Medicaid Rebase Tracking, Transparency, and Predictability

Session Law 2023-134, Section 9E.8.(b)

Report to

Joint Legislative Oversight Committee on Medicaid

Office of State Budget Management

Fiscal Research Division
By

North Carolina Department of Health and Human Services

July 8, 2024

Contents

Background

Per Section 9E.8(b) of Session Law 2023-134, the Department of Health and Human Services, Division of Health Benefits (DHB), shall, on a prescribed schedule beginning November 1, 2023, report to the Office of State Budget Management, the Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division on the following information:

1. For the initial report, Medicaid enrollment projections for the 2023-2025 fiscal biennium. For each subsequent report, the actual enrollment relative to those projections.

2. The year-to-date General Fund expenditures for Medicaid through the most recent month for which there is complete data.

3. Projections on Medicaid General Fund expenditures needed for the remaining months in the 2023-2025 fiscal biennium.

4. Any Medicaid-related budget challenges identified by DHB for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the estimated cost related to those challenges. Challenges that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

5. Changes to the Medicaid program that are planned to be implemented at any time in the future under the authority granted under G.S. 108A-54(e)(1), the predicted impact of those changes to the Medicaid budget for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the anticipated implementation timeline for those changes. Planned changes that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

6. Changes to the Medicaid program required under federal or State law that will be implemented, the predicted impact of those changes to the Medicaid budget for the 2023-2025 fiscal biennium and the 2025-2027 fiscal biennium, and the anticipated implementation timeline for those changes. Changes that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

7. Any unanticipated costs to the Medicaid program that were not accounted for in either the model used to create Governor Cooper's Recommended Budget for the 2023-2025 fiscal biennium, or the projection contained in any prior report submitted under this section. Any unanticipated costs that have been identified in a previously submitted report for which there are no updates need not be identified in subsequent reports.

8. The amount, if any, of funds DHB is requesting to be transferred out of the Medicaid Contingency Reserve, as established under G.S. 143C-4-11, and as much information as possible that meets the requirements under G.S. 143C-4-11(b)(3).

Report Findings

1. Medicaid Non-Expansion Enrollment Projections for the 2023-2025 Fiscal Biennium

NC Medicaid (Division of Health Benefits; DHB) works closely with the State Office of Budget & Management (OSBM) to forecast enrollment for the Medicaid program (including former NC Health Choice program members who were merged with Medicaid [1]). In advance of each State Fiscal Biennium, DHB uses this DHB-OSBM consensus Medicaid enrollment forecast as a main foundation to build the Rebased Budget ("Rebase") model for services provided to Medicaid members. The Rebase cost is primarily driven by the product of forecasted enrollment (by eligibility category) and projected average costs per member (by eligibility type or capitation rate cell), and is the cornerstone of the Governor's Recommended Biennial Budget for DHB.

The enrollment forecast used to create the Rebase included in the Governor's Recommended Biennial Budget for DHB for State Fiscal Year (SFY) 2023-2025 is characterized by the following notable features:

1) The beginning of this biennium, July 1, 2023, coincides with the end of the years long COVID-19 federal Public Health Emergency (PHE) policy during which Medicaid members were extended continuous coverage, regardless of the determination of their eligibility, as a condition of the State receiving enhanced federal matching dollars under the Families First Coronavirus Act of 2020 (FFCRA)[2]. During the effective period of this PHE policy (March 2020 – June 2023), NC Medicaid added approximately 750,000 members across all eligibility categories (not including the temporary, 100% federally-funded uninsured COVID-related-benefit-only category, which enrolled an additional approximately 50,000 individuals). Continuous Coverage Unwinding (CCU) which resulted in terminations effective beginning on July 1, 2023, marks a projected steady decline in non-expansion enrollment, from a peak of just under 3 million members. However, this projection contains a larger-than-typical amount of uncertainty, as many variables will contribute to the actual monthly decline in enrollment over the course of the biennium.

2) The Medicaid eligibility categories that saw the largest increases during the PHE were non-disabled adults and children. These categories of members are expected to experience the largest enrollment decreases during the CCU. Enrollment of aged, blind, and disabled individuals did not increase significantly during the PHE and therefore is not expected to decrease much over the 2023-2025 biennium.

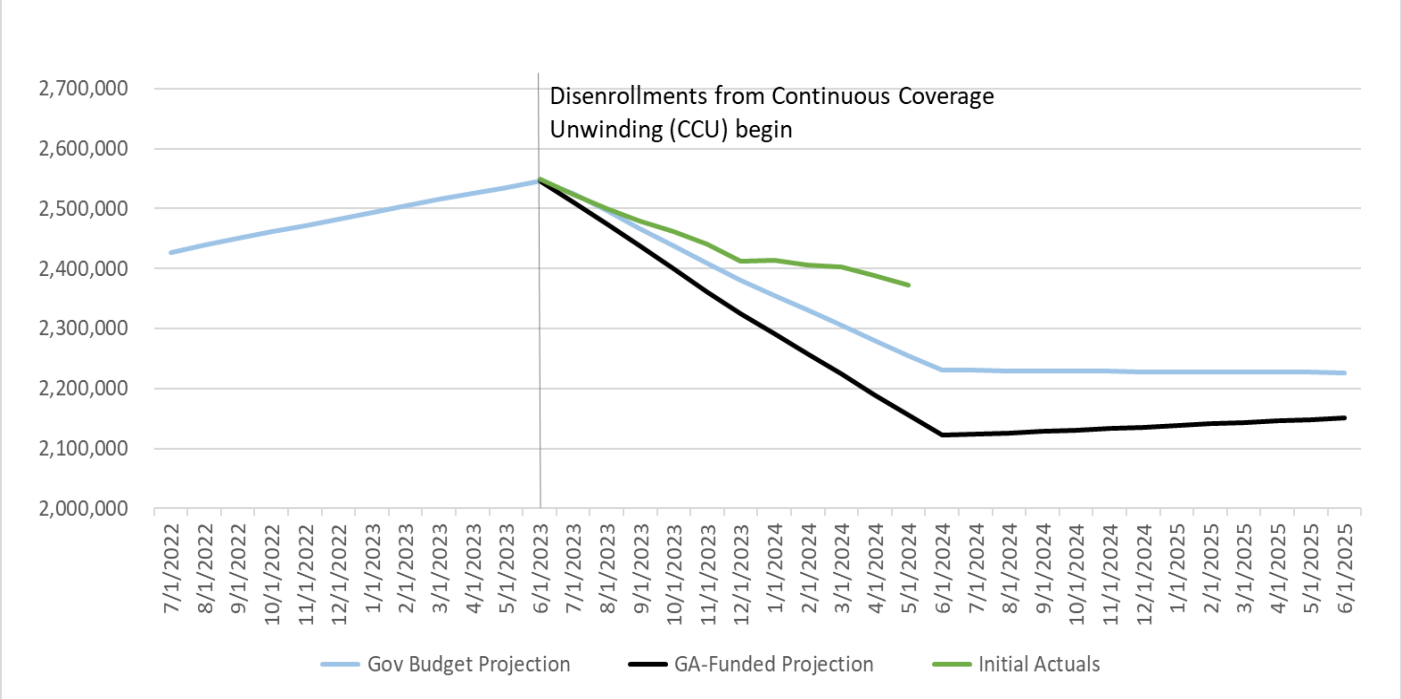
3) Historically, Medicaid enrollment has remained elevated for up to two years following significant economic shocks, such as recessions. Non-expansion enrollment is not projected to return to pre-COVID levels, even after unwinding is complete.

