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)**

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

![Line graph showing enrollment trends from July 2016 to February 2019]

- **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**

Source: DHHS enrollment reports
Removing family planning beneficiaries shows a very different pattern in Medicaid enrollment.

Peak: May '17
1,818,245

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 2016-17 ($12.05 billion)

- Behavioral Health: $2,631
- Prescription Drugs (before rebates): $1,869
- Hospitals: $1,844
- Skilled Nursing Facilities: $1,229
- Physician Services: $1,286
- Medicare Payments: $1,244
- Personal Care Services: $849
- Dental: $419
- All Other: $1,633

FY 2017-18 ($12.49 billion)

- Behavioral Health: $2,698
- Prescription Drugs (before rebates): $1,908
- Hospitals: $1,899
- Skilled Nursing Facilities: $1,286
- Physician Services: $1,244
- Medicare Payments: $903
- Personal Care Services: $453
- Dental: $365
- All Other: $1,731
FY 2017-18 Populations and Costs

Population Covered

- Children: 53%
- ABD: 21%
- Dual Eligible: 4%
- Adults: 10%
- Family Planning: 11%
- Aliens and Refugees: 1%

Service Spending

- ABD + Dual Eligible: 65%
- Children: 23%
- Adults: 11%
- Other Groups: 1%

The ABD and dual eligible populations are the most expensive groups, accounting for nearly 2/3 of service costs.

Note: Service spending excludes supplemental payments.

Sources: Enrollment, PER, and BD-701 reports.
## Per Member Per Month Service Costs

### Service Costs by Beneficiary Group

<table>
<thead>
<tr>
<th>Group</th>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>$476</td>
<td>$476</td>
</tr>
<tr>
<td>ABD and Dual Eligible</td>
<td>$1,289</td>
<td>$1,346</td>
</tr>
<tr>
<td>Adults</td>
<td>$528</td>
<td>$545</td>
</tr>
<tr>
<td>Children</td>
<td>$221</td>
<td>$224</td>
</tr>
<tr>
<td>Aliens</td>
<td>$459</td>
<td>$424</td>
</tr>
<tr>
<td>Family Planning</td>
<td>$9</td>
<td>$5</td>
</tr>
</tbody>
</table>

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

FY 2017-18 Actuals

Requirements
- Aid and Public Assistance: 96.2%
- Other: 2.4%
- Admin: 1.3%

Funding Source
- Federal Funds: 63.5%
- State Appropriations: 25.1%
- Other Non-Federal Funds: 11.4%

(Total spending = $14.61 billion)

FY 2018-19 Certified Budget

Requirements
- Aid and Public Assistance: 97.9%
- Other: 0.9%
- Admin: 1.2%

Funding Source
- Federal Funds: 65.4%
- State Appropriations: 26.0%
- Other Non-Federal Funds: 8.6%

(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:

<table>
<thead>
<tr>
<th>Type of Provider</th>
<th>Number Receiving Payments</th>
<th>Total Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>16,239</td>
<td>$3.199 billion</td>
</tr>
<tr>
<td>Institutional</td>
<td>1,628</td>
<td>$3.428 billion</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>2,650</td>
<td>$1.929 billion</td>
</tr>
</tbody>
</table>

Total Payments: $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
Health Choice enrollment has been growing this year.
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**

