

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

Introduction to Medicaid and NC Health Choice and Division of Health Benefits Budget

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

March 2, 2021

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
- Medicaid is an entitlement



Medicaid Funding

- Medicaid is jointly funded with State and federal dollars
- Base federal share (“FMAP”) for most services is 67.40% in NC, increasing to 67.65% on October 1, 2021
 - **FMAP** = federal medical assistance percentage
- Federal Coronavirus relief legislation adds 6.2 percentage points to FMAP contingent on the non-termination of Medicaid enrollees during national public health emergency
 - Thus, current FMAP is **73.6%**



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

■ 2020 Federal Poverty Level (FPL)/Annual Income

Family of	100% FPL	133% FPL	196% FPL	210% FPL
1	\$12,760	\$16,971	\$25,010	\$26,796
2	\$17,240	\$22,929	\$33,790	\$36,204
3	\$21,720	\$28,888	\$42,571	\$45,612
4	\$26,200	\$34,846	\$51,352	\$55,020



Medicaid Eligibility

- The General Assembly sets eligibility for Medicaid beneficiaries beyond the mandatory categories
 - See G.S. Section 108A-54.3A (S.L. 2020-78)
- Optional beneficiary groups for NC Medicaid:
 - Non-SSI ABD up to 100% FPL
 - Children 19-20 in AFDC limits
 - Pregnant women 134%–196% FPL
 - Children age 0-5 134%–210% FPL
 - Family Planning up to 195% FPL
 - Working disabled
 - Breast and Cervical Cancer
 - Medically Needy
 - Recipients of State-County Special Assistance



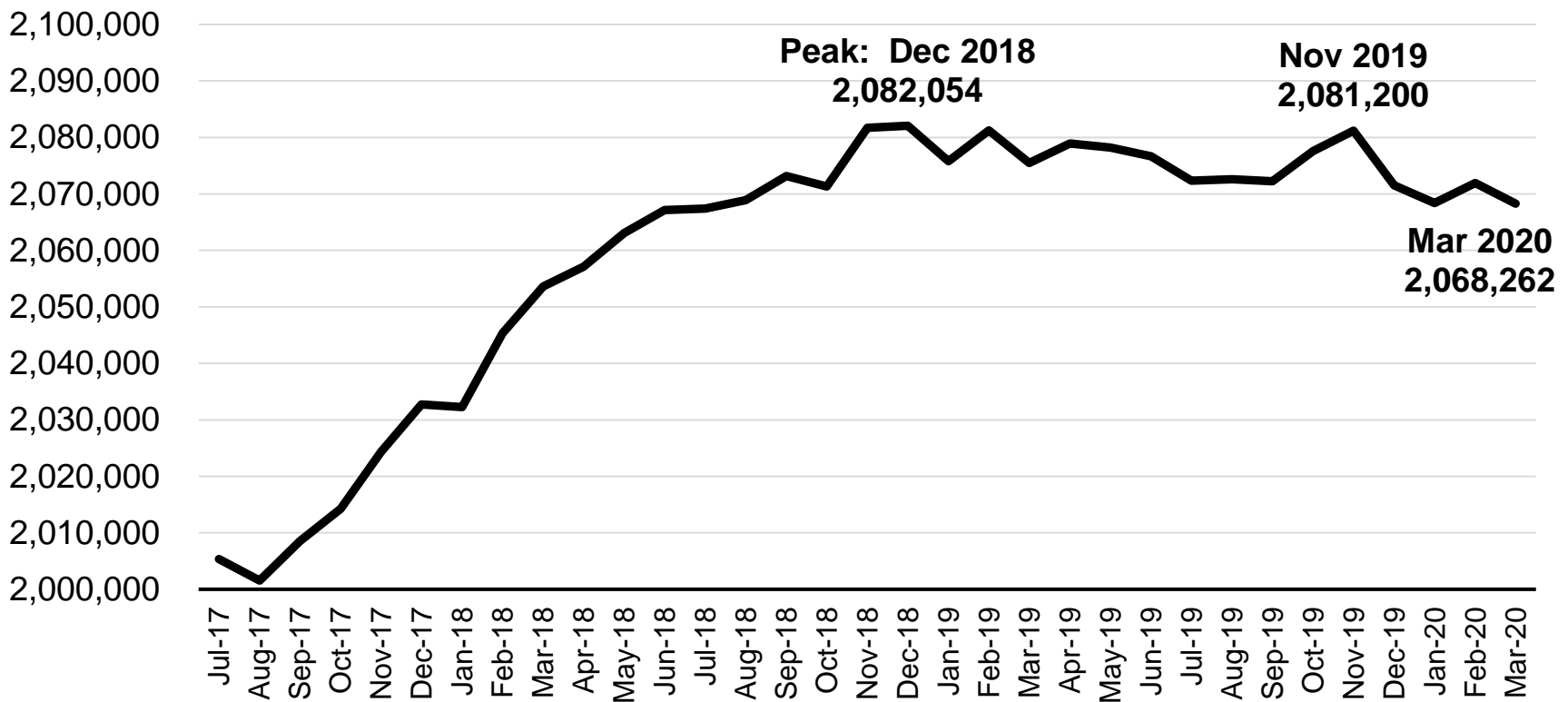
Enrollment in Medicaid

- County 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
- COVID-19 Pandemic: By accepting the additional 6.2 percentage points in federal match (slide 4), the State has agreed not to terminate Medicaid beneficiaries during the pandemic except in limited circumstances
- As of February 1, 2021, there were 2,381,916 beneficiaries in the NC Medicaid program



Pre-COVID-19 Enrollment Trends

- Before the pandemic, Medicaid enrollment had been relatively flat since the end of CY 2018

