

Use of Medicaid Transformation Funds for Medicaid Transformation Needs

Session Law 2023-134, Section 9E.9(e)



Report to
Joint Legislative Oversight Committee on Medicaid
and
the Fiscal Research Division
by
North Carolina Department of Health and Human Services

October 31, 2025

Background

Session Law 2023-134, Section 9E.9.(e) requires the Department of Health and Human Services, Division of Health Benefits (DHB), to report on expenditures paid for by Medicaid Transformation funds no later than January 15, 2024, and every six months thereafter until the final report due on July 15, 2025. Each report is to include the expenditures for the previous six months and whether the expenditure is expected to continue into the 2025- 2027 fiscal biennium.

This report reflects the expenditures from December 1, 2024, through May 31, 2025. The total amount of Medicaid Transformation funds spent for this period was \$292,139,621 with \$120,000,000 of that being the non-federal share. The breakdown of expenditures is set forth below.

SL 2023-134, Section 9E.9.(e): Use of Medicaid Fund for Medicaid Transformation Needs December 1, 2024 – May 31, 2025 Expenditures

SL 2023-134 Qualifying Need #	Qualifying Need Title	Total Medicaid Expenditure	Medicaid Transformation Fund Non-Federal Share
1	Program Design	\$17,963,147	\$8,981,574
2	Beneficiary and Provider Experience	\$45,434,651	\$22,717,326
3	Information Technology Upgrades, Operations, and Maintenance	\$37,927,649	\$5,528,637
4	Data Management Tools	\$0	\$0
5	Program Integrity	\$0	\$0
6	Quality Review	\$5,820,321	\$1,736,000
7	Actuarial Rate Setting Functions	\$9,320,996	\$4,660,498
8	Technical and Operational Integration	\$106,234,017	\$52,703,450
9	BH IDD Tailored Plan Health Homes	\$0	\$0
10	Legal Fees	\$5,118	\$2,559
11	Expenses Related to the Enhanced Case Management and Other Services Pilot Program, Commonly Referred to as the "Healthy Opportunities Pilots"	\$69,433,722	\$23,669,956
TOTALS		\$292,139,621	\$120,000,000

NOTES:

1. "Total Costs" above reflect Year-to-Date Expenditures as of May 31, 2025. At the time this document was prepared, DHB has certified our books for May 2025, and we are working to close out books for June 2025.
2. This reporting only covers costs for DHB.
3. All of the costs documented above are expected to occur again in the next biennium, SFY 2025-27.
4. While Program Integrity, Data Management, and Health Home expenditures are identified in SL 2023-134 as categories of qualifying need for which Medicaid Transformation Fund dollars may be spent, these activities are primarily funded by other fund sources in the Medicaid budget.

Appendix A:

Session Law 2023-134, Section 9E.9.(e) Use of the Medicaid Transformation Fund for Medicaid Transformation Needs

SECTION 9E.9.(e) Reporting. – No later than January 15, 2024, and every six months thereafter until the final report due July 15, 2025, DHB shall report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division on each expenditure that has been funded from the Medicaid Transformation fund in the preceding six months and whether that expenditure is expected to continue into the 2025-2027 fiscal biennium.