



# NORTH CAROLINA MEDICAID

**Annual Report for  
State Fiscal Year 2023**



***July 1, 2022 – June 30, 2023***

*Building a healthier North Carolina.*



## Message from Kody Kinsley

Secretary, North Carolina Department of Health and Human Services

In December 2023, Medicaid Expansion offered health care coverage to more than 600,000 newly eligible North Carolinians. Not only did we automatically enroll 274,000 on day one, but we were able to launch expansion just 55 days after the legislation was passed. I am grateful for the hard work of our team and their success in collaborating with partners and stakeholders across the state to improve the health and well-being of North Carolinians.

In the months leading up to expansion during fiscal year 2023, NCDHHS also continued to focus on our three key priorities: reinforcing **Behavioral Health and Resilience**, supporting **Child and Family Well-Being** and building a **Strong and Inclusive Workforce**. All of these priorities are strengthened and supported by Medicaid expansion.

In addition to specific contributions by NC Medicaid to these Departmental priorities, NC Medicaid continued its focus on whole-person health care. Tailored Care Management (TCM) launched December 1, 2022, and provides individuals with significant behavioral health conditions, intellectual and developmental disability (I/DD) or traumatic brain injury (TBI) with personalized care management support. In addition, NC Medicaid has been preparing for the launch of NC Medicaid Managed Care Behavioral Health I/DD Tailored Plans in July 2024. This will provide an integrated health plan to individuals with mental health disorders, substance use disorders, I/DD and other special populations, including Innovations and Traumatic Brain Injury Waiver enrollees and waitlist members.

On April 1, 2023, approximately 55,000 children enrolled in NC Health Choice were moved to Medicaid. This move provided beneficiaries with additional physical and behavioral health services and continues to save families money and increase access to care. With NC Health Choice move to Medicaid, families with children receive non-emergency medical transportation services (NEMT); early and periodic screening, diagnosis and treatment (EPSDT) to discover and treat health conditions before they become serious; and no longer pay enrollment fees or copays for medical visits and prescriptions.

Direct care workers, nurses and behavioral health professionals are essential resources to providing health to North Carolinians. Despite an increased demand for caregiving services, North Carolina experts are projecting shortages in these positions in the coming decade. To address this gap, NCDHHS and the North Carolina Department of Commerce launched the Caregiving Workforce Strategic Leadership Council. Since its launch in March 2023, the Council has used data to identify strengths and challenges facing the caregiving workforce, as well as provide solutions to pressing issues. NC Medicaid will play a crucial role in sustaining this caregiving workforce and connecting individuals to care.

These are just a few highlights of the tremendous work that the NC Medicaid team have accomplished. Thank you all for your dedicated and continued support of our mission. I look forward to continuing to partner with beneficiaries, providers and other stakeholders as we continue to serve North Carolinians.

A handwritten signature in black ink that reads "Kody Kinsley". The signature is written in a cursive, flowing style.



## Message from Jay Ludlam

Deputy Secretary for NC Medicaid

The last year marked another year of change and transformation for the North Carolina Medicaid program with the formal end of the COVID-19 Public Health Emergency (PHE), and continued investments in NC Medicaid Managed Care all with a focus on the people who rely on NC Medicaid for health and the providers and caregivers who support them.

March 2023 saw Dave Richard step down after nearly eight years of leadership as Deputy Secretary and Medicaid Director. Dave led NC Medicaid through a period marked by unprecedented challenges and transformational shifts in the vision for Medicaid and its role within the communities of North Carolina. Under his stewardship, the Division of Health Benefits not only weathered the impact and disruption of the COVID-19 pandemic, but it also embraced monumental changes like the transition to managed care. His tenure was distinguished by several key accomplishments: the move to managed care and the launch of the Standard Plan program, his leadership in mental health services including the December 2022 launch of Tailored Care Management (TCM) and managing the complexity and fiscal challenges surrounding the Medicaid budget. Dave Richard was well known for his collaborative approach with stakeholders across North Carolina, which was pivotal in navigating these times of change.

### Key NC Medicaid State Fiscal Year 2023 Accomplishments

**Financial Stability:** We successfully concluded the fiscal year under budget, continuing a decade-long trend of fiscal responsibility and efficient resource management.