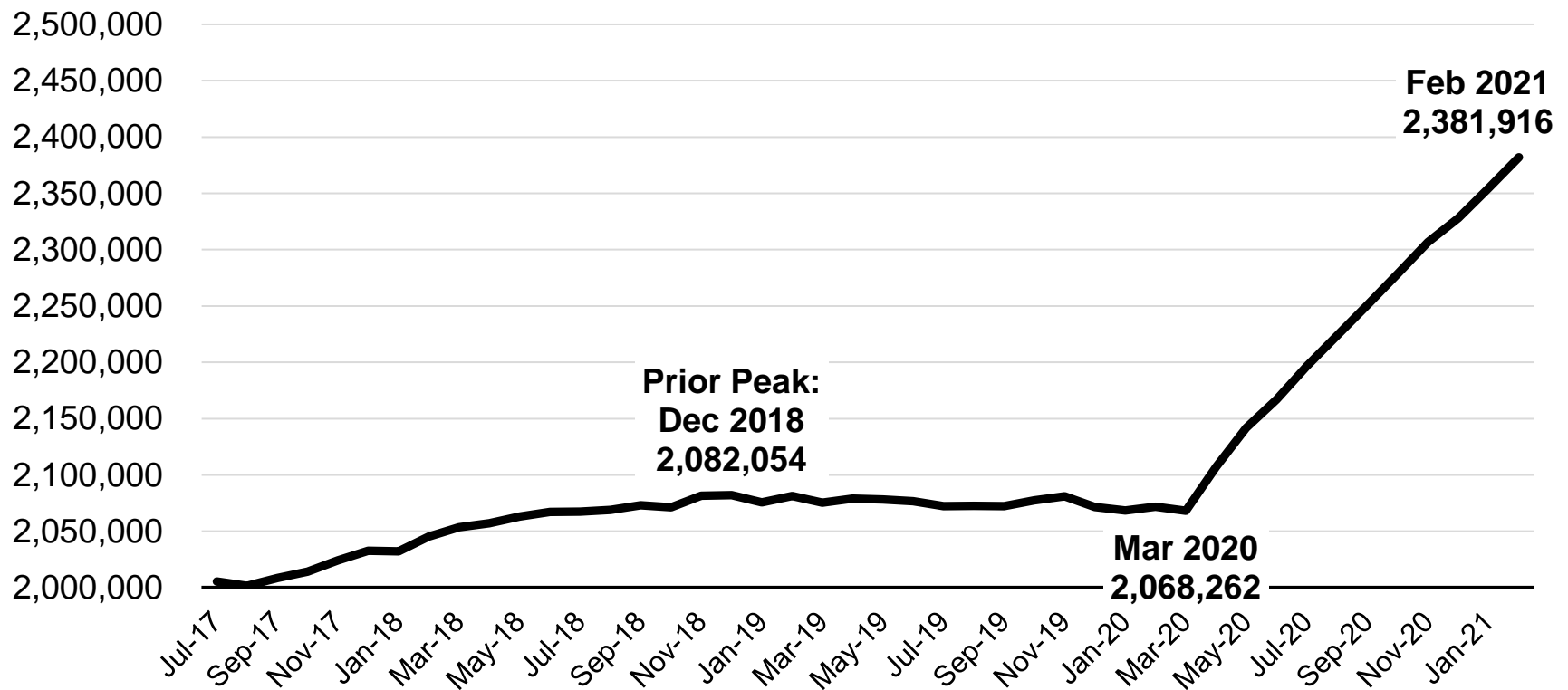


Source: DHHS enrollment reports



Enrollment Trends

- Enrollment has grown quickly during the pandemic, due at least in part to the non-termination of enrollees



Source: DHHS enrollment reports



Medicaid Benefits

- Mandatory Medicaid benefits

- Services provided by physicians, midwives, and nurse practitioners
- Children's dental, health check, hearing aids, and routine eye exams and visual aids
- Services provided by 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 eligibility category only receives 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