4) **Medicaid Expansion** enrollment is **not included** in the Rebase forecast or expenditure model. DHB will refer to "Non-Expansion (Non-Exp)" and "Expansion (Exp)" enrollment in this and future reports. Since Medicaid Expansion did not launch until December 1, 2023, there is no Expansion Enrollment until that date. Expansion enrollment and expenditures will be tracked separately, as they do not use General Fund dollars.

[1] As of April 1, 2023, consistent with Section 15 of S.L. 2022-74 as amended by Section 3.2 of S.L. 2023-11.
2 P.L. 116-127.

Figure 1, "Total Non-Expansion Medicaid Enrollment," illustrates the Governor's Rebase enrollment forecast for the biennium, contrasted with the enrollment forecast associated with the Rebase amount that the General Assembly funded in SL 2023-134, and with the actual enrollment (excluding family planning enrollees) observed for the months of July 2023– May 2024. The actual CCU disenrollments through May 1, 2024 are lower than both the General Assembly and Governor's budget forecasts, meaning more people are actually remaining enrolled in Medicaid than had been projected.

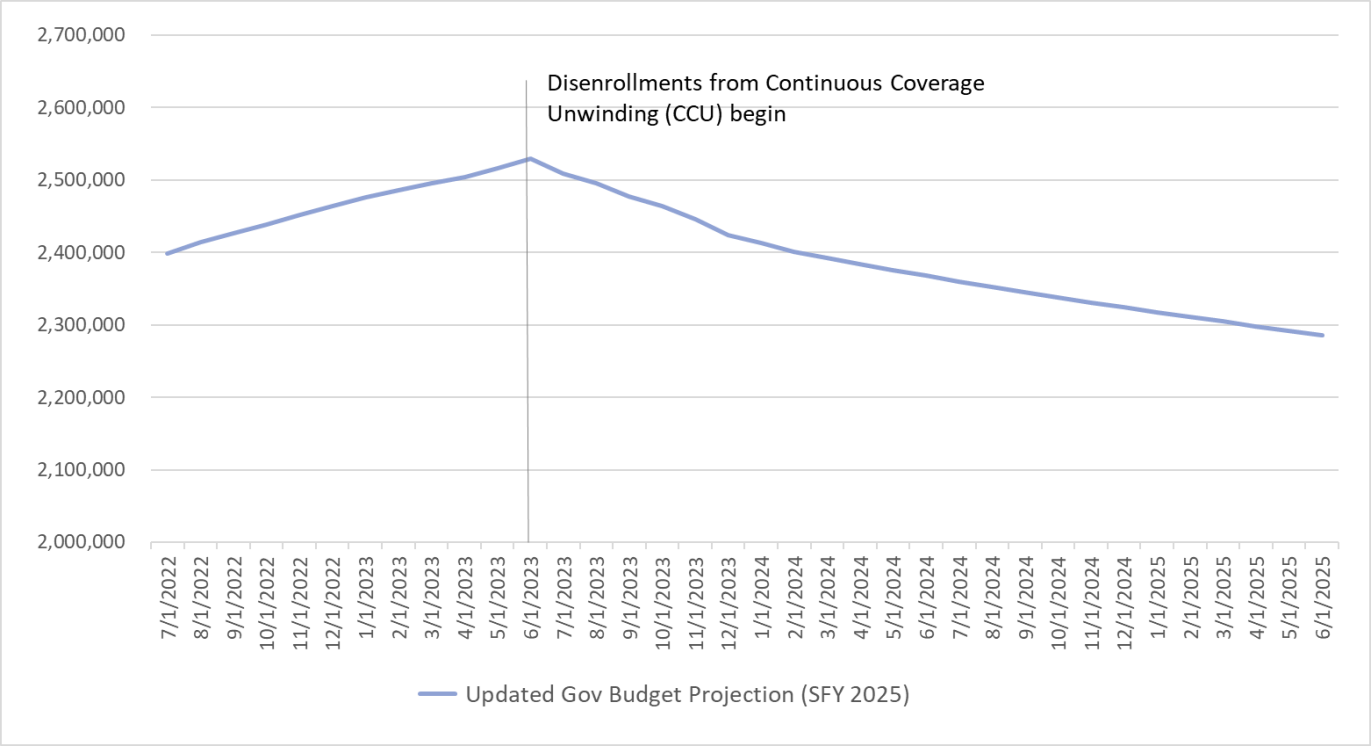
Figure 1: Total Non-Expansion Medicaid Enrollment (Excluding Family Planning) through May 2024



Data Sources: May 2023 Updated Governor's Budget (Oct 24,2023 update); Fiscal Research Division enrollment projections associated with SL 2023-134 Rebase funding; Medicaid Monthly Enrollment Reports (Initial Actuals are as of the date of each monthly report)

The SFY 2025 Updated Governor's Recommended Rebase (item 9 on p. 147 of Governor's Recommended Budget Adjustments FY 2024-25) utilizes an updated DHB-OSBM consensus enrollment forecast that takes into account the actual experience from SFY 2024. Figure 2 illustrates this updated forecast, which is characterized by a more gradual decline than that original biennial forecast. This more gradual decline (i.e., a slower pace of redeterminations and disenrollments) means that the CCU will take longer to complete and therefore, the initial and average enrollment in SFY 2025 will be higher than originally forecast in the Governor's Recommended Biennial Budget.