In state fiscal year 2023, NC Medicaid continued its trend of fiscal responsibility and efficient resource management by concluding the state fiscal year under budget. This result is a testament to our commitment to fiscal responsibility, efficient resource management and a little bit of “luck”. In particular, the federal government extending the COVID-19 Public Health Emergency (PHE) enhanced funding for three additional quarters beyond what had been projected in the approved State budget. This additional federal funding covered the underfunded rebase amount of approximately \$184 million and enabled NC Medicaid to extend temporary rate increases for Skilled Nursing Facilities, Hospice, Personal Care Services (which includes Adult Care Homes and the Community Alternatives Programs) and support for Tailored Care Management capacity building which aided providers in delivering high-quality health care to North Carolinians. With the end of the temporary PHE and the enhanced funding which came with it, NC Medicaid will need the General Assembly to fully fund the budget rebase or the program risks having insufficient funds for forecasted costs. The risk is heightened by the uncertainty of the pace of the Continuous Coverage Unwinding and its impact on member enrollment.

**Tailored Care Management:** We launched the innovative Tailored Care Management program, providing personalized care and enhancing the overall quality of health care services.

The TCM program, launched Dec. 1, 2022, represents a significant enhancement in NC Medicaid’s population health offerings. The TCM program emphasizes the importance of provider settings to support integrated care and collaboration, prioritizing frequent in-person interactions between care managers and beneficiaries. This program offers a holistic approach

to health care, integrating various aspects of a beneficiary's needs. It includes a single designated care manager backed by a multidisciplinary team, addressing physical health, behavioral health, intellectual and developmental disability (I/DD), traumatic brain injuries (TBI), pharmacy, Long Term Services and Supports (LTSS) and unmet health-related resource needs. This innovative care model aims to provide comprehensive and cohesive care, focusing on the whole person, rather than isolated treatment of specific health issues.

**Healthy Opportunities Pilot Program:** This program marked a year of delivering non-medical services to Medicaid beneficiaries, showcasing our commitment to holistic health approaches.

The Healthy Opportunities Pilot (HOP) in North Carolina has made a significant impact in state fiscal year 2023 by executing its goals to deliver non-medical services to NC Medicaid beneficiaries. This innovative program, addressing non-medical drivers of health, has delivered more than 61,000 services to almost 8,500 NC Medicaid beneficiaries across 33 counties since its inception in March 2022. It encompasses 28 services addressing key areas such as food, housing, transportation and interpersonal violence/toxic stress. These services are particularly vital as they target the underlying factors that often affect health outcomes.

A striking feature of the program is its focus on food services, which constitute the majority of the services provided. The program also includes services related to housing and transportation, with these offerings increasing over time. Overall, HOP exemplifies a holistic approach to health care, acknowledging and addressing the social determinants of health that play a significant role in the well-being of individuals and communities. The program's success in state fiscal year 2023 serves as a model for integrating non-medical interventions into health care systems to improve overall health outcomes.

**Pharmacy Program:** The Pharmacy Program's strategic initiatives and effective management have significantly contributed to improving health care outcomes and access for North Carolina's Medicaid beneficiaries.

The North Carolina Medicaid Pharmacy Program made significant progress in state fiscal year 2023. The Program's focus was on enhancing pharmacy provider reimbursement, access to health care and modernizing claims processes. Notably, the Program managed a gross spend of \$2.8 billion on pharmacy claims, reduced to \$1 billion net after rebates, covering 17 million prescriptions annually at an average cost of \$82 per beneficiary per month after rebates. The Pharmacy Program's effective rebate management resulted in an average rebate discount of 62.46%, surpassing the national Medicaid average.

The program also implemented significant enhancements to Hepatitis C coverage criteria and made strides in Sickle Cell Disease care, improving health care access and equity. Additionally, a new policy was established for donating unused antipsychotic injections, furthering access to care for uninsured or underinsured individuals.

**Telehealth Transformation:** We adapted and integrated telehealth services into our standard offerings, expanding access to health care, especially in rural and underserved areas.

In 2023, NC Medicaid's Telehealth Transformation Work Group showed a significant impact on health care accessibility. Although telehealth encounters were higher in urban areas, the usage in rural areas nearly matched urban usage when considering volume, indicating success in bridging the rural-urban health care gap. However, disparities in telehealth use by race and ethnicity were observed, with lower usage rates among Black and Hispanic members. This highlighted the need for strategies ensuring equitable telehealth service offerings to all patients. NCDHHS's Telehealth Work Group is leading policy changes and collaborating with the Office of Digital Equity to expand digital offerings across the state, focusing on health equity and continuous improvement of telehealth services.