<table>
<thead>
<tr>
<th>14445-DHHS - Health Benefits - General Fund</th>
<th>Actual</th>
<th>Certified</th>
<th>Authorized</th>
<th>Incr/Decr</th>
<th>Total</th>
<th>Incr/Decr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONAL SERVICES</td>
<td>$34,137,510</td>
<td>$41,999,079</td>
<td>$43,052,088</td>
<td>$621,958</td>
<td>$43,674,046</td>
<td>$621,958</td>
<td>$43,674,046</td>
</tr>
<tr>
<td>PURCHASED SERVICES</td>
<td>$159,867,823</td>
<td>$131,902,667</td>
<td>$145,040,910</td>
<td>($7,973,141)</td>
<td>$137,067,769</td>
<td>($7,967,346)</td>
<td>$137,073,564</td>
</tr>
<tr>
<td>SUPPLIES</td>
<td>$125,177</td>
<td>$200,225</td>
<td>$215,935</td>
<td>$5,667</td>
<td>$221,602</td>
<td>$5,667</td>
<td>$221,602</td>
</tr>
<tr>
<td>PROPERTY, PLANT &amp; EQUIPMENT</td>
<td>$382,554</td>
<td>$314,209</td>
<td>$62,205</td>
<td>$3,750</td>
<td>$65,955</td>
<td>$3,750</td>
<td>$65,955</td>
</tr>
<tr>
<td>OTHER EXPENSES &amp; ADJUSTMENTS</td>
<td>$1,026,927</td>
<td>$1,020,989</td>
<td>$909,059</td>
<td>$152</td>
<td>$909,211</td>
<td>$152</td>
<td>$909,211</td>
</tr>
<tr>
<td>AID &amp; PUBLIC ASSISTANCE</td>
<td>$14,257,317</td>
<td>$14,527,749</td>
<td>$14,504,334</td>
<td>($68,415)</td>
<td>$14,504,334</td>
<td>($68,415)</td>
<td>$14,504,334</td>
</tr>
<tr>
<td>RESERVES</td>
<td>($1)</td>
<td>($46,268,470)</td>
<td>($46,268,470)</td>
<td>$0</td>
<td>$46,268,470</td>
<td>$0</td>
<td>$46,268,470</td>
</tr>
<tr>
<td>INTRAGOVERNMENTAL TRANSACTIONS</td>
<td>$356,971,528</td>
<td>$191,874,372</td>
<td>$188,786,153</td>
<td>($46,268,470)</td>
<td>$188,786,153</td>
<td>($46,268,470)</td>
<td>$188,786,153</td>
</tr>
</tbody>
</table>

**Total Requirements**

<table>
<thead>
<tr>
<th>Actual</th>
<th>Certified</th>
<th>Authorized</th>
<th>Incr/Decr</th>
<th>Total</th>
<th>Incr/Decr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14,809,828,981</td>
<td>$14,913,793,006</td>
<td>$14,904,543,545</td>
<td>($29,484,241)</td>
<td>$14,875,059,304</td>
<td>($29,474,161)</td>
<td>$14,875,069,384</td>
</tr>
</tbody>
</table>

### Receipts

<table>
<thead>
<tr>
<th>Grants</th>
<th>$400,249,659</th>
<th>$269,161,031</th>
<th>$269,161,031</th>
<th>$0</th>
<th>$269,161,031</th>
<th>$0</th>
<th>$269,161,031</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Income</td>
<td>$315,952</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales, Service, &amp; Rentals</td>
<td>$14,863</td>
<td>$14,442</td>
<td>$0</td>
<td>$14,442</td>
<td>$0</td>
<td>$14,442</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>($188,493,925)</td>
<td>($196,138,346)</td>
<td>($188,138,346)</td>
<td>$0</td>
<td>($188,138,346)</td>
<td>$0</td>
<td>($188,138,346)</td>
</tr>
<tr>
<td>Intragovernmental Transactions</td>
<td>$637,546,962</td>
<td>$521,408,600</td>
<td>$513,473,552</td>
<td>$24,205,812</td>
<td>$537,679,364</td>
<td>$24,205,812</td>
<td>$537,679,364</td>
</tr>
<tr>
<td>Intragovernmental Transactions (Federal Funds)</td>
<td>$9,479,166,430</td>
<td>$9,822,799,802</td>
<td>$9,813,085,762</td>
<td>($148,451,562)</td>
<td>$9,664,634,200</td>
<td>($148,448,665)</td>
<td>$9,664,637,097</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>$11,145,782,845</td>
<td>$11,084,377,943</td>
<td>$11,074,728,855</td>
<td>($124,245,750)</td>
<td>$10,950,483,105</td>
<td>($124,242,853)</td>
<td>$10,950,486,002</td>
</tr>
</tbody>
</table>

**Net Appropriation**

<table>
<thead>
<tr>
<th>Actual</th>
<th>Certified</th>
<th>Authorized</th>
<th>Incr/Decr</th>
<th>Total</th>
<th>Incr/Decr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,664,046,136</td>
<td>$3,829,415,063</td>
<td>$3,829,814,690</td>
<td>$94,761,509</td>
<td>$3,924,576,199</td>
<td>$94,768,692</td>
<td>$3,924,583,382</td>
</tr>
</tbody>
</table>
## DHB Base Budget