Figure 2: Updated Total Non-Expansion Medicaid Enrollment (Excluding Family Planning) Forecast

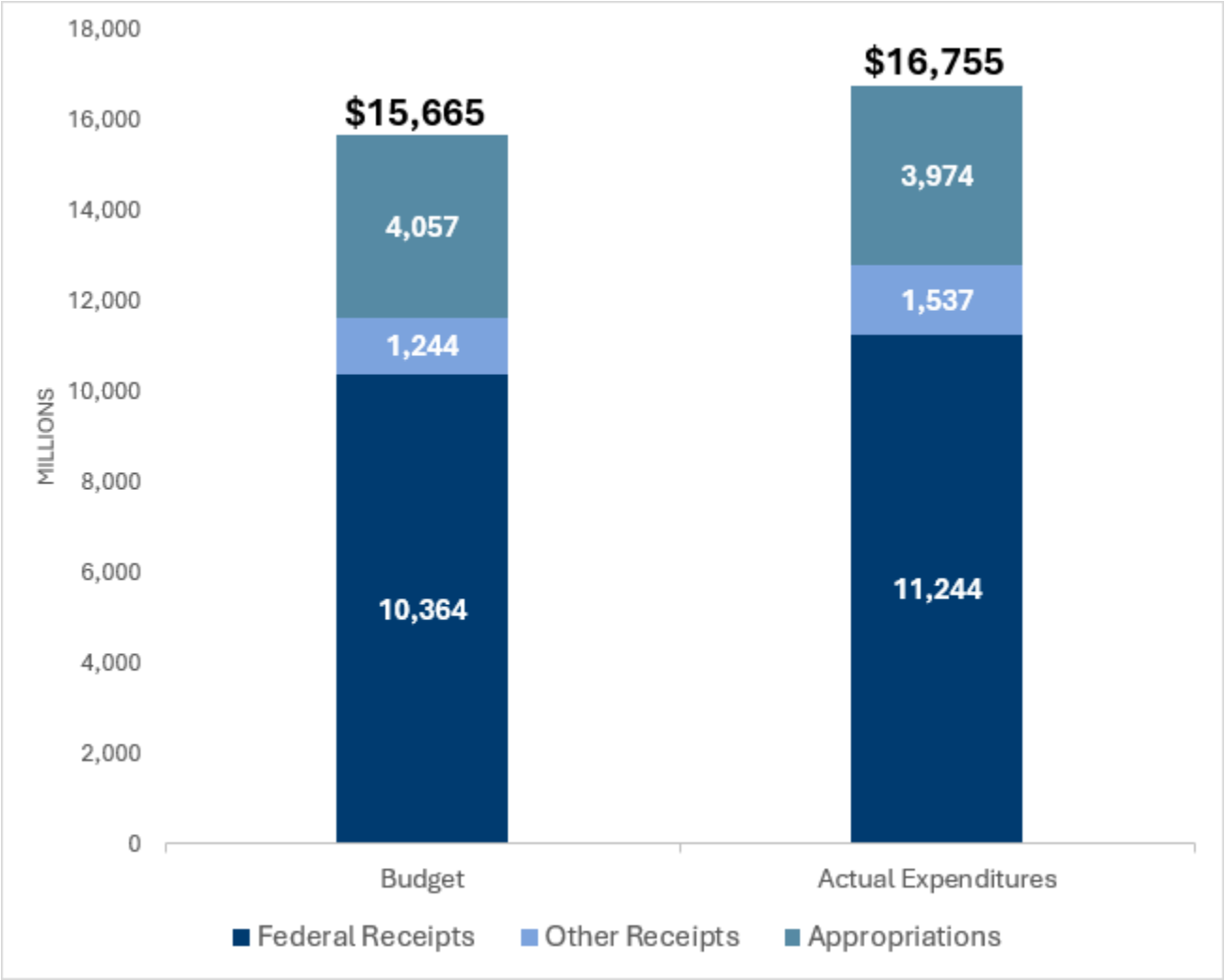


Data Source: Updated enrollment forecast used to construct Medicaid Rebase item in Governor's Recommended Budget Adjustments for FY 2024-25

2. Year-to-Date General Fund Expenditures

The year-to-date Medicaid expenditures, as compared to budget, through the most recent month for which there is complete data are summarized in Figure 3, "Actual Year-to-Date Non-Expansion Medicaid Service Expenditures through March 2024." Through March 2024, DHB's expenditure of State appropriations dollars is under budget. This status is now expected to hold through the remainder of SFY 2024, largely due to over-realized and/or unplanned non-recurring receipts. These receipts enable higher-than-projected overall/total spending with less non-federal share coming from State appropriations dollars.

Figure 3: Actual Year-to-Date Non-Expansion Medicaid Service Expenditures through March 2024



SOURCE: Actual service expenditures as of March 2024 from March BD701; Budget from certified budget, apportioned based on spend pattern projected in May 2023 Updated Governor's Budget (Oct 24,2023 update). Neither budget nor actual expenditures include Health Access Stabilization Program (HASP), which would only affect receipts, not appropriations.

