Non-Federal Share of NC Health Works Costs

Session Law 2023-7, Section 1.2(a)

Report to

Joint Legislative Oversight Committee on Medicaid

and

Office of State Budget and Management

and

Fiscal Research Division

by

North Carolina Department of Health and Human Services

July 17, 2026

Background

Per Session Law 2023-7, Section 1.2 (b), codified as G.S. 108A-54.3B, it is the intent of the General Assembly to fully fund the nonfederal share of the cost of NC Health Works through a combination of the following sources:

1) Increases in revenue from the gross premiums tax under G.S. 105-228.5 due to NC Health Works.

2) Excluding any State retention, the increases in intergovernmental transfers due to NC Health Works.

3) Excluding any State retention, the hospital health advancement assessments under Part 3 of Article 7B of Chapter 108A of the General Statutes.

4) Savings to the State attributable to NC Health Works that correspond to State General Fund budget reductions to other State programs.

Session Law 2023-7, Section 1.2 (a) requires the Department of Health and Human Services, Division of Health Benefits (DHB), to provide a report to the Joint Legislative Oversight Committee on Medicaid, the Office of State Budget and Management, and the Fiscal Research Division containing all of the following information with supporting calculations:

1) The total nonfederal share of the cost of NC Health Works for the preceding State fiscal year and the total funding available from the sources described in subsection (b) of this section.

2) The projected total nonfederal share of the cost of NC Health Works for the current State fiscal year and the total projected funding available from the sources described in subsection (b) of this section.

3) The method used by the Department to determine the amount of the health advancement assessments proceeds that were distributed to each county department of social services in compliance with G.S. 108A-147.13(b) for the preceding fiscal year, including the total amount of proceeds each county received in that fiscal year.

4) The savings and benefits to the State resulting from NC Health Works for the preceding fiscal year, including savings to various State agencies and programs.

Pursuant to the reporting requirement, this report includes all the following information for State Fiscal Year (SFY) 2025.

Report Findings

Section 1: The total nonfederal share of the cost of NC Health Works for the preceding State fiscal year (SFY) and the total funding available from the sources described in subsection (b) (gross premium tax, IGT, hospital health advancement assessments, savings to the State) of this section.[1]

a) Total actual SFY 2025 nonfederal share spend is $662,465,008.

SFY 2025 nonfederal share spend:	
Component	Amount
DHB Administration	$ 17,440,000
County Division of Social Services (CDSS) Administration	$ 28,905,008
Expansion Services/Health Access Stabilization Program (HASP)	$ 616,120,000
TOTAL	**$ 662,465,008**

b) Total actual SFY 2025 funding available from the sources described in subsection (b) of the statute is $662,465,008.

Section 2: The projected total nonfederal share of the cost of NC Health Works for the current State fiscal year and the total projected funding available from the sources described in subsection (b) of this section.[2]

a) Total projected SFY 2026 nonfederal share spend is $796,275,389.00.

SFY 2026 nonfederal share spend:	
Component	Amount
DHB Administration	$ 17,125,432
CDSS Administration	$ 31,200,000
Expansion Services/HASP	$ 747,949,957
TOTAL	**$ 796,275,389**

b) Total actual SFY 2026 funding available from the sources described in subsection (b) of this section is $796,275,389.

[1] Includes Medicaid Expansion services, HASP, DHB admin, CDSS admin; excludes the Medicaid Reimbursement Initiative (MRI)
[2] Includes Medicaid Expansion services, HASP, DHB admin, CDSS admin; excludes the Medicaid Reimbursement Initiative (MRI)

Section 3: The method used by the Department to determine the amount of health advancement assessments proceeds that were distributed to each county department of social services in compliance with G.S. 108A-147.13(b) for the preceding fiscal year, including the total amount of proceeds each county received in that fiscal year

a) The Department issued health advancement proceed payments for July through June of SFY 2025, allocating a total of $28,905,008 in state funds to county DSS. County payments consisted of a $5,000 per month base payment, supplemented by a caseload-based payment proportional to each county's share of the total Medicaid beneficiary count. Caseload percentage assumptions were based on an estimated SFY 2025 Medicaid population of approximately three million members (including expansion and family planning populations). The total amount of assessments proceeds distributed to each county DSS in SFY2025 can be found in Appendix A.

