



## What Is Medicaid?

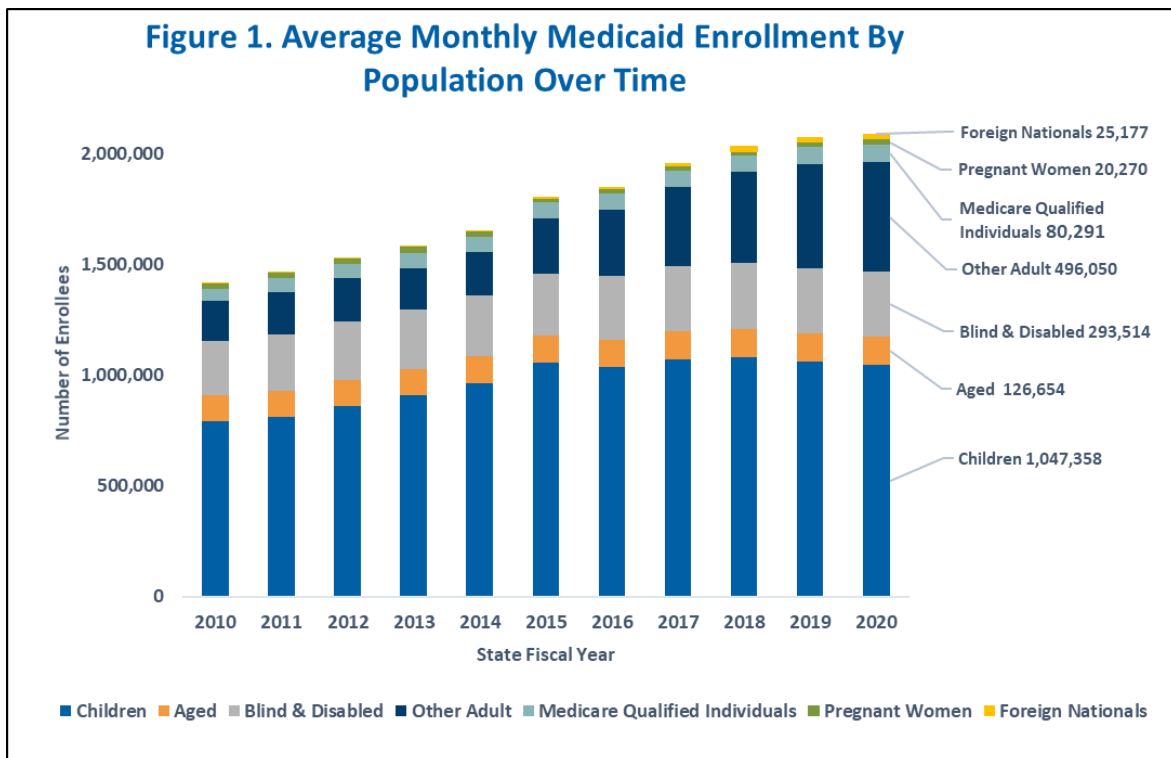
Medicaid provides health insurance to eligible low-income individuals, including children, pregnant women, parents, seniors, and people with disabilities.

Although Medicaid is a national public program, the specifics of the program differ by state. States administer Medicaid and are given flexibility to design their own programs. Each state creates its own health care delivery models, sets eligibility criteria, selects covered services, develops methods for paying providers, and oversees other aspects of Medicaid.<sup>1</sup> When designing the details of Medicaid programs, states must comply with federal standards, such as minimum criteria for eligibility and mandatory covered services.

## Medicaid In North Carolina

In North Carolina, Medicaid covers 2.2 million people (approximately one-fifth of the state’s population) (see Figure 1).<sup>2,3</sup> Between state fiscal years (SFYs) 2010 and 2020, average monthly enrollment in the program increased by approximately 47%.

***At the end of SFY 2020, North Carolina had the 10th largest Medicaid population in the nation, and the 4th largest Medicaid population among states that did not expand Medicaid.***<sup>4</sup>



Note: Data from the North Carolina Division of Health Benefits. Medicaid and Health Choice Enrollment Reports, Monthly Medicaid Enrollees SFY 2009 through SFY 2020. Available at <https://medicaid.ncdhhs.gov/documents/reports/enrollment-reports/medicaid-and-health-choice-enrollment-reports>. Accessed January 7, 2021.