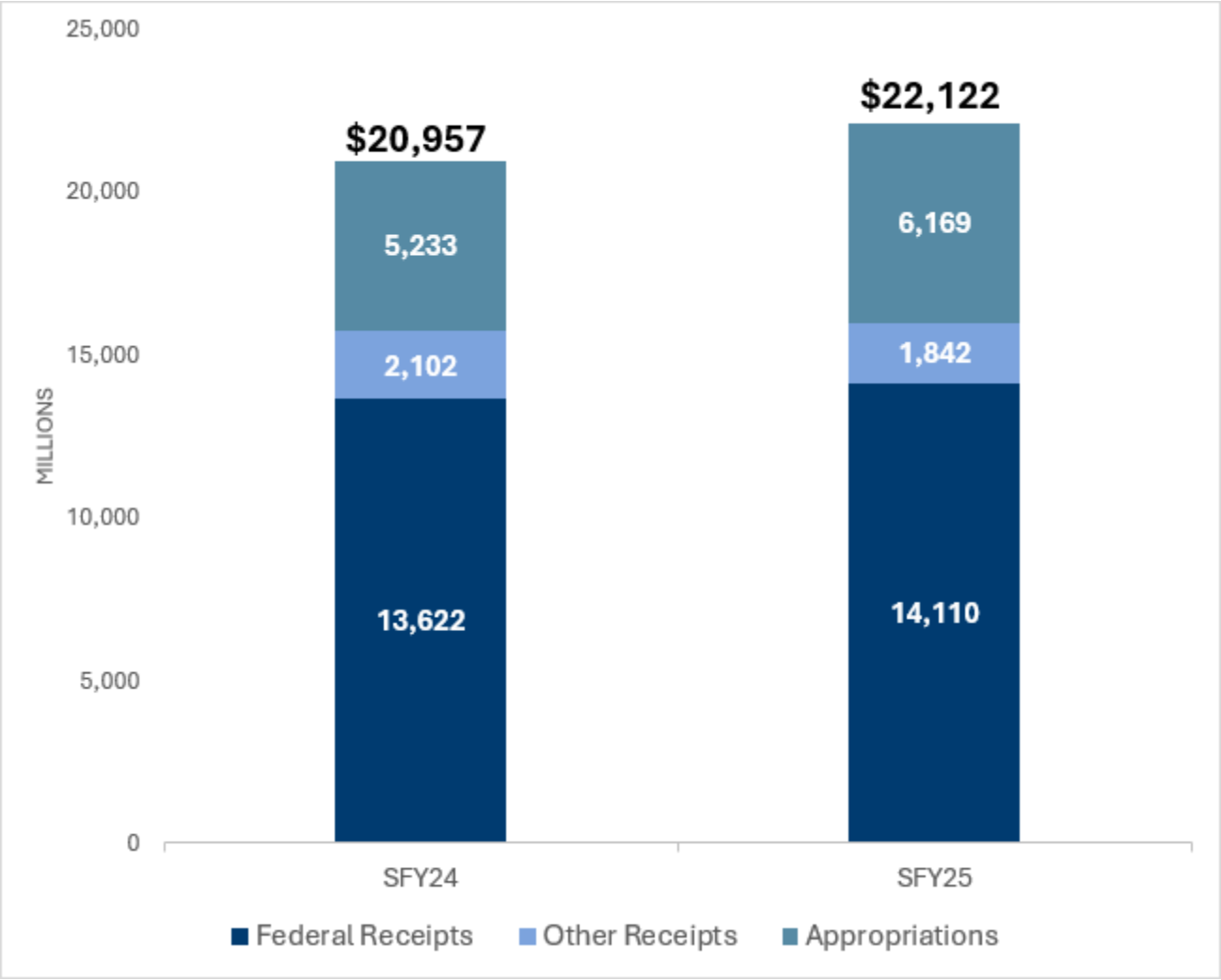
3. Projected General Fund Expenditures for State Fiscal Years (SFY) 2023-2025

Figure 4, "NC Medicaid Projected Non-Expansion Expenditures," illustrates the updated projected Medicaid expenditures by fund source for the biennium. This forecast comes from the most recent update of the Governor's Recommended Budget model, which was used to inform the Medicaid Rebase item in the Governor's Recommended Budget Adjustments for FY 2024-25. As noted in Figure 3 above, the updated projection is based on the latest enrollment forecast that takes into account actual enrollment data through May 2024 (i.e., the green line in Figure 1). Based on actual expenditures through March 2024, NC Medicaid now projects that, despite enrollment being higher than originally forecast, total non-Expansion expenditures for SFY 2024 will be less than what is budgeted. Preliminary analysis of Medicaid expenditure patterns indicates

that while actual service expenditures are tracking somewhat lower than originally forecast, the largest factor contributing to the program being underbudget is over-realized and/or unplanned non-recurring receipts.

The Medicaid Rebase need for SFY 2025 has also been adjusted since the last version of this report. As is typical for a Medicaid Rebase request, the increased $458 million of non-federal share cost identified in the Governor's Recommended Budget Adjustments for FY 2024-25 comes from a combination of higher enrollment, year-over-year health care cost inflation, and adjustments to the federal match rate, which is decreasing in SFY 2025 from the initial estimated rate that was included in the Governor's Biennial Budget Recommendation.

Figure 3: Updated NC Medicaid Projected Non-Expansion Expenditures for SFY 2024 and 2025



Data Sources: SFY 2025 Updated Governor's Recommended Rebase (item 9 on p. 147 of Governor's Recommended Budget Adjustments FY 2024025); SFY 2024 adjusted to account for non-federal receipts not contained in the forecast model.

4. Budget Challenges Identified by NC Medicaid for SFY 2023-2025

In light of updated expenditure and receipt projections, NC Medicaid now expects to finish SFY 2024 within budget.

Looking ahead to SFY 2025, NC Medicaid believes that the $458 million Medicaid Rebase item in the Governor's Recommended Budget Adjustments for FY 2024-25 accounts appropriately for the additional non-federal share rebase costs forecast for SFY 2025. Medicaid does not foresee significant challenges in staying within budget in SFY 2025 if the Medicaid Rebase is funded at the Governor's recommended level.

The Governor's Recommended Budget Adjustments for FY 2024-25 also contain requests for mission-critical funding for significant recurring health care provider rate increases for many provider types to maintain access to care for Medicaid members. Over the past three budget cycles, the General Assembly has helped to stabilize access to care by appropriating much needed recurring funding for rate increases to long term care providers (e.g., Skilled Nursing Facilities, Adult Care Homes, Personal Care Services, Community Alternatives Programs), Behavioral Health Services, and has supported both Facilities-based (e.g., Intermediate Care Facilities for Individuals with Intellectual and Developmental Disabilities/ICF-IDD) and Home and Community-Based Services (e.g., Home Health, Innovations Waiver) providers. Many other provider types, such as Durable Medical Equipment (DME), Specialized Therapies (e.g., Speech-Language, Occupational, Physical), Dialysis, and Dental, have not received rate increases, however, and are struggling to continue serving Medicaid members at reimbursement levels that have not seen rate increases since 2012-2015.

5. Planned Program Changes under G.S. 108A-54(e)(1) Authority

NC Medicaid does not plan to make any program changes during the remainder of SFY 2024 that are projected to have a material impact on SFY 2024 expenditures or the program's year-end financial position.

6. Program Changes Required under State or Federal Law

Since the prior version of this report, NC Medicaid has not identified any additional changes required under State or Federal law that create additional costs that are not covered with additional appropriated State funding.

7. Unanticipated Costs Not Accounted for in the Budget Model

As discussed above, the most significant unanticipated costs not accounted for in either NC Medicaid's or the General Assembly's biennial budget model remain those associated with Medicaid enrollment staying higher in full-benefit programs and for longer than projected in either model. In SFY 2024, the additional cost associated with this higher-than-expected enrollment has been offset by over-realized and unplanned receipts.

