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North Carolina Healthcare Association

NCHA Update

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Agenda

- State & Federal Update
- NC Medicaid
- Hospital Finance and Reimbursement
- NC DHHS Medical Debt initiative
- State Health Plan
- Commercial and Medicare Advantage

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Federal/State Update

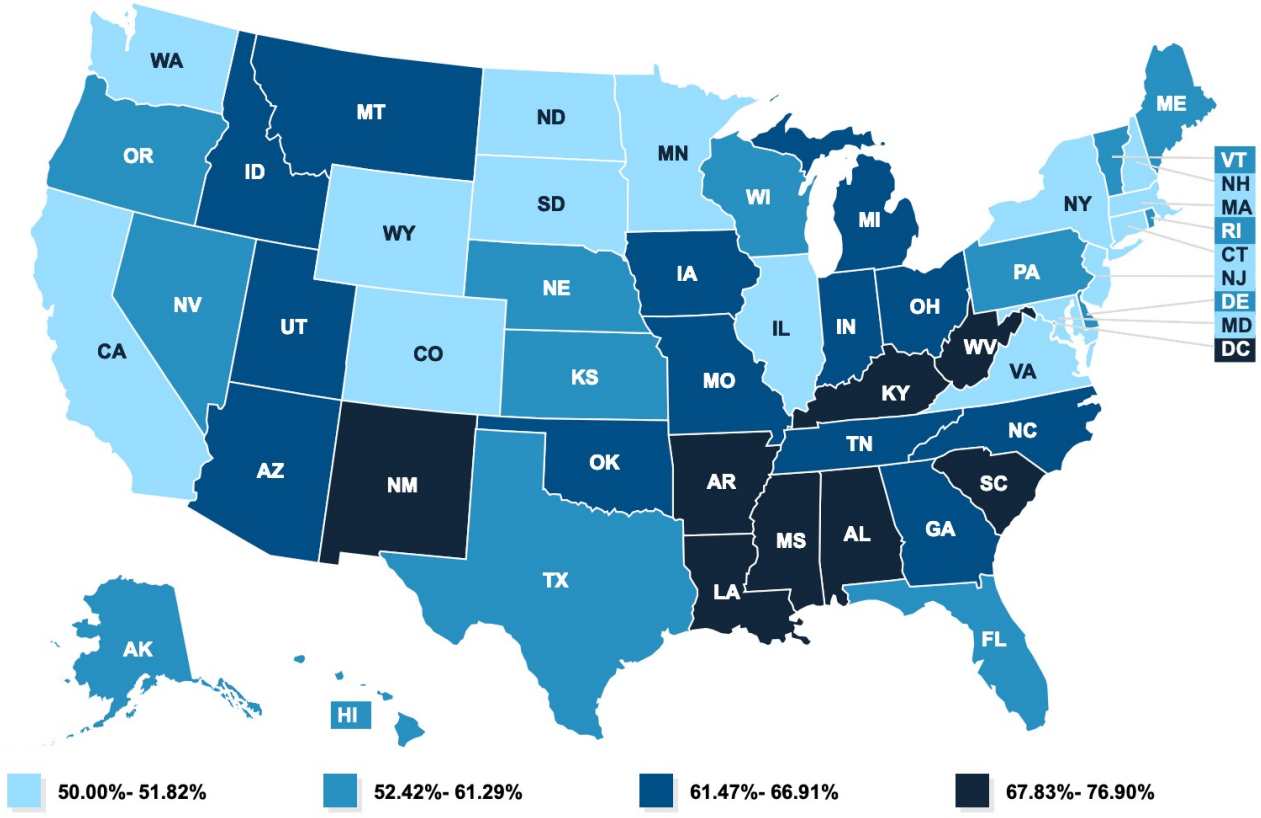
Federal Priority Issues

- Site Neutrality
- 340b program
- Graduate Medical Education
- Healthcare Access and Stabilization Program (HASP)

Medicaid program

Potential reductions (although nothing announced):

- Block grants or per capita cap
- Equalizing expansion financing
- Decreased FMAP
- Limits on Provider Taxes



FMAP graphic from Kaiser Family Foundation.