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## Half of covered North Carolinians are children.<sup>a,5</sup>

The elderly and disabled account for 20% of Medicaid enrollees (see Figure 2).<sup>5</sup>

### Who Is Eligible For Medicaid?

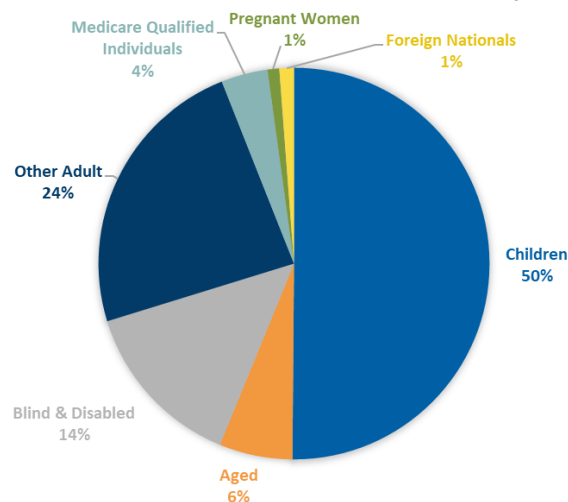
Both federal and state law determine who is eligible for Medicaid. Criteria for qualifying for Medicaid varies by program aid category (PAC) (see Figure 3). In North Carolina, PACs are made up of different populations of low-income individuals, for example children, pregnant women, parents, seniors, people with disabilities, and, in certain circumstances, individuals receiving Medicare.<sup>6</sup> Childless adults are not eligible for Medicaid in North Carolina (unless they are pregnant or disabled).

Each state establishes specific eligibility criteria based on standards set by the federal government. In North Carolina, eligibility for Medicaid differs by age, health status, household structure, income, and resources. A person’s income and resources must fall below

### Who Is In Charge Of North Carolina’s Medicaid Program?

Within North Carolina’s Department of Health and Human Services, NC Medicaid (the Division of Health Benefits) oversees and administers the state Medicaid program and Medicaid’s transformation into a managed care delivery

FIGURE 2. PERCENTAGE OF MONTHLY AVERAGE MEDICAID ENROLLMENT BY POPULATION (SFY 2020)



Note: Data from the North Carolina Division of Health Benefits. Medicaid and Health Choice Enrollment Reports, SFY Annual Unduplicated Enrollment Counts by County and Budget Groups. Available at <https://medicaid.ncdhhs.gov/documents/reports/enrollment-reports/medicaid-and-health-choice-enrollment-reports>. Accessed January 7, 2021.

a certain threshold, which varies by PAC, to qualify for coverage.<sup>c</sup> Individuals receiving Supplemental Security Income, Work First Cash Assistance, or special assistance for the aged or disabled are automatically eligible for Medicaid coverage.

To qualify for Medicaid, an individual also must be a U.S. citizen or provide proof of immigration status, live in North Carolina and present proof of residency, and have a Social Security number or have applied for one.<sup>7</sup>

### Dual Eligibles

Certain Medicare beneficiaries qualify for, and receive, Medicaid benefits. These people, called “dual-eligible beneficiaries” or “dual eligibles,” qualify for Medicare based on their age or disability status.<sup>8</sup> Dual eligibles qualify for Medicaid based on financial and need-based criteria (and are typically in poorer health and

<sup>a</sup> Medicaid eligibility categories that comprise each population (applicable throughout primer): Children: TANF (under 21), Other Child, MIC, MCHIP; Aged: Aged; Blind & Disabled: Blind, Disabled; Other Adult: TANF (over 20), Family Planning, Breast & Cervical Cancer; Medicare Qualified Individuals: MQB-Q, MQB-B, MQB-E; Pregnant

Women: MPW; Foreign Nationals: Aliens-Legal, Aliens-Illegal, Refugees.

<sup>b</sup> NC Medicaid. Division of Health Benefits. What We Do. <https://medicaid.ncdhhs.gov/>. November 18, 2020.

<sup>c</sup> Income limits are defined in relation to the Federal Poverty Level (FPL).