For SFY 2025, the Governor's Recommended Budget Adjustments for SFY 2024-25 include several items adding funding for mission-critical recurring health care provider rate increases to maintain access to care for Medicaid members. Over the past three budget cycles, the General Assembly has helped to stabilize access to care to many services by appropriating much needed recurring funding for rate increases to long term care providers (e.g., Skilled Nursing Facilities, Adult Care Homes, Personal Care Services, Community Alternatives Programs), Behavioral Health Services, and has supported both Facilities-based (e.g., Intermediate Care Facilities for Individuals with Intellectual and Developmental Disabilities/ICF-IDD) and Home and Community-Based Services (e.g., Home Health, Innovations Waiver) providers. Many other provider types, such as Durable Medical Equipment (DME), Specialized Therapies (e.g., Speech-Language, Occupational, Physical), Dialysis, and Dental, have not received rate increases, however, and are struggling to continue serving Medicaid members at reimbursement levels that have not seen rate increases since 2012-2015.

8. Requested Transfer of Medicaid Contingency Reserve

DHB is not requesting any Medicaid Contingency Reserve Funds at this time and does not anticipate requesting any for SFY 2024.

Appendix: Prior Report Submission (February 2024)

Report Findings

1. Medicaid Non-Expansion Enrollment Projections for the 2023-2025 Fiscal Biennium

NC Medicaid (Division of Health Benefits; DHB) works closely with the State Office of Budget & Management (OSBM) to forecast enrollment for the Medicaid program (including former NC Health Choice program members who were merged with Medicaid [3]). In advance of each State Fiscal Biennium, DHB uses this DHB-OSBM consensus Medicaid enrollment forecast as a main foundation to build the Rebased Budget ("Rebase") model for services provided to Medicaid members. The Rebase cost is primarily driven by the product of forecasted enrollment (by eligibility category) and projected average costs per member (by eligibility type or capitation rate cell), and is the cornerstone of the Governor's Recommended Biennial Budget for DHB.

The enrollment forecast used to create the Rebase included in the Governor's Recommended Biennial Budget for DHB for State Fiscal Year (SFY) 2023-2025 is characterized by the following notable features:

1) The beginning of this biennium, July 1, 2023, coincides with the end of the years long COVID-19 federal Public Health Emergency (PHE) policy during which Medicaid members were extended continuous coverage, regardless of the determination of their eligibility, as a condition of the State receiving enhanced federal matching dollars under the Families First Coronavirus Act of 2020 (FFCRA)[4]. During the effective period of this PHE policy (March 2020 – June 2023), NC Medicaid added approximately 750,000 members across all eligibility categories (not including the temporary, 100% federally-funded uninsured COVID-related-benefit-only category, which enrolled an additional approximately 50,000 individuals). Continuous Coverage Unwinding (CCU) which resulted in terminations effective beginning on July 1, 2023, marks a projected steady decline in non-expansion enrollment, from a peak of just under 3 million members. However, this projection contains a larger-than-typical amount of uncertainty, as many variables will contribute to the actual monthly decline in enrollment over the course of the biennium.

2) The Medicaid eligibility categories that saw the largest increases during the PHE were non-disabled adults and children. These categories of members are expected to experience the largest enrollment decreases during the CCU. Enrollment of aged, blind, and disabled individuals did not increase significantly during the PHE and therefore is not expected to decrease much over the 2023-2025 biennium.

3) Historically, Medicaid enrollment has remained elevated for up to two years following significant economic shocks, such as recessions. Non-expansion enrollment is not projected to return to pre-COVID levels, even after unwinding is complete.

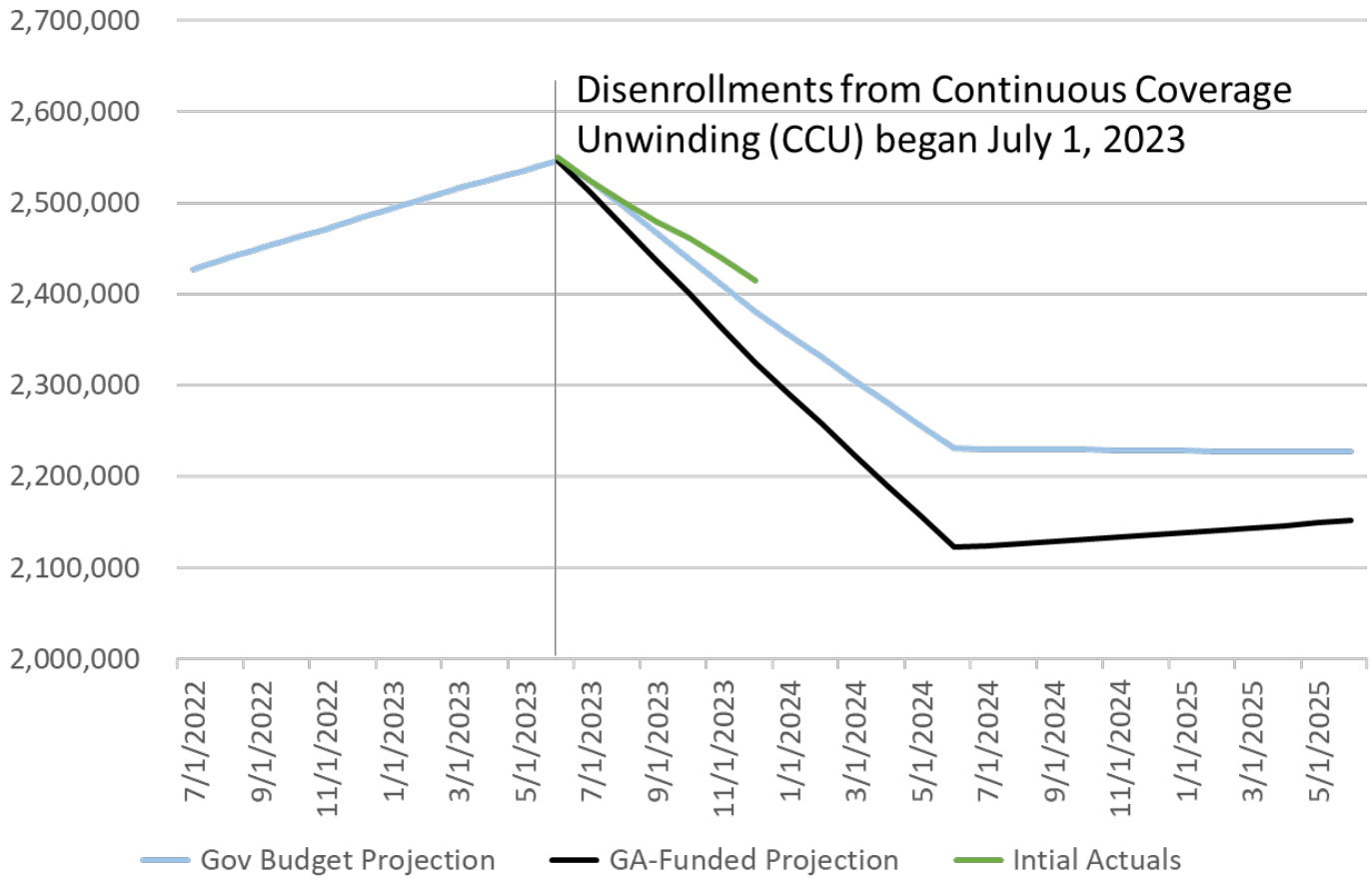
4) Medicaid Expansion enrollment is not included in the Rebase forecast or expenditure model. DHB will refer to "Non-Expansion (Non-Exp)" and "Expansion (Exp)" enrollment in this and future reports. Since Medicaid Expansion did not launch until December 1, 2023, there is no Expansion Enrollment until that