Section 4: The savings and benefits to the State resulting from NC Health Works for the preceding fiscal year (FY2025), including savings to various State agencies and programs:

a) **NC Disability Determination Services (DDS):**
Medicaid expansion continues to result in a lower number of Medicaid cases processed at DDS. The DDS and North Carolinians continue to benefit from this through the Division processing cases faster, resulting in the average application processing time decreasing from 44 days in 2024 to 43 days in 2025. This is also expected to result in a decrease in the number of Medicaid eligibles enrolled on the basis of disability (a group for which the traditional federal match of ~65% applies). The impact of this dynamic is expected to grow over time. Due to the decrease in cases processed, DDS has been able to strategically allocate resources across other priority efforts, such as processing federal disability applications. These savings and operational efficiencies increase access to healthcare and positively impact North Carolinians seeking disability benefits. It is noted that with the passing of HR1, it is anticipated that the number of Medicaid cases processed at DDS will increase.

b) **Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS):** As a result of Medicaid expansion, 41% of individuals receiving state-funded services through DMHDDSUS in calendar year 2023 transitioned to Medicaid coverage. Of that group, 31% (22,369 individuals) gained coverage specifically through Medicaid expansion rather than through State funds (Single Stream Dollars). Unfortunately, DMHDDSUS was limited in the ability to reallocate unused resources from this group to others because the savings were offset by $15.6 million recurring cuts to 3-way bed dollars (Section 2B.65 of SL2025-89) and $18 million recurring cuts to Single Stream Funds (Section 2B.5 SL2025-89). Continued investment of State funds remains essential. Many individuals remain uninsured, and more than 20,000 individuals with Intellectual and Developmental Disabilities (IDD) are still on the waitlist for services. Ongoing state funding is vital to ensuring access to care for these individuals. Ultimately, the benefits of Medicaid expansion have improved both access to care and service quality across North Carolina's public mental health, substance use, and intellectual/developmental disability system, regardless of an individual's insurance status.

c) **Department of Adult Correction:** Medicaid expansion saved the Department of Adult Correction $4,771,145 for inmate health care, which would have otherwise been fully funded by state funds. This figure was determined by identifying DHB's total paid claims amount for the Medicaid Expansion population that was incarcerated during SFY2025 and subtracting the Federal match for SFY 2025[3] to arrive at the theoretical state share of paid claims for this population.

d) Division of Health Benefits:

i. **Coverage for Parents of Children in Foster Care:** In 2021, the NC General Assembly appropriated $18,000,000 recurring state appropriations for coverage of parents of children in the foster care system starting in SFY 2023. The recurring appropriation was removed with the implementation of Medicaid expansion in SFY 2024, because this group would be covered by Medicaid expansion with no state appropriations. As such, $18M of state appropriations were saved in SFY 2025 for the 12 months due to Medicaid expansion implementation.

ii. **Maternity & Postpartum Services:** Medicaid expansion saved NC Medicaid $25,559,313 through coverage of maternity and postpartum services previously funded by state appropriations. This figure was determined by identifying applicable Maternity Event claims and applying the CMS-approved postpartum proxy percentage of 61%. The savings reflect the difference between the traditional Medicaid federal match and 100% coverage through Medicaid expansion (reflecting the 90% federal match and the 10% non-federal share financed using hospital assessments and intergovernmental transfers and the premium tax offset).

iii. **Medically Needy Population:** Medicaid expansion saved NC Medicaid $20.5 million for non-dually-eligible beneficiaries who shifted from the Medically Needy eligibility group to expansion for SFY 2025. This figure was determined by identifying members who were previously Medically Needy and moved to the Expansion population in SFY 2025. Total cost of paid claims for this population were the basis for the reported State savings. The savings reflect the difference between the traditional SFY 2025 Federal Medical Assistance Percentage (FMAP) of 65.06% - 65.91% for Medicaid and 100% coverage through Medicaid expansion. Due to data limitations, this estimation does not capture those members that entered the Expansion population directly who might otherwise qualify as Medically Needy. Therefore, the reported savings should be viewed as the minimum savings on the part of the State.