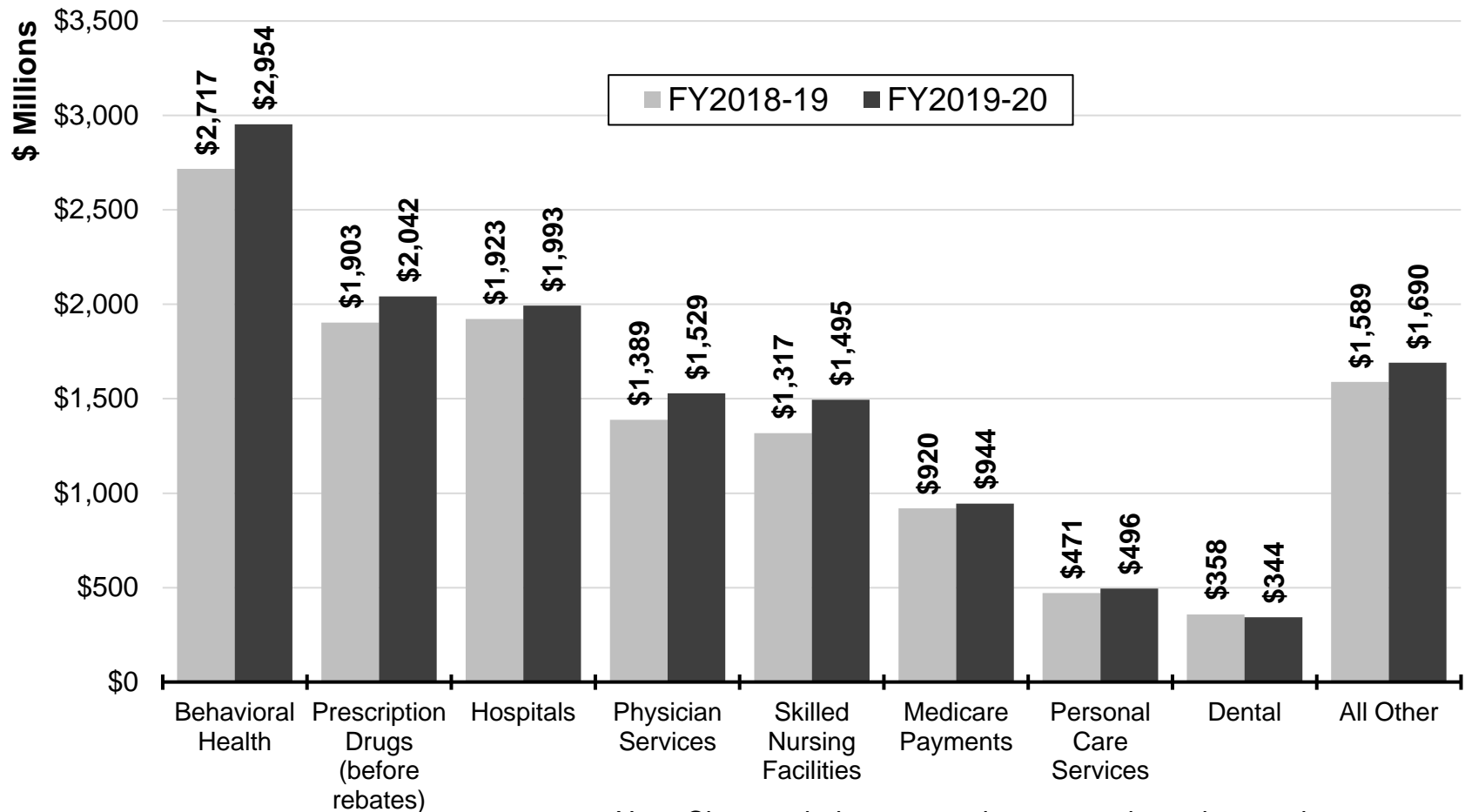


Medicaid Benefits: Local Management Entities/Managed Care Organizations

- Medicaid behavioral health services and services for individuals with intellectual/developmental disabilities (IDD) are coordinated by 7 regional LME/MCOs
- Medicaid pays LME/MCOs per-person rates (capitated rates) to manage and provide community-based:
 - Mental health treatment
 - Substance abuse treatment
 - Supports and care for the IDD population
- Each LME/MCO has its own network of providers



Medicaid Claims and Service Costs



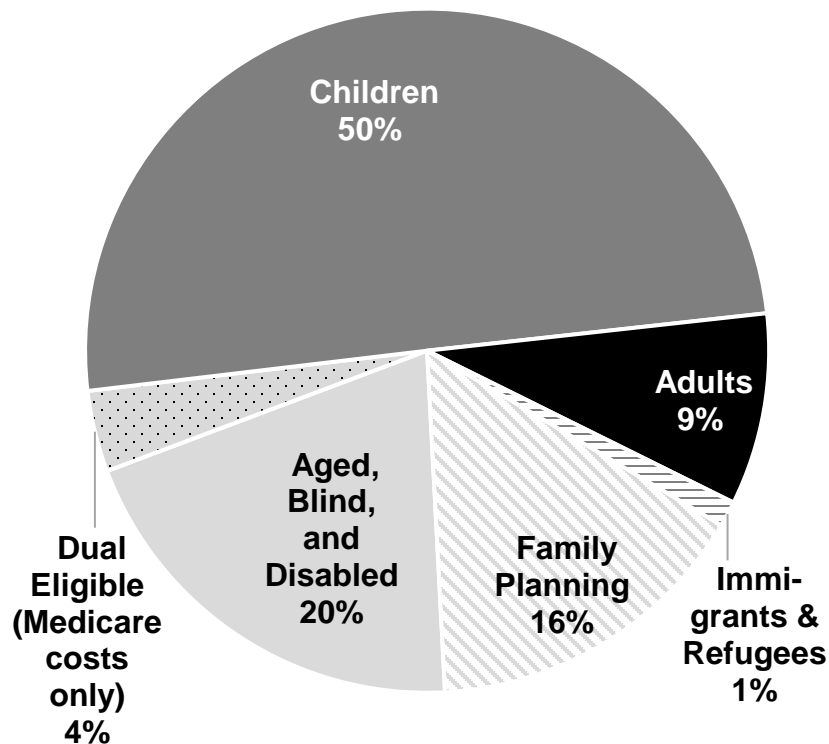
Note: Chart excludes cost settlements and supplemental payments