[3] As of April 1, 2023, consistent with Section 15 of S.L. 2022-74 as amended by Section 3.2 of S.L. 2023-11.
4 P.L. 116-127.

date. Expansion enrollment and expenditures will be tracked separately, as they do not use General Fund dollars.

Figure 1, "Total Non-Expansion Medicaid Enrollment," illustrates the Governor's Rebase enrollment forecast for the biennium, contrasted with the enrollment forecast associated with the Rebase amount that the General Assembly funded in SL 2023-134, and with the actual enrollment (excluding family planning enrollees) observed for the months of July – December 2023. The actual CCU disenrollments through December 1, 2023 are lower than both the General Assembly and Governor's budget forecasts, meaning more people are actually remaining enrolled in Medicaid than had been projected.

Figure 1: Non-Expansion Medicaid Enrollment (Excluding Family Planning) through December 2023



Data Sources: May 2023 Updated Governor's Budget (Oct 24, 2023 update); Fiscal Research Division enrollment projections associated with SL 2023-134 Rebase funding; Medicaid Monthly Enrollment Reports (Initial Actuals are as of the date of each monthly report)

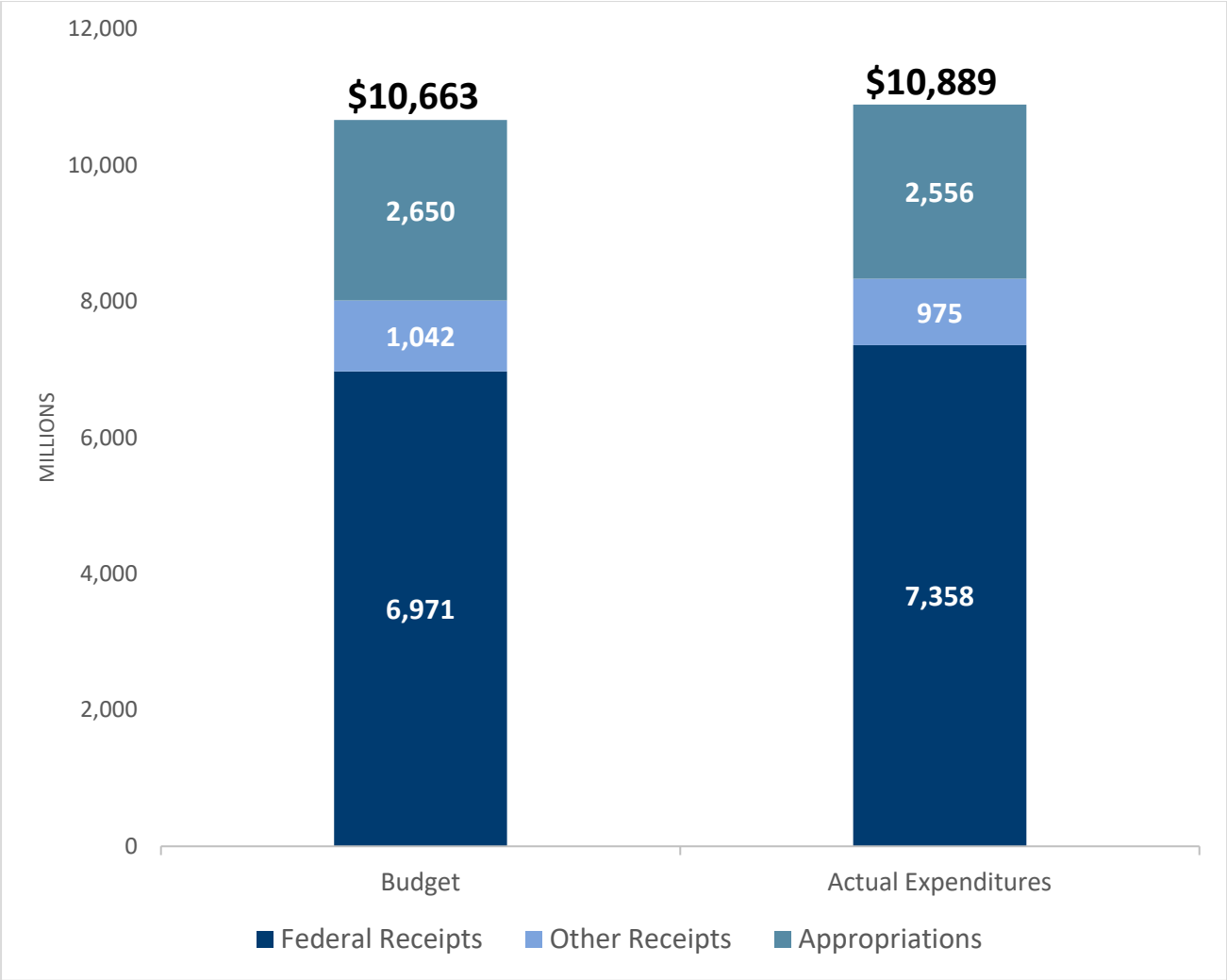
2. Year-to-Date General Fund Expenditures