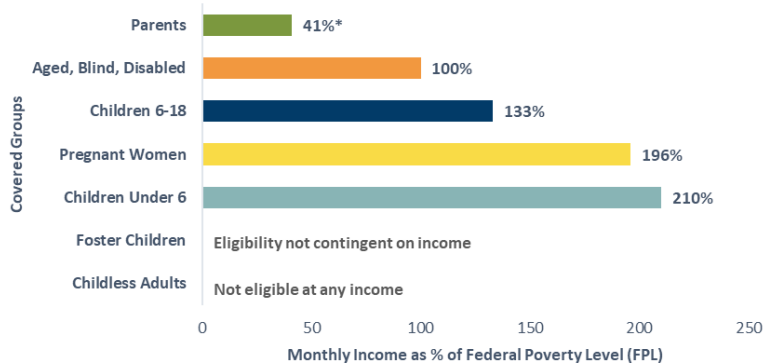
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older than the rest of the Medicaid population). Certain dual eligibles, called “full-dual” beneficiaries, are eligible for full Medicaid benefits, including medically necessary long-term services and supports, behavioral health benefits, transportation, and wrap-around benefits.<sup>9,10</sup> Other dual eligibles, called “partial-dual” beneficiaries, are eligible only for assistance with Medicare premiums and cost sharing. In 2013, dual eligibles were 17% of the Medicaid population, but accounted for 33% of the state’s Medicaid spending.<sup>9,10</sup>

### What Services Does Medicaid Cover?

Federal law requires state Medicaid programs to cover certain mandatory services, while giving states the option to cover additional services. Mandatory covered services include hospital inpatient and outpatient services, physician services, and nursing facility services. In North Carolina, optional services include prescription drugs, mental and behavioral health care, and hearing and vision services.<sup>11,12</sup> Services must be medically necessary to be covered.

**Figure 3. Medicaid Income Eligibility Limits**



Note: Data from North Carolina Division of Health Benefits. Basic Medicaid Eligibility (Revised 4/1/2020). Available at <https://files.nc.gov/ncdma/documents/files/Basic-Medicaid-Eligibility-Chart-2020.pdf>. Accessed November 18, 2020. Medicaid Income Eligibility Limits for Adults as a Percent of the Federal Poverty Level. FY 2019 Available at <https://www.kff.org/health-reform/state-indicator/medicaid-income-eligibility-limits-for-adults-as-a-percent-of-the-federal-poverty-level/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>. Accessed November 18, 2020.

Covered services are not universal across all populations.<sup>d</sup> For example, Medicaid covers dental care for children, but not adults. Through waivers, beneficiaries with disabilities in Medicaid’s Community Alternative Program receive services and supports that allow them to continue living in their communities, rather than in institutions.<sup>13</sup> Beneficiaries in the “Be Smart Program” only receive comprehensive

## Differences Between Medicaid And Medicare

### Medicaid

- Covers specific populations of low-income North Carolinians
- Eligibility determined by income, resources, age, and health status
- Funded jointly by North Carolina and the federal government

### Medicare

- Covers most North Carolinians ages 65 and older, as well as some North Carolinians with disabilities
- Eligibility is determined by age, work history, and disability
- Funded by the federal government

<sup>d</sup> For a general list of services covered by North Carolina Medicaid see

<https://medicaid.ncdhhs.gov/beneficiaries/get-started/apply-medicaid-or-health-choice/medicaid-services>.



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family planning care, not the full array of Medicaid benefits.<sup>14</sup>

### How Do Medicaid Beneficiaries Access Health Care?

As of July 1, 2021, North Carolina Medicaid will transition to a managed care model that contracts with prepaid health plans (PHPs) to provide physical health benefits and services for a capitated, or fixed, amount per enrollee. Medicaid managed care is not new to North Carolina. Currently North Carolina's Medicaid program uses managed care in a limited way: for primary care case management through Community Care of North Carolina), the LME/MCO system for behavioral health services, and the Program of All-Inclusive Care for the Elderly (PACE) (limited availability). However, the use of PHPs for coordinating all Medicaid benefits and services to enrollees will be new.<sup>e</sup>

The majority of Medicaid recipients will be enrolled in PHPs upon program launch. Certain Medicaid populations have been selected for delayed enrollment. Behavioral Health Intellectual/Developmental Disabilities (I/DD) Tailored Plans are scheduled to go live in July 2022. Children in foster care and adoptive placements are scheduled to enroll in July 2023.

Currently, mental health, intellectual or developmental disability, and substance use disorder (MH/IDD/SUD) services are provided to Medicaid beneficiaries through managed care organizations, known as Local Management Entities/Managed Care Organizations (LME/MCOs). LME/MCOs do not provide services directly. Instead, they coordinate care for the Medicaid population, contracting with local providers to provide MH/IDD/SUD services. North Carolina's Medicaid program reimburses LME/MCOs in the form of per-

member-per-month payments. Currently, seven LME/MCOs operate in North Carolina.<sup>15</sup>

### Medicaid Financing

Medicaid is financed with federal, state, and county government funds. The federal government matches state spending at a particular rate, called the Federal Medical Assistance Percentage (FMAP), which varies by state.<sup>f,16,17</sup> For Fiscal Year 2020, North Carolina's FMAP is 67.03%.<sup>18</sup> For each additional dollar North Carolina spends on Medicaid, the federal government contributes approximately \$2.<sup>18</sup> The federal government does not cap the amount of eligible spending it reimburses each state.