Sources: June 2019 and 2020 BD-701s

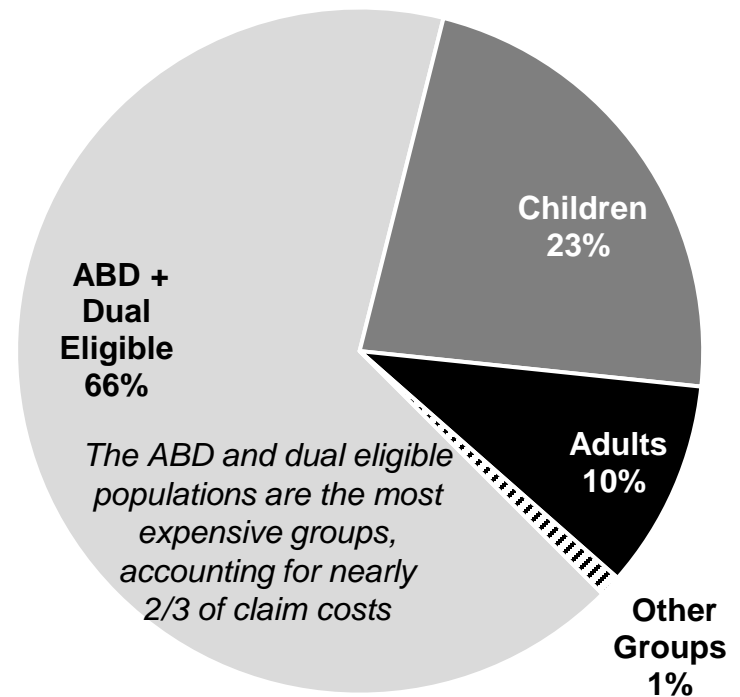


FY 2019-20 Populations and Costs

Population Covered



Service Spending

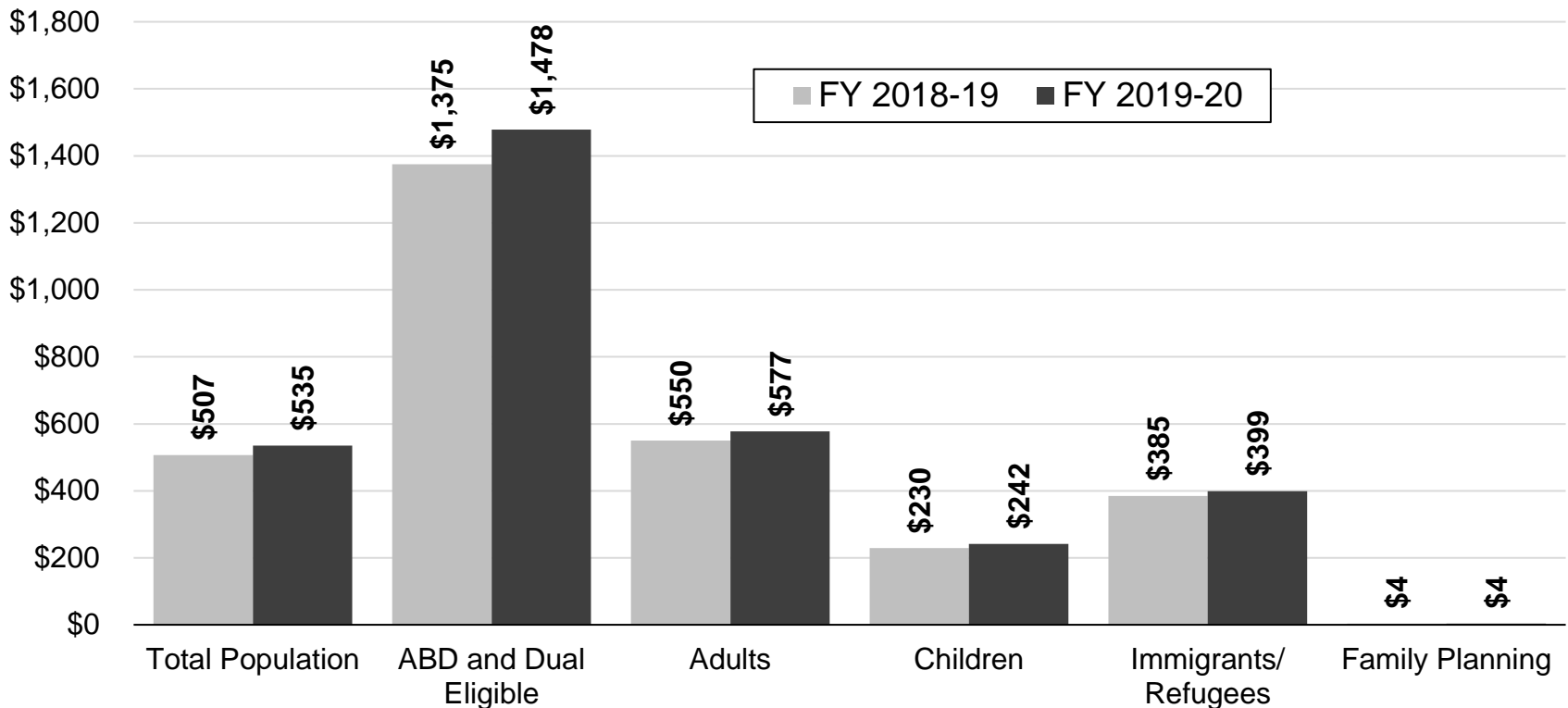


*Note: Service spending excludes cost settlements, supplemental payments, and pharmacy rebates.
Sources: Enrollment, PER, and BD-701 reports*



Per Member Per Month Service Costs

PMPM Service Costs by Beneficiary Group



Notes: Includes claims costs, capitated payments, and Medicare payments made on behalf of Medicaid enrollees. Excludes cost settlements, supplemental payments, and pharmacy rebates.

Sources: Enrollment, PER, and BD-701 reports



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 State provider application and re-credentialing fee every 5 years in addition to the federally-required fee (*State fee is suspended during the pandemic*)
- Nearly 20,000 providers received Medicaid payments in FY 2019-20

Type of Provider	Number Receiving Payments	Total Payments
Professional	15,400	\$3.498 billion
Institutional	1,774	\$3.684 billion
Pharmacy	<u>2,364</u>	<u>\$2.049 billion</u>
Totals	18,017	\$9.231 billion

Source: DHHS Medicaid dashboard



NC Health Choice (NCHC)

- 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 identical
- There are enrollment fees for beneficiaries from households with incomes over 159% FPL
 - \$50 annually for a single child
 - \$100 annually for 2+ children from same family