The year-to-date Medicaid expenditures, as compared to budget, through the most recent month for which there is complete data are summarized in Figure 2, "NC Medicaid Actual Year-to-Date Expenditures." In order to include the month of December, for which "closed" expenditure data is not yet available, and facilitate an "apples to apples" comparison with the newly certified State budget, DHB has used expenditure data that is materially complete and made the following adjustments:

- To produce a truer picture of the Medicaid General Fund spend to date, DHB added approximately $198 million in appropriations expenditure to balance/offset the same amount of Medicaid Expansion "bonus" federal receipts collected as part of the American Rescue Plan Act of 2021 (ARPA) 5 percentage point enhanced federal match initiative. These expenditures are added to reflect that the additional federal receipts do not benefit the Medicaid budget, but rather are directed in SL 2023-134 to be transferred out to the Temporary Savings Fund (TSF). NC Medicaid did not actually make this transfer until January; however, for the purposes of this report the transfer has been added as an adjustment to the December expenditures to not skew the December data (by having too many receipts/too little appropriations spend). The effect is simply to balance/offset these special receipts and expenditures within the period of this report.

- To enable tracking of the fiscal year General Fund budget "burn rate" by analyzing actual year-to-date (YTD) expenditures against estimated YTD budget, NC Medicaid has pro-rated (i.e., allocated by month) the total annual budget, based on the rebase-forecasted rate of spending. In other words, since the State budget is not shown in the North Carolina Financial System (NCFS) on a monthly basis, NC Medicaid has divided the annual budget, based on projected spending through December, to enable a YTD comparative view with actual expenditures through December.
- Since the NC Medicaid payment of Health Access Stabilization Program (HASP) dollars to NC hospitals has made them ineligible for Disproportionate Share Hospital (DSH) payments, NC Medicaid has removed from the State budget the projected collections and expenditures associated with the DSH program (including dollars projected to flow through the Hospital Uncompensated Care Fund/HUCF). This adjustment has no effect on appropriations spend but does affect the levels of federal and other receipts and total expenditures.

Figure 2: Actual Year-to- Date Non-Expansion Medicaid Service Expenditures through December 2023



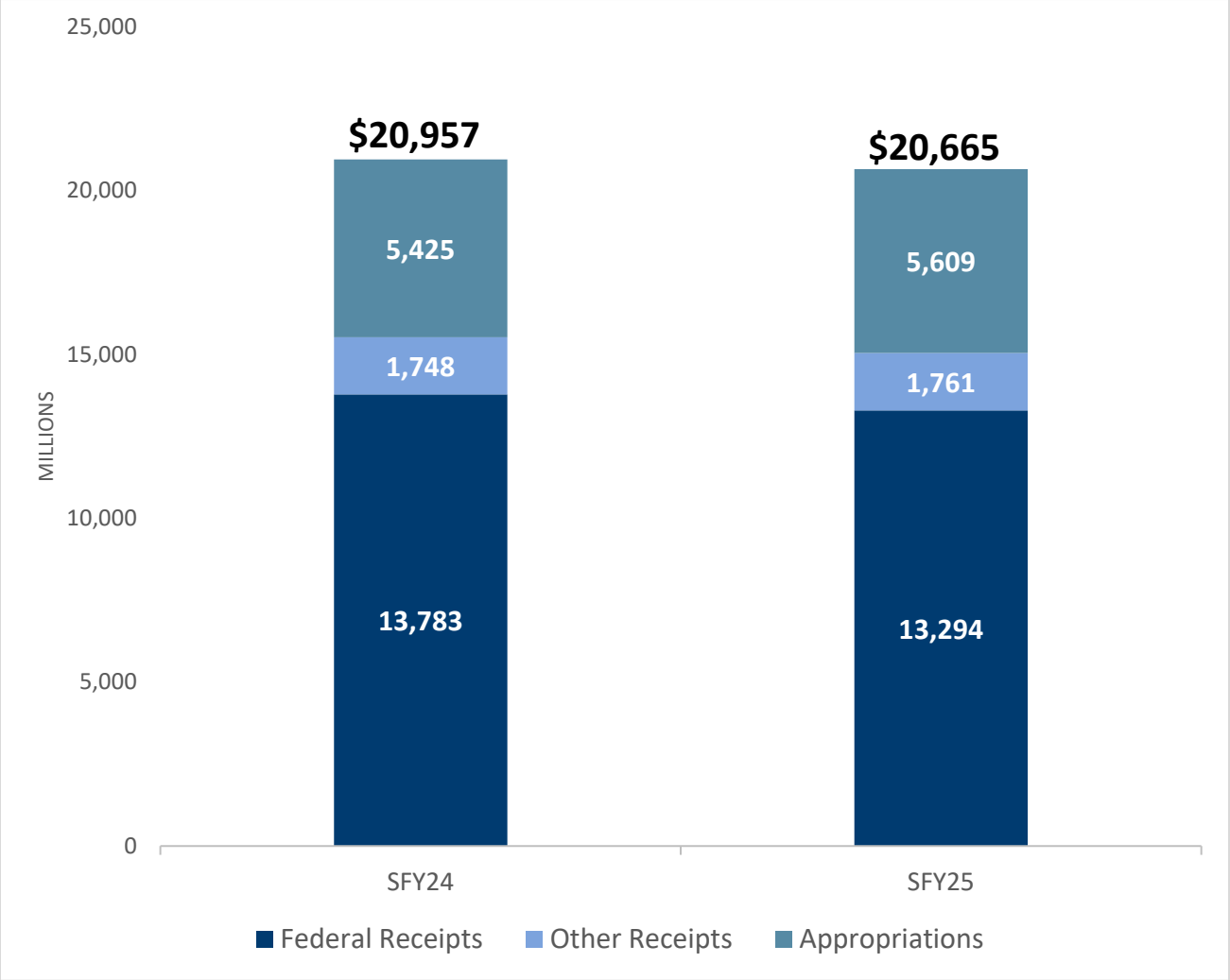
SOURCE: Actual service expenditures as of December 2023 (not yet certified, but estimated to be materially complete), including adjustment for appropriations transfer to ARPA Temporary Savings Fund (TSF); Budget from BD701, prorated by month and adjusted to include the same TSF transfer. Neither actuals nor expenditures include Health Access Stabilization Program (HASP), which would only affect receipts, not appropriations.

