

NC Medicaid Offers a Seven-Year Forecast for Transformation

A report that provides a glimpse of the expectations for savings through the implementation of managed care was recently submitted to the General Assembly by NC DHHS. The report provides a seven-year forecast for Medicaid Transformation. It includes projections of costs and savings based on certain assumptions as well as the anticipated number of enrollees.

A key component of the savings plan is the Premium Tax to Prepaid Health Plans (PHPs) that will be applied to their capitation payments. The report states, “The tax is net neutral to the PHPs, as the amount they owe is built into the capitation payments they receive from the State. The net gain to the State for the Standard Plan PHP comes from federal dollars (approximately 67% share) in the capitation payments to the PHPs for the tax then coming back to the State.” In fact, the State projects managed care will bring an 11.1% savings in service costs by SFY22-23 as compared to the cost of a fee-for-service system when the premium tax is included. The cumulative budget impact will be a reduction of 3.2% required State funds by SFY22-23.

NC Medicaid is using new methods for predicting enrollment and is doing this in conjunction with the Office of State Budget and Management (OSBM). Medicaid enrollment is projected to increase from 2.3 million this fiscal year to 2.74 million by SFY24-25. The largest category of enrollment is the Temporary Assistance for Needy Families (TANF) and other children and includes Health Choice. The largest anticipated increase in enrollment is in the Foster Care/Adoptive category with an approximate 20%+ increase in enrollees. That is followed by an anticipated 10%+ increase in enrollment in the Non-Dual Aged, Blind and Disabled category. TANF and Other Adults and the Dual Eligible (Medicare/Medicaid) enrollee numbers are actually projected to decrease.

The current fee-for-service method of reimbursement to State-Operated facilities will remain the same in the future. PHPs will be required to reimburse state-owned and -operated facilities for services using rates determined by the Department that are inclusive of expected cost settlements. Other hospital reimbursements will shift from a statewide base rate to a hospital-specific base rate.

Many factors can change the projections. If the General Assembly agreed to expand Medicaid to close the insurance gap, that would have a large impact on projections of costs, savings and enrollment. At present, this report does not include any deliberate expansion of Medicaid eligibility.