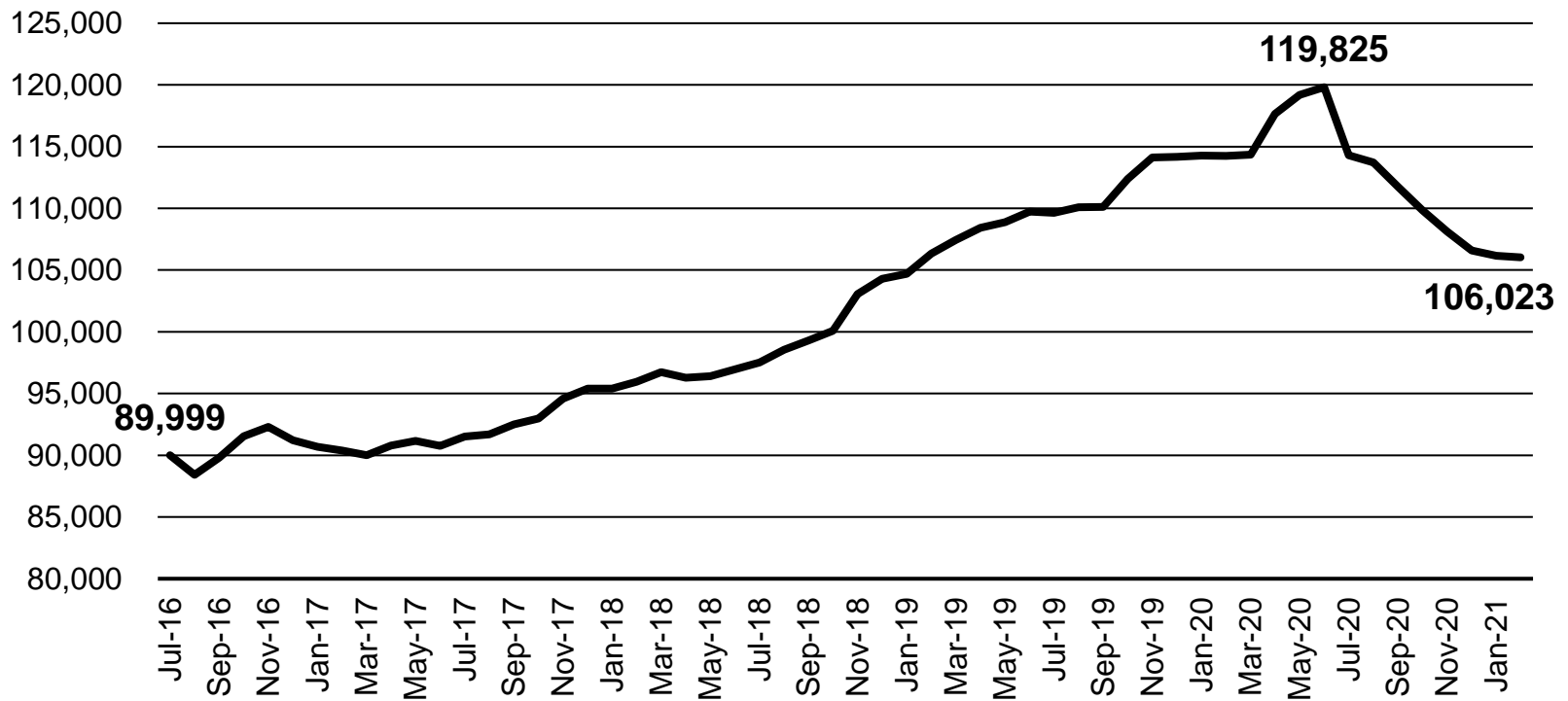
NC Health Choice Federal Match

- 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
- The base federal match rate is currently 77.18%
 - Federal COVID legislation increases federal share to 81.52% through at least June 30, 2021
- In addition to NC Health Choice, the CHIP federal match applies to approximately 180,000 children included in Medicaid enrollment numbers



NC Health Choice Enrollment

- NC Health Choice enrollment had been growing until July 2020
- During the pandemic, Medicaid children cannot be moved to NC Health Choice, but they can be moved from NCHC to Medicaid