iv. **Continuous Coverage Unwinding:**

a. Due to the launch of Medicaid expansion during the continuous coverage unwinding period (July 1, 2023 – December 31, 2025), it was estimated

[3] 65.06% - 65.91% for SFY 2025

that 62% of Adult Medicaid beneficiaries whose eligibility was redetermined during the unwinding period would retain their coverage, either by becoming eligible for and enrolling in Medicaid expansion or retaining their coverage outright.

b. 272,000 Medicaid members who qualified under expansion transitioned to full expansion benefits without intervention from DSS. This streamlined process helped avoid unnecessary eligibility appeals and reduced county Division of Social Services workload.

v. **Total dollars saved through Medicaid Expansion**

Total State savings for SFY 2025 totaled $68,830.458. This does not include non-monetary benefits described above.

Appendix A

Amount of the health advancement assessments proceeds that were distributed to each county Department of Social Services in compliance with G.S. 108A-147.13(b) for SFY2025.

County	TOTAL SFY 2025 County Health Advancement Proceeds Allocations
ALAMANCE	$480,169
ALEXANDER	$140,111
ALLEGHANY	$86,082
ANSON	$136,544
ASHE	$113,012
AVERY	$91,615
BEAUFORT	$178,323
BERTIE	$116,014
BLADEN	$164,999
BRUNSWICK	$308,922
BUNCOMBE	$510,554
BURKE	$271,271
CABARRUS	$502,468
CALDWELL	$263,931
CAMDEN	$72,404
CARTERET	$171,837
CASWELL	$116,362
CATAWBA	$398,096
CHATHAM	$154,743
CHEROKEE	$131,582
CHOWAN	$101,368
CLAY	$83,089
CLEVELAND	$346,764
COLUMBUS	$223,408
CRAVEN	$273,018
CUMBERLAND	$1,066,984
CURRITUCK	$104,362
DARE	$112,138
DAVIDSON	$468,862
DAVIE	$136,767
DUPLIN	$215,760
DURHAM	$651,094

County	TOTAL SFY 2025 County Health Advancement Proceeds Allocations
EDGECOMBE	$255,770
FORSYTH	$924,564
FRANKLIN	$210,730
GASTON	$594,939
GATES	$86,287
GRAHAM	$84,210
GRANVILLE	$186,446
GREENE	$111,799
GUILFORD	$1,375,499
HALIFAX	$224,423
HARNETT	$371,059
HAYWOOD	$194,447
HENDERSON	$240,073
HERTFORD	$125,522
HOKE	$219,877
HYDE	$101,786
IREDELL	$397,817
JACKSON	$145,222
JOHNSTON	$543,231
JONES	$83,622
LEE	$210,066
LENOIR	$251,076
LINCOLN	$218,682
MACON	$137,276
MADISON	$108,750
MARTIN	$123,852
MCDOWELL	$175,914
MECKLENBURG	$2,482,562
MITCHELL	$92,663
MONTGOMERY	$128,244
MOORE	$219,702
NASH	$303,316
NEW HANOVER	$418,563
NORTHAMPTON	$112,289
ONSLOW	$447,854
ORANGE	$218,669

County	TOTAL SFY 2025 County Health Advancement Proceeds Allocations
PAMLICO	$90,080
PASQUOTANK	$154,363
PENDER	$193,160
PERQUIMANS	$127,091
PERSON	$149,437
PITT	$497,591
POLK	$94,849
RANDOLPH	$418,518
RICHMOND	$228,706
ROBESON	$567,229
ROCKINGHAM	$287,935
ROWAN	$436,605
RUTHERFORD	$224,785
SAMPSON	$247,699
SCOTLAND	$188,656
STANLY	$200,305
STOKES	$152,014
SURRY	$227,316
SWAIN	$106,955
TRANSYLVANIA	$117,553
TYRRELL	$68,419
UNION	$449,031
VANCE	$233,100
WAKE	$1,647,982
WARREN	$110,039
WASHINGTON	$93,633
WATAUGA	$111,499
WAYNE	$399,013
WILKES	$221,121
WILSON	$299,931
YADKIN	$140,378
YANCEY	$100,561
Total	$28,905,008