The 2023 Telehealth Transformation in NC Medicaid emphasized two main areas: enhancing access to telehealth in rural areas and addressing disparities in usage among different racial and ethnic groups. Despite the increased usage in rural areas, disparities persisted, particularly for Black and Hispanic members. This situation underscores the need for targeted strategies to ensure equitable telehealth offerings to all demographic groups. NCDHHS is actively working on policy changes and collaborations to promote digital equity and inclusiveness in telehealth services. This effort includes ongoing development of policies and initiatives, working with various state departments and stakeholders to ensure telehealth services are accessible and beneficial to all North Carolinians.

These accomplishments reflect our unwavering commitment to improving health outcomes and access to care for all North Carolinians. Medicaid expansion will offer more access to health for more people. The entire team at NC Medicaid is dedicated to building upon these successes in the coming years, driven by innovation, collaboration and a deep commitment to our beneficiaries.

Thank you for your continued support and trust in our mission.



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# About the Annual Report

The North Carolina Medicaid Annual Report for state fiscal year 2023 (NC Medicaid Annual Report) is an overview of **financial outcomes** and **investment summaries** in NC Medicaid programs and services administered by the NC Department of Health and Human Services' Division of Health Benefits (NC Medicaid).

The NC Medicaid Annual Report uses data and facts from the following sources, unless noted otherwise: financial figures from the NC Medicaid Certified Monthly Budget Report (NCAS BD-701); beneficiary count and geographic distribution from the NC Medicaid Monthly Enrollment Report; provider count, beneficiary age and gender from NC Medicaid customer data retrievals; NC Vital Statistics/ State Center for Health Statistics (SCHS); claims processed and amount paid from the NCTracks Checkwrite Report.

Prior NC Medicaid Annual Reports can be found on the NC Medicaid website at [medicaid.ncdhhs.gov/reports](https://medicaid.ncdhhs.gov/reports). Additional information on the Department's transformation to NC Medicaid Managed Care is at [ncdhhs.gov/nc-medicaid-transformation](https://ncdhhs.gov/nc-medicaid-transformation).

Please call the NC Medicaid Contact Center at 888-245-0179 with questions or requests for more information.



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# About NC Medicaid

## What is Medicaid?

Medicaid provides health care coverage to eligible people with low incomes in North Carolina including adults, children, pregnant women, seniors and people with disabilities. Medicaid is jointly funded by North Carolina and the federal government and administered by the state.

### What is NC Medicaid Managed Care?



NC Medicaid Managed Care is the way most Medicaid beneficiaries, members and consumers get their health care and services.

Beneficiaries enroll in a health plan that contracts with the NC Department of Health and Human Services (NCDHHS). Doctors, nurses, hospitals and other providers join a health plan’s network. Beneficiaries visit their primary care provider and specialists in the health plan’s network. All health plans offer the same Medicaid benefits, but some health plans offer extra services to help beneficiaries take better care of their health.

### What is NC Medicaid Direct?



NC Medicaid Direct is the way some NC Medicaid beneficiaries get their health care coverage and services. Beneficiaries can visit any doctor, nurse, hospital, or other provider who accepts NC Medicaid patients.

## Additional Programs

NC Medicaid also offers limited benefit programs that do not fall under NC Medicaid Managed Care or NC Medicaid Direct. These include the Family Planning Program, the Health Insurance Premium Payment Program (HIPP), Medicare-Aid and additional home and community-based services through Medicaid waiver programs such as the Community Alternatives Programs (CAP), the Program for All-inclusive Care for the Elderly (PACE), the Traumatic Brain Injury (TBI) Waiver and the NC Innovations Waiver.

## Administering Benefits

An administrative team of various business units and capability groups at NC Medicaid ensures the management of benefits. The team sets strategic goals that meet NCDHHS’ vision and mission as they oversee its programs, services or operations, use analytics to measure operational key performance indicators, or ensure systems meet operational needs.

# Executive Summary

In state fiscal year 2023 (July 1, 2022 through June 30, 2023), NC Medicaid provided more than 2.9 million North Carolinians — 142,000 more than last state fiscal year — with access to quality care and services while also finishing the year under budget.

Tailored Care Management (TCM) launched **Dec. 1, 2022**, providing beneficiaries with personalized care through a single designated care manager.

On **March 27, 2023**, North Carolina reached a historic milestone: Governor Cooper signed HB 76 into law, expanding Medicaid coverage to more than 600,000 people across the state. When implemented, Medicaid expansion in North Carolina will increase the eligible population to all adults ages 19 through 64 who earn up to 138% of the Federal Poverty Level (e.g., singles earning about \$20,000/year or families of three earning about \$34,000/year).