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State Update

State Priority Items

- Facility fees
- Tax Treatment Preservation
- Behavioral Health Reform
- CON Law
- Healthcare Access and Stabilization Program (HASP)
- Medicaid Managed Care

CON Reform – 2023 legislation

- 2023 legislation repealed CON requirements for behavioral health and chemical dependency beds
- Eliminates CON for services in counties over a population of 125k for ASC and MRI
  - ASCs - 2 years from first HASP Payment
  - MRIs – 3 years from first HASP Payment
- Raised thresholds for replacing equipment and diagnostic center thresholds to $3M (indexed to inflation)

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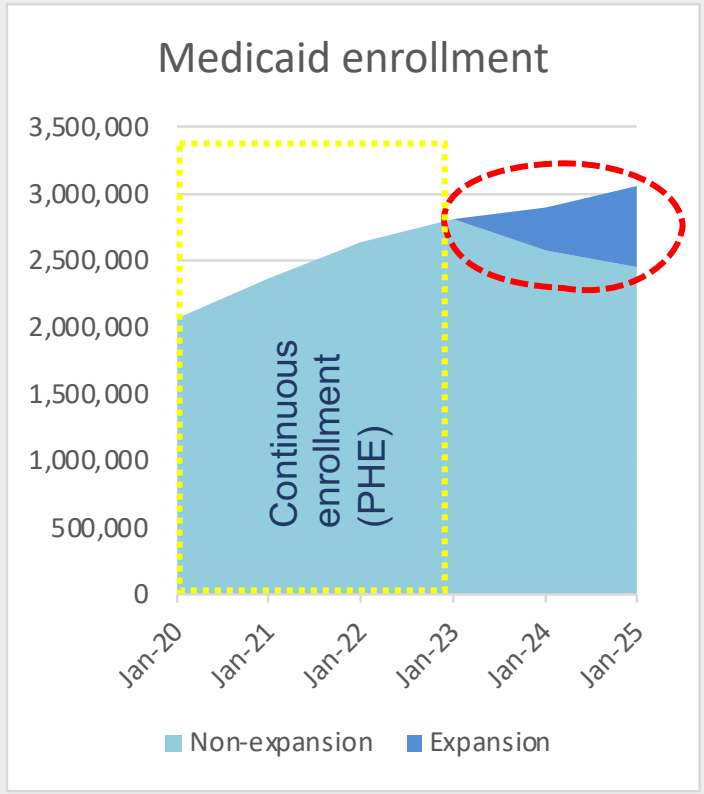
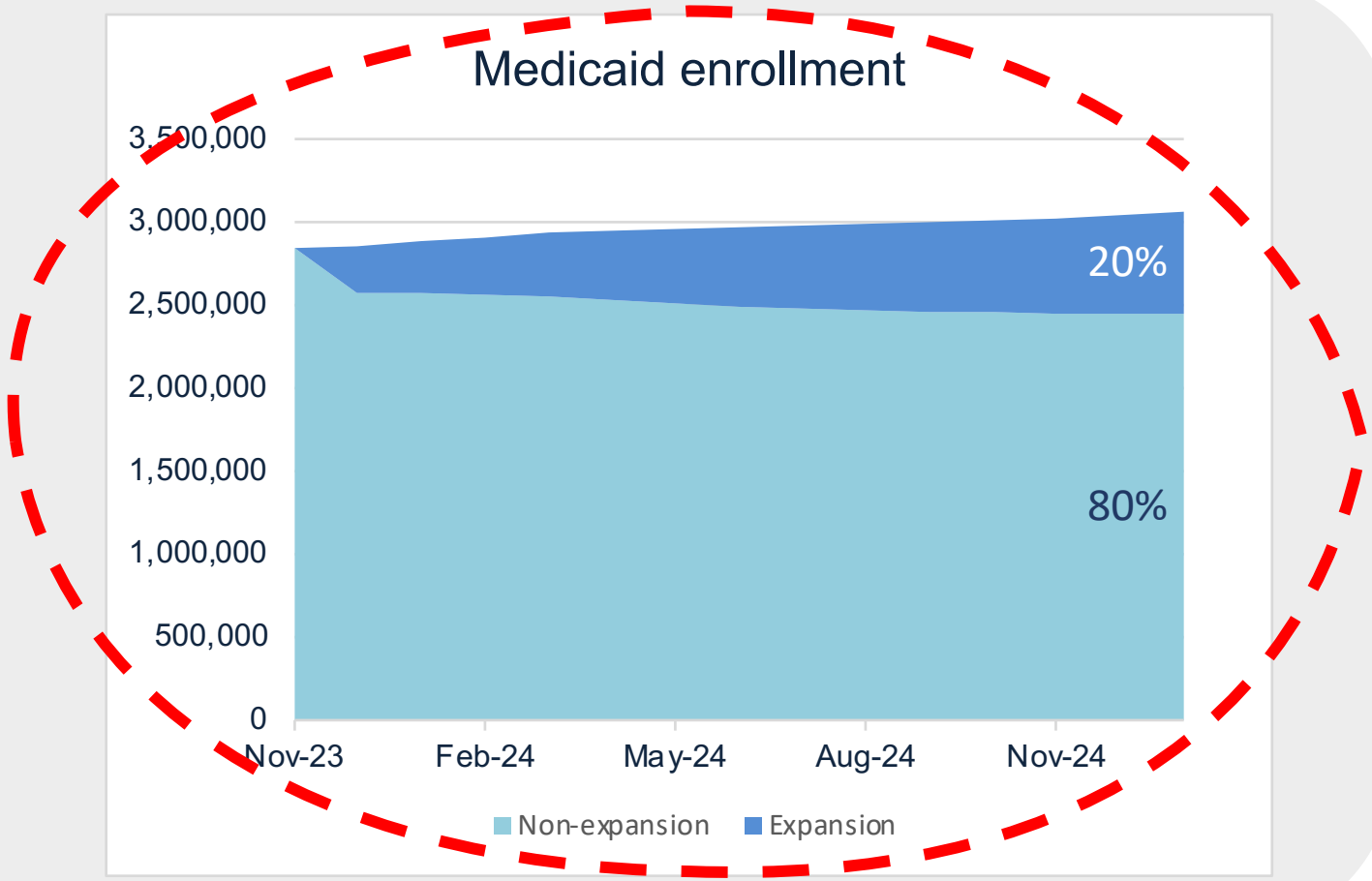
NC Medicaid Updates