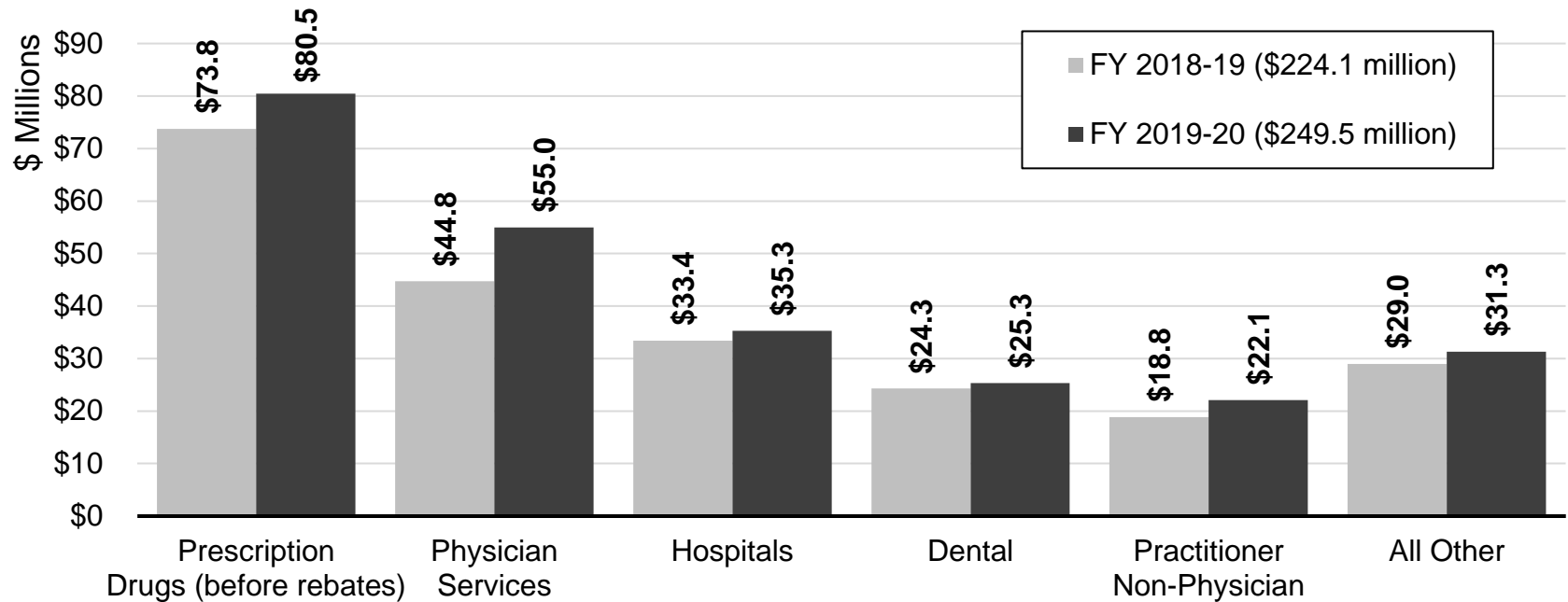


Source: DHHS



Health Choice Claims Costs

- NC Health Choice has a mix of services different from Medicaid

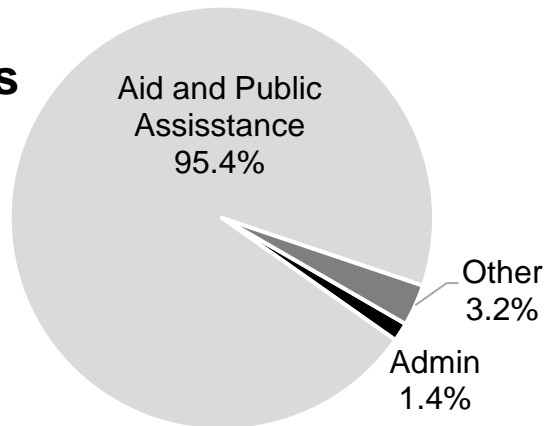


- PMPM costs for Health Choice were \$179.49 in FY 2018-19 and \$182.08 in FY 2019-20

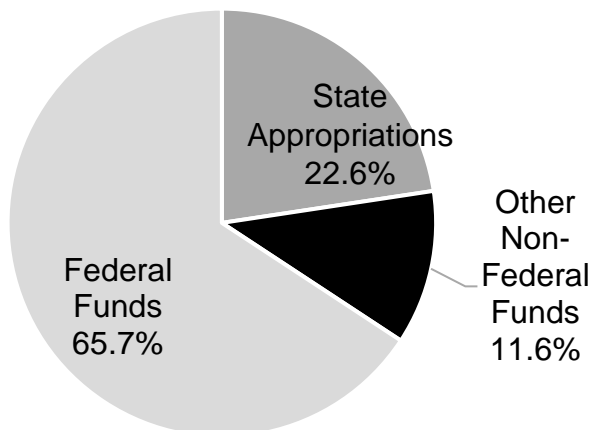
Medicaid Funding

FY 2019-20 Actuals

Requirements



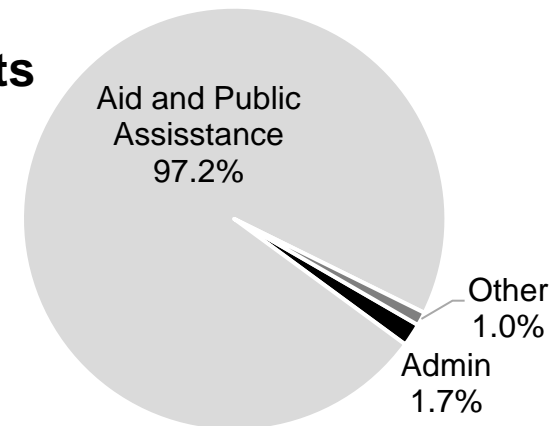
Funding Source



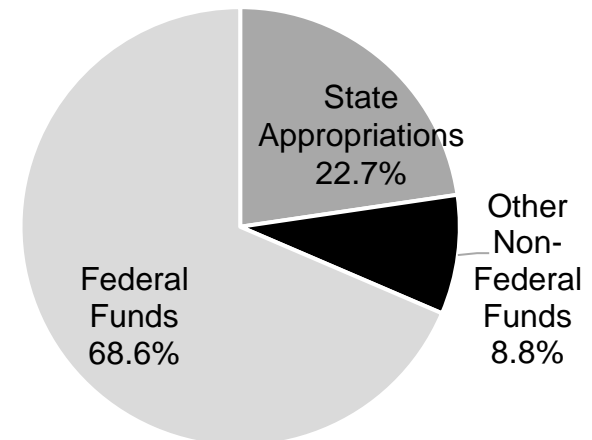
(Total spending = \$16.83 billion)

FY 2020-21 Certified Budget

Requirements



Funding Source



(Total budget = \$18.26 billion)



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 behavioral healthcare for enrollees
- Roughly 1.8 million Medicaid and NCHC enrollees will move to managed care, beginning July 1, 2021



Summary

- State/federal partnership
- Scope of the program
 - Combined, Medicaid and Health Choice account for \$17 billion to \$18 billion in total requirements and \$4 billion in State General Fund appropriations annually
 - Approximately 2.5 million NC residents per month are enrolled in the State's Medicaid and Health Choice programs
 - Approximately 18,000 providers were paid \$9.2 billion from Medicaid in FY 2019-20
- Transformation set to begin July 1, 2021



NC Medicaid and NC Health Choice

QUESTIONS?



Division of Health Benefits Budget Summary



Division of Health Benefits (DHB)

Budget Overview

- FY 2020-21 budget actions
 - Medicaid Funding Act (S.L. 2020-88)
- COVID-19 response
- Base budgets for 2021-2023 Fiscal Biennium
- Medicaid budget outlook for biennium



FY 2020-21 Budget Actions

Medicaid and NCHC Rebase

- Medicaid Funding Act
 - provides \$433 million to DHB for the FY 2020-21 Medicaid and NCHC rebase; and
 - authorizes a \$30 million carryforward of the FY 2019-20 surplus for use in FY 2020-21
- All funds are being provided on a nonrecurring basis

Source of Funds	(\$M)
General Fund	\$213.0
Medicaid Transformation Reserve	84.0
Medicaid Contingency Reserve	136.0
Carryforward of FY19-20 surplus	<u>30.0</u>
TOTAL	\$463.0



FY 2020-21 Budget Actions

Funding for Transformation Projects

- S.L. 2020-88 authorizes the transfer of up to \$69.4 million from the Medicaid Transformation Reserve to support the State share of transformation project costs
- Projects include managed care contracts, information technology (IT) upgrades, new IT systems, and 20 FTE employees
- Projects must be approved by Office of State Budget and Management as “qualifying needs”
- All funding provided for projects is nonrecurring
 - However, at least \$29.0 million is for recurring needs



FY 2020-21 Budget Actions

Transformation Projects (cont.)