3. Projected General Fund Expenditures for State Fiscal Years (SFY) 2023-2025

Figure 3, "NC Medicaid Projected Non-Expansion Expenditures," illustrates the updated projected Medicaid expenditures by fund source for the biennium. This forecast comes from the most recent update of the Governor's Recommended Budget model (October 24, 2023), now modified to include an enrollment forecast based on the initial actual enrollment data for July-December 2023 (i.e., the green line in Figure 1) and consideration of the effects of accessing federal continuous coverage unwinding flexibility to extend all children for 12 months. This update to the Budget Model has the net effect of increasing expected costs for SFY 2024 and SFY 2025 relative to the figures included in the prior version of this report, but it is important to note that this increase is not related to the extension of coverage for children, which is expected to have the net effect of reducing overall costs Removing children from the redetermination stream for 12 months will enable counties to redetermine adults at a much faster rate and thereby disenroll ineligible adults at a faster rate. Since the

capitation rates Medicaid pays for a non-disabled adult are more than double what is paid for a non-disabled child, and adults are more likely than children to be ineligible for traditional Medicaid at redetermination, the faster disenrollment of ineligible adults is expected to reduce costs more than extending children will increase them.

Figure 3: NC Medicaid Projected Non-Expansion Expenditures for SFY 2024 and 2025



Data Sources: May 2023 Updated Governor's Budget (Oct 24, 2023 update), updated with December 2023 capitation rates and January 2024 updated Medicaid enrollment forecast.

4. Budget Challenges Identified by NC Medicaid for SFY 2023-2025

The budget challenges NC Medicaid identified in the prior version of this report remain the Department's primary concerns, particularly for the current fiscal year (SFY 2024). These challenges are as follows:

- Session Law 2023-134 did not fund the Medicaid Rebase at the Governor's Recommended Budget level. This lower level of funding reduces DHB's ability to manage the Medicaid program and respond to unforeseen needs as they arise.
- Session Law 2023-134 did not fund Medicaid Transformation at the Governor's Budget recommended level. This underfunding forces DHB to budget less than projected for a planned slate of Transformation contracts, projects, and activities. This lower level of funding reduces the flexibility DHB has to manage the legislated Transformation program and respond to unforeseen needs as they arise.
- Medicaid Transformation recurring activities/infrastructure are not funded on recurring basis, though a number of them are past the "development" stage and are now into ongoing "operations and maintenance."

- The enrollment declines expected as part of the CCU discussed in Section 1 of this report are progressing at a slower rate than projected in the Governor's Recommended Rebase. This means that enrollment, particularly for non-disabled adults, is staying higher than projected for each month. Higher-than-projected enrollment translates to more capitated payments than projected. If disenrollments continue at this pace for the remainder of the SFY 2023-24, higher actual costs could contribute to a budget shortfall.
- Recurring contractual shortfalls for core Medicaid technology infrastructure (NC Tracks, NC Analytics) continue to grow annually and put pressure on the budget, as they must be covered from within available funds.
- Looking ahead to SFY 2025, CMS has confirmed that the FMAP for federal fiscal year (FFY) 2025 is lower than the rate initially posted as the estimated FFY 2025 (final 0.6506 vs. original 0.6591). The difference of 0.0085 will increase the State cost of the SFY 2025 Rebase.

In addition, for SFY 2025, NC Medicaid foresees that significant recurring health care provider rate increases are needed to modernize the reimbursement for many provider types and maintain access to care for Medicaid members. Over the past three budget cycles, the General Assembly has helped to stabilize access to care by appropriating much needed recurring funding for rate increases to long term care providers (e.g., Skilled Nursing Facilities, Adult Care Homes, Personal Care Services, Community Alternatives Programs), Behavioral Health Services, and has supported both Facilities-based (e.g., Intermediate Care Facilities for Individuals with Intellectual and Developmental Disabilities/ICF-IDD) and Home and Community-Based Services (e.g., Home Health, Innovations Waiver) providers. Many other provider types, such as Durable Medical Equipment (DME), Specialized Therapies (Speech-Language, Occupational, Physical), Dialysis, and Dental, have not received rate increases, however, and are struggling to continue serving Medicaid members at reimbursement levels that have not seen rate increases since 2012-2015.

5. Planned Program Changes under G.S 108A-54(e)(1) Authority

In addition to the initiatives noted in the prior version of this report (see appendix), NC Medicaid has identified the following planned program changes that have been or will be implemented under the authority granted in G.S 108A-54(e)(1).

- Capitation rate adjustments to account for the following:
  - Implementation, effective March 1, 2024, of Substance Use Disorder (SUD) American Society of Addiction Medicine (ASAM) service levels to comply with North Carolina's CMS-approved 2018 SUD Institute of Mental Disease (IMD) 1115 waiver. These service improvements, targeted to helping North Carolinian's struggling with addiction, will add approximately $5 million in state appropriations cost for SFY 2024.
  - The repurposing of the former R.J. Blackley Alcohol and Drug Abuse Treatment Center (ADATC) facility into an inpatient psychiatric hospital for children and adolescents, which expands the portfolio of Medicaid hospital providers. Adding this facility to increase Medicaid members' access to critical children's behavioral health services will add approximately $2 million in state appropriations cost for SFY 2024.

6. Program Changes Required under State or Federal Law

Since the prior version of this report, NC Medicaid has not identified any additional changes required under State or Federal Law that create additional costs that are not covered with additional appropriated State funding.

7. Unanticipated Costs Not Accounted for in the Budget Model

As discussed above, the most significant unanticipated costs not accounted for in either NC Medicaid's or the General Assembly's budget model remain those associated with Medicaid enrollment staying higher in full-benefit programs and for longer than projected in either model.

In addition to the items noted in the prior version of this report, NC Medicaid also has committed to using an estimated $2 million in state appropriations to fund the unbudgeted additional cost of maintaining LME/MCO administrative funding levels during the dissolution of Sandhills, and consolidation of Eastpointe and Trillium.

8. Requested Transfer of Medicaid Contingency Reserve

Given a limited amount of data (representing two fiscal quarters) and considerable uncertainty regarding enrollment trends from January – June 2024, DHB is not able to project at this time with precision how much Contingency Reserve funding may be needed to cover SFY 2024 unbudgeted expenditures.

DHB is not requesting any Medicaid Contingency Reserve Funds at this time, but does anticipate that it is likely that Contingency Reserve Funds could be needed.