On **April 1, 2023**, the NC Health Choice moved to Medicaid. At the same time, the start of NC Medicaid Direct Prepaid Inpatient Health Plans (PIHP) contract streamlined care for beneficiaries. Also in state fiscal year 2023, the Healthy Opportunities Pilot (HOP) marked one year of providing non-medical services to qualifying NC Medicaid beneficiaries. HOP has been a success and as of November 2023, provided more than 16,000 enrolled beneficiaries with more than 208,000 non-medical services. In April 2023, the Department expanded its services to include interpersonal violence (IPV) services. These new services cover a set of activities meant to support beneficiaries as they navigate long-term effects of abusive relationships, community violence and parental and child behavioral health challenges.

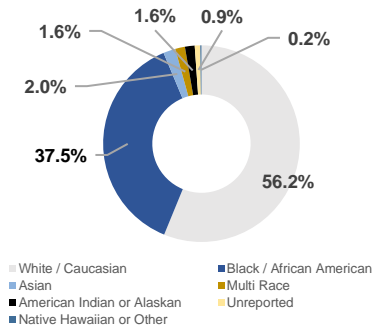
On **May 11, 2023**, the federal COVID-19 public health emergency (PHE) ended. Beginning April 1, 2023 (see timeline in Exhibit 4 of this report), states were required to restart the eligibility renewal process that was paused by Congress during the pandemic. To ease the transition, NC Medicaid created a Continuous Coverage Unwinding (CCU) Communications Toolkit and launched an outreach campaign to encourage beneficiaries to update their information and to check their mail for eligibility notices. This toolkit received national recognition among state Medicaid agencies.

NC Medicaid continued to work closely with its community partners, advocacy groups, providers and beneficiaries to improve the health and well-being of North Carolinians. These efforts are evidence of the commitment of the NC Medicaid team to galvanize investments that strengthen the infrastructure of quality access to care and make a real difference in the lives of the people of North Carolina.

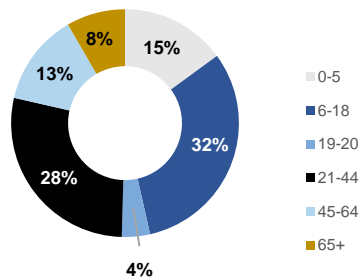
# Snapshot: North Carolina Medicaid

NC Medicaid ended state fiscal year 2023 with a total beneficiary population of **2,931,557**, a **5.1% increase** compared to state fiscal year 2022. Total expenditures were **\$21.5 billion**, a **\$170 million increase** from state fiscal year 2022. NC Medicaid finances closed out **\$119 million under budget**.

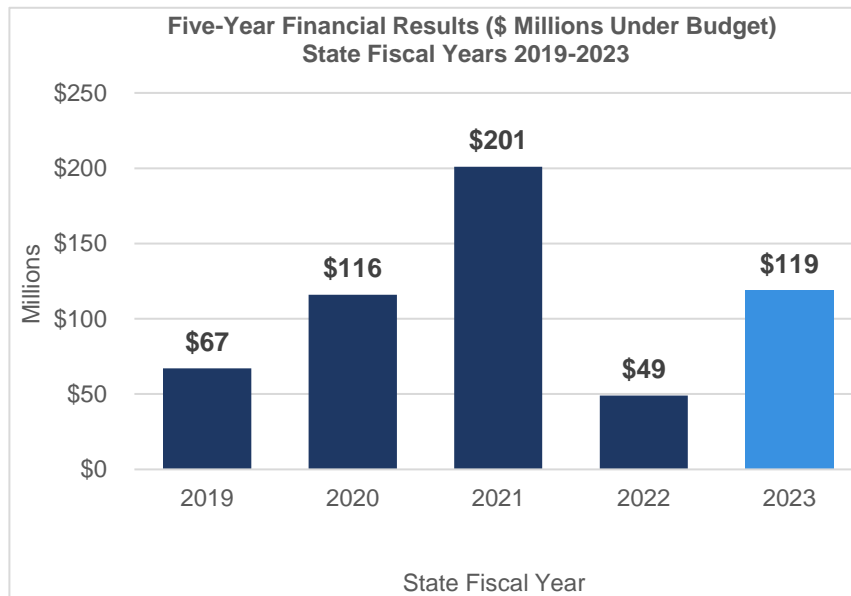
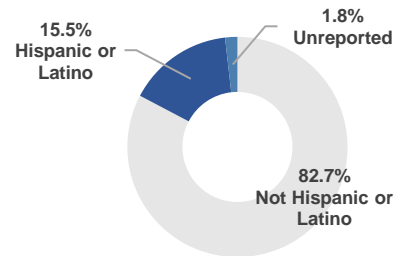
## Beneficiary Demographics | Race