The federal government contributes the largest share of funding for North Carolina's Medicaid program, financing almost 64% of the cost of Medicaid (see Figure 4).<sup>19</sup> North Carolina covers approximately 34% of the cost through appropriations and other funding, such as prior year earned revenues and transfers from other state agencies.<sup>20</sup> In some years, county funds also make up a small portion of Medicaid funding.

### Medicaid Spending

In Fiscal Year 2019, North Carolina's total Medicaid spending was 12th highest in the nation and 3rd highest among non-expansion states.<sup>21</sup> However, North Carolina ranks 35th in spending per enrollee (receiving either full or partial benefits).<sup>20</sup> In 2018, spending on Medicaid accounted for approximately 28% of the North Carolina's total budget, which includes state and federal funds, and just over 16% of the state-funded portion of North Carolina's budget.<sup>22</sup> Figure 5 shows Medicaid

<sup>e</sup> 38 states use MCOs to provide Medicaid benefits.

<sup>f</sup> The FMAP determines the share of qualifying state Medicaid spending reimbursable by the federal

government. Each state's FMAP is calculated using a formula comparing the state's per capita income to U.S. per capita income.



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expenditures per beneficiary by population category.

### Medicaid’s Impact on Financial Security, Access to Care, and Health

Expanding the availability of health insurance, including Medicaid, to additional populations can reduce bill collection and out-of-pocket expenses.<sup>23,24</sup> Recent research also suggests Medicaid expansion is associated with increased use of preventive services, primary care, and medications.<sup>23</sup>

### *Health insurance coverage can lead to better financial security and improved access to care.*

#### North Carolina Health Choice

North Carolina Health Choice, the state’s version of the federal State Children’s Health Insurance Program (CHIP), is a health insurance program for low- and moderate-income children.<sup>25</sup> CHIPs are jointly financed by federal and state governments, similar to how Medicaid is financed, but with a significantly higher Federal Medical Assistance Percentage (FMAP). For Fiscal Year 2020, the FMAP for NC Health Choice, an enhanced FMAP, is 88.42%,

down from 100% in FY 2018 and 2019.<sup>8,26</sup>

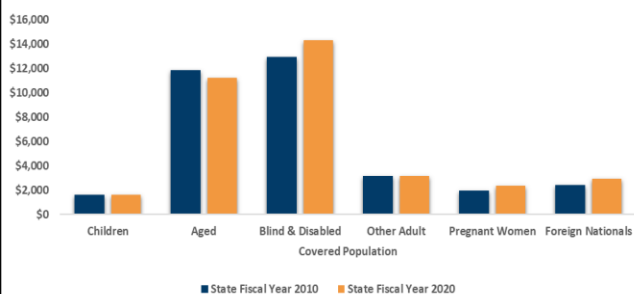
While the federal government finances a higher proportion of the cost of care under CHIP, the total amount of money the federal government will provide to states is capped. To cover costs, North Carolina requires certain families to pay copayments (ranging from \$5 to \$25 for services and \$1 to \$10 for prescriptions), and requires families with incomes above 159% of the FPL to pay a \$50 enrollment fee for one child and \$100 for two or more children.<sup>7</sup> If funding is unavailable, enrollment is frozen and children who apply are placed on a waiting list.<sup>27</sup>

Health Choice covers children ages 6 to 18 whose family income is between 133% and 211% of the FPL.<sup>7</sup> In SFY 2020, nearly 130,000 children were covered at some point during the year.<sup>28</sup> NC Health Choice covers similar services to North Carolina’s Medicaid program, but does not cover long-term care, early and periodic screening, diagnostic and treatment (EPSDT) services, and restricts dental coverage.<sup>29</sup>

#### Additional Resources

For more information about North Carolina Medicaid and Health Choice, visit <https://medicaid.ncdhhs.gov/>.

Figure 5. Medicaid Service Expenditures Per Beneficiary By Population



Note: Data from North Carolina Division of Health Benefits. Medicaid Annual Report Tables SFY 2020 & 2010. Available at <https://medicaid.ncdhhs.gov/reports/annual-reports-and-tables>. Accessed January 8, 2021.

<sup>8</sup> The Patient Protection and Affordable Care Act increased states’ enhanced FMAPs by 23 percentage points (with the enhanced FMAP not to exceed 100%).

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