Examples of transformation projects

Contracts	Information Technology	Other
<ul style="list-style-type: none">• Enrollment broker• Program design• Credential verification organization• External quality review organization• Evaluation of transformation	<p><u>Upgrades</u></p> <ul style="list-style-type: none">• NC FAST• NC Analytics <p><u>New Systems</u></p> <ul style="list-style-type: none">• Encounters processing• Information exchange portals• Contract management	<ul style="list-style-type: none">• 10 FTE for IT Division• 10 FTE for DHB• PHP readiness reviews• Outside legal fees for vendor protests



FY 2020-21 Budget Actions

Medicaid Transformation

- S.L. 2020-88 requires DHHS to begin capitated managed care contracts by July 1, 2021
- Establishes the managed care “Tribal Option” for the Eastern Band of Cherokee Indians
 - Also scheduled for July 1, 2021 implementation
- Re-structures hospital assessments for managed care
- Imposes the State’s gross premiums tax on managed care Prepaid Health Plans
 - General Fund revenue of approximately \$125 million in FY 2021-22 and \$250 million in FY 2022-23



Division of Health Benefits

Federal and State COVID-19 Response

- Federal COVID-19 relief legislation increases federal match by 6.2 percentage points during the national public health emergency
 - Increases NC's FMAP from 67.4% to 73.6%
 - As a condition of receiving this benefit, individuals enrolled in Medicaid during the pandemic may not be terminated unless they die, stop being State residents, or request termination
 - Medicaid enrollments have increased by nearly 314,000 (15.2%) from March 2020 to February 2021
- DHB has used the increased match to enhance certain provider reimbursement rates during the pandemic
- S.L. 2020-4 requires DHB to increase rates for all Medicaid providers by 5%
 - These rate increases expire no later than March 31, 2021



Division of Health Benefits

COVID-19 Response (cont.)

- Federal COVID legislation also authorized Medicaid reimbursement at a 100% federal match for COVID-19 testing of uninsured
- S.L. 2020-4 authorized this population as a new Medicaid enrollment category
- In February 2021, there are 9,116 individuals in the COVID-19 Testing group (not included in the enrollment increase described on previous slide)



DHB Base Budget

2021-2023 Fiscal Biennium

(\$ Millions)	Actual FY19-20	Certified FY20-21	Authorized FY20-21	Chg from FY20-21	Base FY21-22	Chg from FY20-21	Base FY22-23
Total Requirements	\$16,827.6	\$18,286.8	\$18,270.6	(\$3,405.8)	\$14,864.9	(\$3,405.8)	\$14,864.9
Receipts	13,022.8	14,145.7	14,133.1	(3,191.4)	10,941.7	(3,191.4)	10,941.7
Net Appropriation	\$3,804.8	\$4,141.1	\$4,137.5	(\$214.3)	\$3,923.2	(\$214.3)	\$3,923.2
FTE Employees	489.0	490.5	489.0	(20.0)	469.0	(20.0)	469.0

- The FY 2021-22 and FY 2022-23 base budgets for DHB include net appropriations \$214 million less than the FY 2020-21 Authorized Budget, due mostly to the elimination of nonrecurring (NR) items in the budget
- The base budget process **does not** rebase Medicaid and NCHC for projected changes in enrollment, utilization, pricing, and federal match rates
 - The proposed Medicaid and NCHC rebase will be part of the Governor's Recommended Budget



DHB Base Budget

Net Appropriation Adjustments

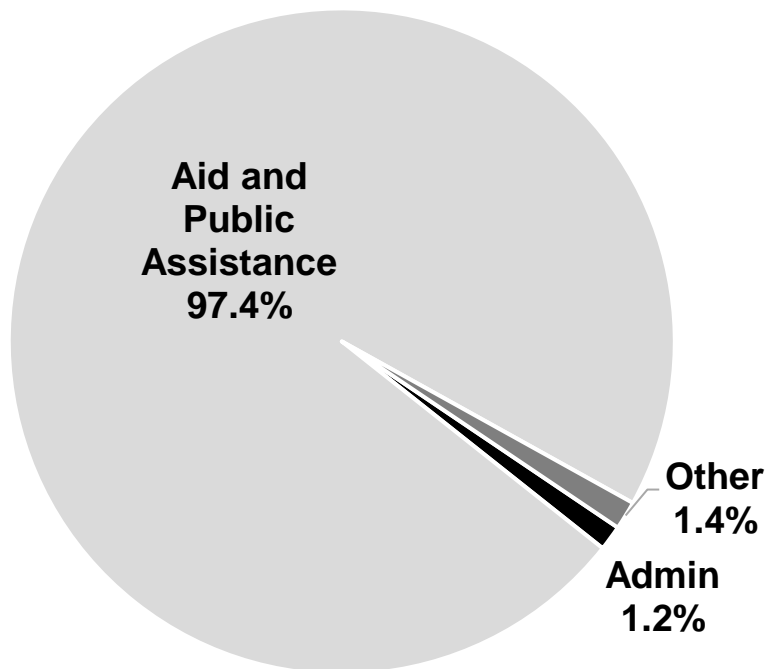
		FY 2021-22	FY 2022-23
1	NR Items Removed		
2	General Funds in the FY 2020-21 Rebase	(\$213,000,000)	(\$213,000,000)
3	Funds for Electronic Visit Verification system	(\$1,400,000)	(\$1,400,000)
4	Total for NR Items	(\$214,400,000)	(\$214,400,000)
5	Internal Service Adjustments		
6	Postage	\$6,537	\$6,537
7	Rent/Lease motor vehicles	6,381	6,381
8	Telephone service	25,888	25,888
9	Total for Internal Service Adjustments	\$38,806	\$38,806
10	Lease agreement escalation	\$7,761	\$15,670
11	TOTAL (Row 4 + Row 9 + Row 10)	(\$214,353,433)	(\$214,345,524)
12	FTE employees funded NR	(20.0)	(20.0)



