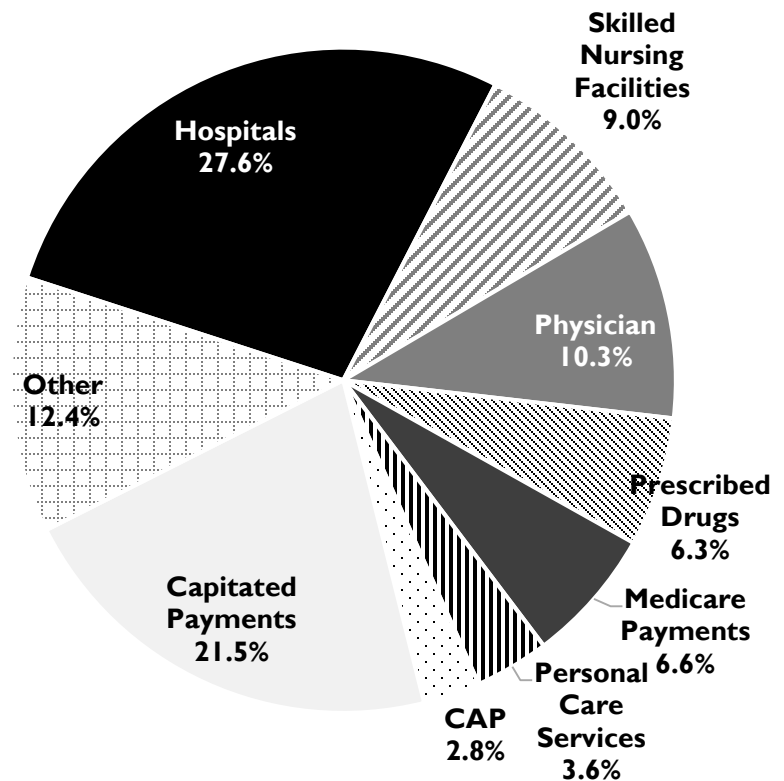
DHB Base Budget

Administrative and Aid Expenditures

Administrative Expenses



Aid and Public Assistance By Provider Type



Note: the charts cover both years of the biennium



DHB Base Budget

2017-2019 Significant Budget Actions

		FY 2017-18	FY 2018-19
S.L. 2017-57: Appropriations Act of 2017			
▪ Medicaid rebase	R	\$66,736,218	\$177,366,678
	NR	(\$62,974,884)	(\$64,774,677)
▪ NC Health Choice rebase	R	\$1,496,379	\$3,856,135
	NR	(\$44,485,035)	(\$46,908,146)
▪ Funding for Graduate Medical Education	NR	\$30,000,000	\$30,000,000
▪ LME/MCO intergovernmental transfer (IGT) for the State share of the Medicaid risk reserve payments were made recurring	R	(\$17,736,485)	(\$18,028,217)
▪ Increase in personal care service (PCS) rates	R	\$1,279,339	\$2,738,419
▪ Management flexibility reduction	NR	(\$15,000,000)	(\$15,000,000)
S.L. 2018-97: Budget Technical Corrections & Study			
▪ Medicaid rebase	R		(\$7,500,000)
▪ Community Alternative Program–Disabled Adults (CAP/DA) rates	R		\$5,500,000
▪ Adult optical coverage	R		\$2,000,000



DHB Base Budget

2017-2019 Significant Provisions

- S.L. 2017-57: Appropriations Act of 2017
 - Expanded innovations waiver slots by 400, effective Jan 1, 2018
 - Funding was added to the budget for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
 - \$4.1 million (R) in FY 2017-18 and \$8.2 million (R) in FY 2018-19
 - Enhanced oversight of Medicaid eligibility determinations
- S.L. 2018-5: Appropriations Act of 2018
 - Required DHHS to assess staffing needs in a managed care environment (report due Oct 2019)
 - Required DHHS to submit 7-year forecast for transformation (report due Nov 2018, delayed)
 - Authorized DHB to access Medicaid Transformation Reserve Fund for specified transformation start-up costs



2019-2021 Budget Issues

- Medicaid transformation



QUESTIONS

Mark Collins – mark.collins@ncleg.net

Steve Owen – steve.owen@ncleg.net

919-733-4910