NC Medicaid - What's new

- Tailored Plans launched July 2024, flexibilities expired as of February 2025
- Children and Families Specialty Plan launch planned for December 2025
- Impending change to readmission reviews (currently 72 hours, likely change to 30 days)
- Clarity on transfer outlier reimbursements for receiving hospitals on greater of cost or day outlier.

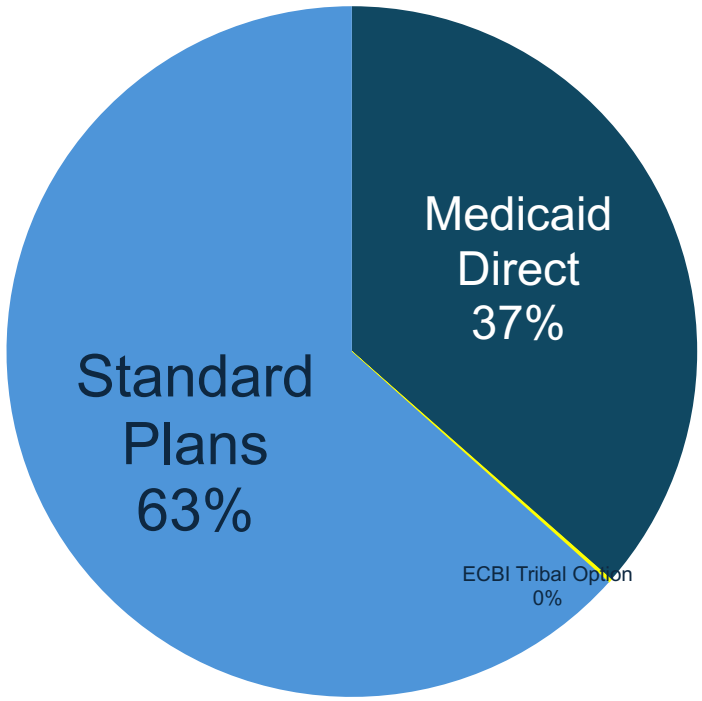
Medicaid Enrollees



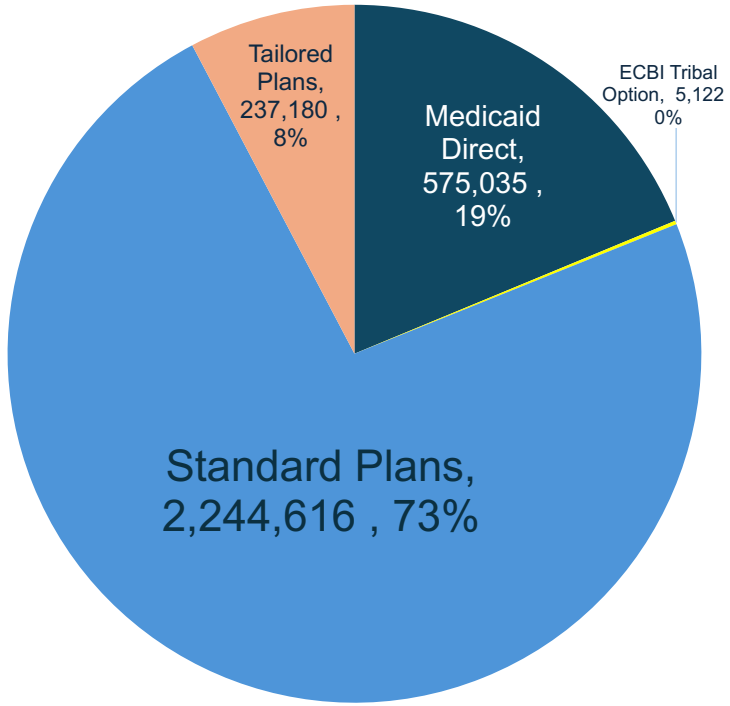


NC Medicaid enrollment reports. https://medicaid.ncdhhs.gov/reports/nc-medicaid-enrollment-reports

Medicaid Managed Care



January 2023



January 2025

NC Medicaid enrollment dashboard. https://medicaid.ncdhhs.gov/reports/dashboards/enrollment-dashboard

Medicaid Managed Care

Current Challenges:

- Coordination of Benefits/Third Party Liability
- Increased requests for additional information
- Tailored Plans: Behavioral health/physical health
- Post-acute access/network

Reminder: OP Charge Master Changes

- NC Medicaid requires hospitals to provide 30 days written notice to NC DHHS prior to the effective date of any change in the outpatient charges within the hospital's chargemaster.
  - Certify the Percent Outpatient Charge Master Change
- DHB will use certification of change in calculation and determination of hospital's OP RCC.
- Hospitals can contact NCHA for template letter provided by NC DHHS

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Hospital Finance

Medicaid Financing

Hospital Finance & Reimbursement - Medicaid

in millions

	SFY23	SFY24	SFY25
Non-expansion Medicaid	$ 607	$ 690	$ 760
Expansion Medicaid		$ 360	$ 526
Retention	$ 112	$ 159	$ 120
GME Non-federal share	$ 55	$ 63	$ 76
Post-partum	$ 38	$ 25	$ 19
Home & Community-based Services	$ -	$ 36	$ 149
Total	**$ 812**	**$ 1,333**	**$ 1,650**

Based on Modernized and Expansion Assessment methodology. Estimated for SFY 2025.

Medicaid Expansion

Non-federal share financed by NC hospitals, with exception of state owned and CAHs

- Affordable Care Act (ACA) provides 90% match for expansion population

The American Rescue Plan Act of 2021 (ARPA) provides an 5% increase in regular (traditional) FMAP for 2 years

- Temporary increase expires for NC in October 2025

Financing Limitations

- 42 CFR 433.68 – Permissible health care taxes
  - Must be broad based
  - Must be uniformly imposed
  - Does not violate hold harmless provisions
    - Tax cannot correlate to Medicaid payment
    - Tax cannot exceed 6% of a hospitals' net patient review

- Essentially, there is a limitation to the amount of funds allowable for federal drawdown that are based on a tax to a provider class.

https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-C/part-433/subpart-B

What is HASP?