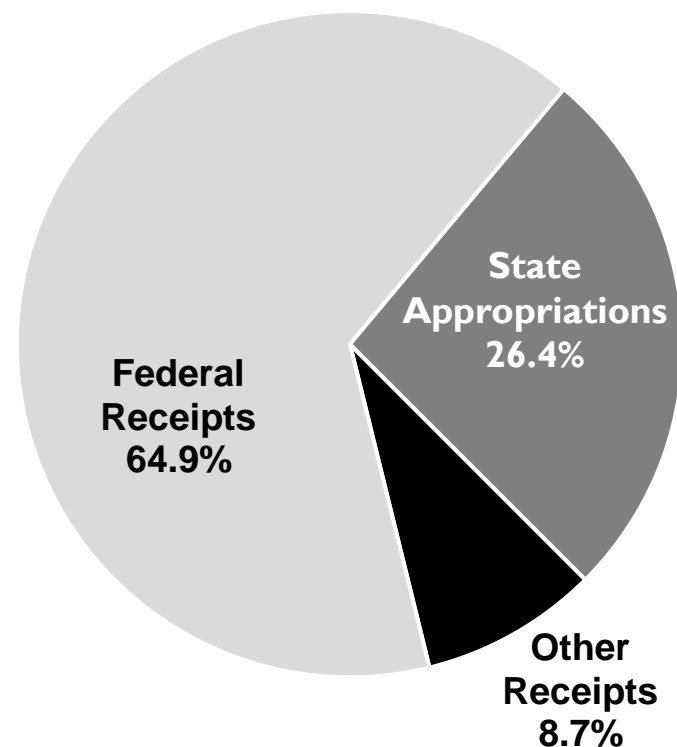
DHB Base Budget

Expenditures and Funding Sources

Expenditures
(\$14.9 billion/year)



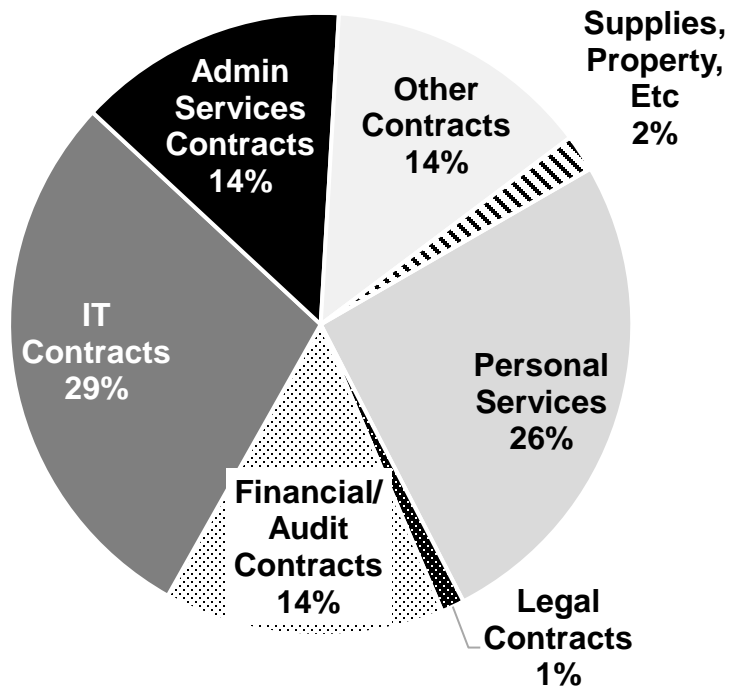
Funding Sources
(\$14.9 billion/year)



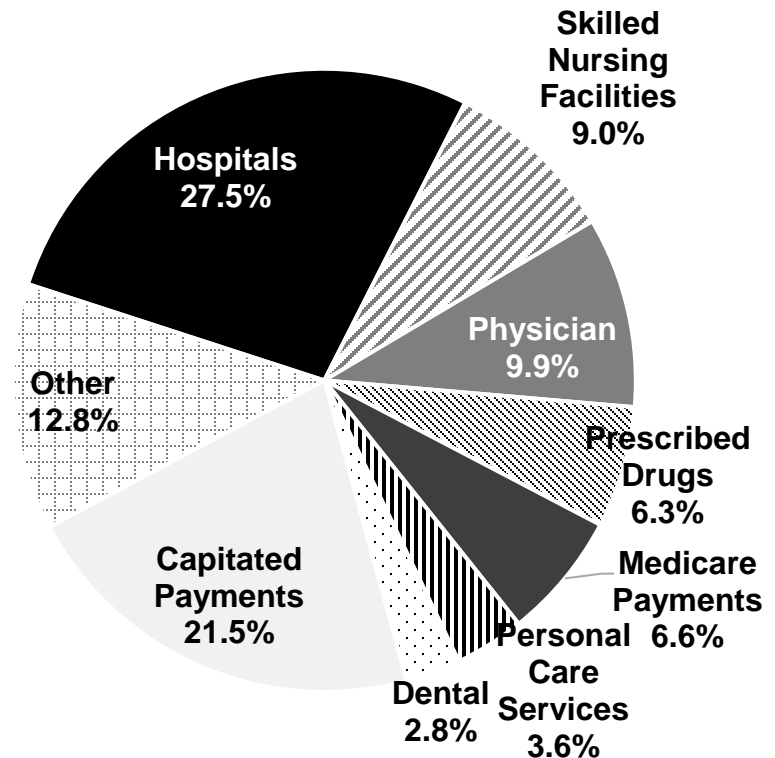
DHB Base Budget

Administrative and Aid Expenditures

Administrative Expenses
(\$182.2 million/year)



Aid and Public Assistance By Provider Type
(\$14.5 billion/year)



2021-2023 Budget Issues

- Medicaid rebase: many variables
 - Enrollment increases until public health emergency ends
 - 6.2 percentage point increase will end
 - Managed care
 - COVID impact on utilization and reimbursement rates
 - Setting PHP capitation rates will be tricky
 - New hospital assessments
- Claims runout costs for enrollees moving to managed care
- Medicaid administration
 - Additional transformation projects
 - Administrative changes/structure with managed care



Division of Health Benefits Budget

QUESTIONS?

Mark Collins – mark.collins@ncleg.gov

919-733-4910