### Explanation of Changes

<table>
<thead>
<tr>
<th>NR Items Removed</th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced federal match for CHIP (Medicaid)</td>
<td>$64,774,677</td>
<td>$64,774,677</td>
</tr>
<tr>
<td>Enhanced federal match for CHIP (NCHC)</td>
<td>46,594,511</td>
<td>46,594,511</td>
</tr>
<tr>
<td>Management flexibility reduction</td>
<td>15,000,000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>One-time retiree cost-of-living adjustment</td>
<td>(42,210)</td>
<td>(42,210)</td>
</tr>
<tr>
<td>NC Tracks changes and enhancements</td>
<td>(2,236,341)</td>
<td>(2,236,341)</td>
</tr>
<tr>
<td>Graduate Medical Education (GME)</td>
<td>(30,000,000)</td>
<td>(30,000,000)</td>
</tr>
<tr>
<td><strong>Total for NR Items</strong></td>
<td>$94,090,727</td>
<td>$94,090,727</td>
</tr>
</tbody>
</table>

### Annualization of Partial Year Appropriations

<table>
<thead>
<tr>
<th></th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel and contracts from Appropriations Act of 2018</td>
<td>$439,738</td>
<td>$439,738</td>
</tr>
<tr>
<td>Mid-year personnel transfers from/to other divisions</td>
<td>223,915</td>
<td>223,915</td>
</tr>
<tr>
<td><strong>Total Annualization</strong></td>
<td>$663,653</td>
<td>$663,653</td>
</tr>
</tbody>
</table>

| Lease Agreement Escalation                                       | $7,129       | $14,312      |

| **TOTAL**                                                       | $94,761,509  | $94,768,692  |
### Recommended Base Budget FTE

<table>
<thead>
<tr>
<th></th>
<th>Actual 17-18</th>
<th>Certified 18-19</th>
<th>Authorized 18-19</th>
<th>Incr/Decr 19-20</th>
<th>Total 19-20</th>
<th>Incr/Decr 20-21</th>
<th>Total 20-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPA</td>
<td>182.5</td>
<td>123.76</td>
<td>459.5</td>
<td>0</td>
<td>459.5</td>
<td>0</td>
<td>459.5</td>
</tr>
<tr>
<td>SPA</td>
<td>266.0</td>
<td>328.8</td>
<td>11.0</td>
<td>0.0</td>
<td>11.0</td>
<td>0.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Total</td>
<td>448.5</td>
<td>452.5</td>
<td>470.5</td>
<td>0.0</td>
<td>470.5</td>
<td>0.0</td>
<td>470.5</td>
</tr>
</tbody>
</table>

- 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.

![Pie chart for FY 2017-18: EPA 41%, SPA 59%](chart1.png)

![Pie chart for FY 2019-20: EPA 98%, SPA 2%](chart2.png)
DHB Base Budget
Expenditures and Funding Sources

Expenditures

- Aid and Public Assistance: 97.5%
- Admin: 1.2%
- Other: 1.3%

Funding Sources

- Federal Receipts: 65.0%
- Other Receipts: 8.6%
- State Appropriations: 26.4%

Note: the charts cover both years of the biennium
DHB Base Budget
Administrative and Aid Expenditures

Administrative Expenses

- IT Contracts 28%
- Financial/Audit Contracts 18%
- Legal Contracts 1%
- Personal Services 24%
- Other Contracts 14%
- Supplies, Property, Etc 1%
- Admin Services Contracts 14%

Aid and Public Assistance By Provider Type

- Medicare Payments 6.6%
- Personal Care Services 3.6%
- Prescribed Drugs 6.3%
- Physician 10.3%
- Other 12.4%
- Capitated Payments 21.5%
- Hospitals 27.6%
- Skilled Nursing Facilities 9.0%

Note: the charts cover both years of the biennium
# DHB Base Budget

## 2017-2019 Significant Budget Actions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid rebase</td>
<td>R</td>
<td>$66,736,218</td>
</tr>
<tr>
<td></td>
<td>NR</td>
<td>($62,974,884)</td>
</tr>
<tr>
<td>NC Health Choice rebase</td>
<td>R</td>
<td>$1,496,379</td>
</tr>
<tr>
<td></td>
<td>NR</td>
<td>($44,485,035)</td>
</tr>
<tr>
<td>Funding for Graduate Medical Education</td>
<td>NR</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>LME/MCO intergovernmental transfer (IGT) for the State share of the Medicaid risk reserve payments were made recurring</td>
<td>R</td>
<td>($17,736,485)</td>
</tr>
<tr>
<td>Increase in personal care service (PCS) rates</td>
<td>R</td>
<td>$1,279,339</td>
</tr>
<tr>
<td>Management flexibility reduction</td>
<td>NR</td>
<td>($15,000,000)</td>
</tr>
</tbody>
</table>

| 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

- 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