- HASP is a State Directed Payment Program allowable by CMS
- Permit states to direct specific payments made by managed care plans to providers under certain circumstances
- Assist states in furthering the goals and priorities of their Medicaid program
- Must be tied to utilization and delivery of services covered
- Requires a preprint submission to CMS for approval
- Preprints must be submitted to, and approved by, CMS annually

HASP – Statewide View

	SFY 2023 HASP	SFY 2024 HASP	SFY 2025 HASP
Obligation		Includes Medical Debt Initiative	Includes Medical Debt Initiative
Actual Gross HASP payments (if known)	$ 2,949	$ 4,014	Not yet processed
NFS Share provided by Hospitals	$ (811)	$ (1,098)	
Net HASP	$ 2,138	$ 2,916	$ -

- NC hospitals currently receive HASP payments based on services provided after the rate year has ended.
- SFY26 HASP recently approved by CMS.

NC DHHS Medical Debt Initiative

- New NC DHHS requirement for HASP payments for current approved preprints
- Hospitals that opt in to medical debt initiative receive full HASP payment

NC DHHS Components:

- Medical Debt Relief/Donation (“lookback”)
- Prevent Accumulation of Debt (“go forward”)
- Additional medical debt provisions

Medical Debt Relief/Donation ("lookback")

Donate Debt	Effectuation Date	Detail
Medicaid beneficiaries	July 2025	Donate all unpaid patient medical debt for North Carolinians dating back to January 2014 who are enrolled in Medicaid.
Individuals with incomes at or below 350% of FPL	July 2026	Donate all medical debt deemed uncollectible dating back to January 2014 or NC residents with incomes at or below 350% of FPL or total debt exceeds 5% of annual income. • Uncollectable = unpaid for at least 2 years • Any existing payments plans capped at 36 months, over 36 months will be donated

- NC DHHS requires hospitals to contract with Undue Medical Debt to effectuate donation requirements

Prevent Accumulation of Debt (“go forward”)

- Hospital charity care policies must reflect minimum sliding scale: (100% discount for incomes <200% FPL; with sliding scale up to 300%)
- FPL between 200-300% must be offered payment plan not to exceed 36 months and no greater than 5% of household income
- Medical debt interest rate cap at 3%
- All medical debt sold to third-party capped at Secured Overnight Financing Rate (SOFR) plus one percentage point.

“Go Forward” Continued

Presumptive Eligibility	Effectuation Date	Detail
Non-income based Presumptive	January 2025	Patients deemed eligible if: homelessness, mental incapacitation, child in household enrolled in Medicaid, and/or patient enrollment in means-tested program • Cannot require documentation or verification
Income-based Presumptive	January 2026	Patients with household income up to 300% of FPL. Hospitals must use third-party software to verify patient eligibility • If patient not deemed eligible through presumptive process, hospital may provide alternate pathway and require documentation.

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Other Updates

Ronnie Cook

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State Health Plan

Current Challenge

- The State Health Plan requires approximately $500 million in 2026 and an additional $800 million in 2027 to avoid a shortfall of capital.
- The Board requires the SHP's budget to maintain a year-end cash balance that exceeds the Target Stabilization Reserve, which currently is $395 million.

State Health Plan

Balancing the Budget

- To achieve a balanced budget, the SHP needs a comprehensive strategic approach that combines increased funding and reduced expenditures.
  - Taxpayers (Employer contributions, Federal subsidies)
  - Provider and Vendors (Rates and Fees, Service Efficiency)
  - Employees and Retirees (Premiums, Benefit Design)

State Health Plan

Levers to Drive Down Costs in the Short-Term

- Clear Pricing Project
- Medicare Advantage
- Plan Design
- Formulary
- Member Premiums

State Health Plan

Summary of February 7, 2025 Board Meeting

- Board explored various options to close the gap, including adjusting the SHP's benefit structure, revising the formulary, and introducing income based premium increases.
- The proposal were put forth as examples, not recommendations, for closing the budget gap.
- Though the Board did not approve specific rates, the vote authorized the board to set premiums based on salary tiers.
- A vote of specific premium rates is expected sometimes this summer.

Commercial & Medicare Advantage

Some recent reimbursement policy changes

- Elimination of facility fees
- Down coding ED E/M codes based on claim algorithm
- Requiring a modifier to charge members for non-covered services
- Inpatient admissions and observation
- Bundling of services

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Thank you

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