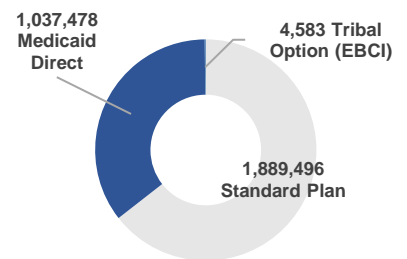
## Beneficiary Demographics | Age



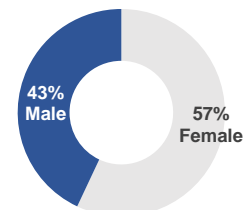
## Beneficiary Demographics | Ethnicity



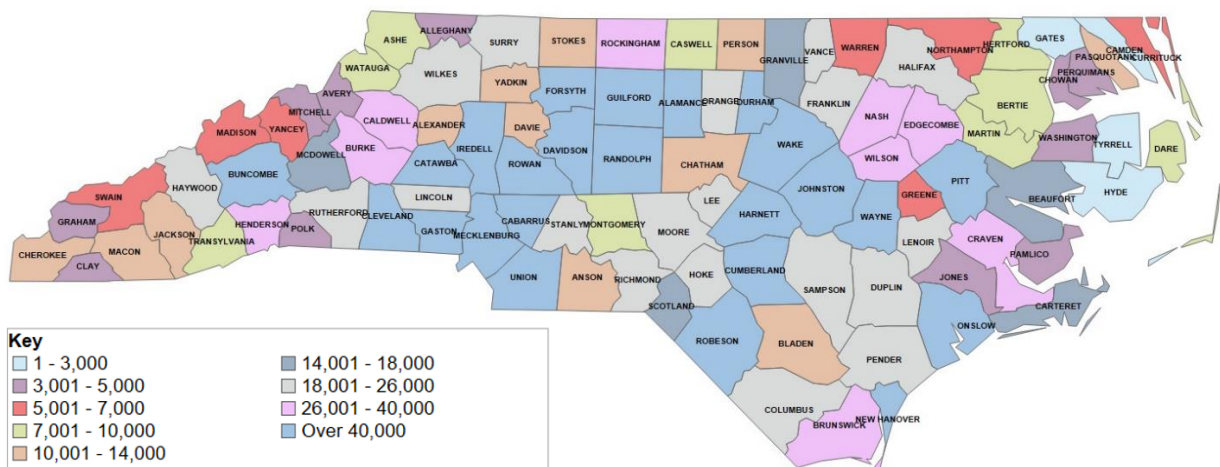
## Beneficiary Demographics | Program



## Beneficiary Demographics | Gender



## Total Beneficiaries by County



# Impactful Accomplishments: State Fiscal Year 2023

## Continuous Coverage Unwinding & Public Health Emergency

Starting in January 2020, the COVID-19 public health emergency (PHE) required states to provide ongoing health care coverage for Medicaid beneficiaries, even if their eligibility changed. However, with the 2023 Consolidated Appropriations Act in 2022, this rule was decoupled from the end of the PHE. In North Carolina, the process of unwinding the continuous coverage requirements started April 1, 2023. Those who maintained Medicaid coverage because of the COVID-19 PHE will have their eligibility recertified by May 2024.

## Tailored Care Management

Local Management Entity/Managed Care Organizations (LME/MCOs) along with community-based Tailored Care Management (TCM) providers began offering TCM Dec. 1, 2022. Through TCM, beneficiaries have a single designated care manager supported by a multidisciplinary care team to provide whole-person care management that addresses all their needs, including physical health, behavioral health, intellectual and developmental disability (I/DD), traumatic brain injuries (TBI), pharmacy, Long Term Services and Supports (LTSS) and unmet health-related resource needs.

## Healthy Opportunities Pilot Program

In April 2023, the Department launched interpersonal violence (IPV) services as part of its nationally recognized Healthy Opportunities Pilot (HOP). This marks 28 Pilot services now offered in 33 counties to address needs related to food, housing, transportation and IPV. NC Medicaid's HOP is the nation's first comprehensive program to test evidence-based, non-medical interventions to improve the health of NC Medicaid beneficiaries while reducing costs.

## NC Medicaid Direct Prepaid Inpatient Health Plans

The NC Medicaid Direct Prepaid Inpatient Health Plans (PIHP) program, designed to enhance behavioral health and I/DD services for more than 475,000 NC Medicaid Direct beneficiaries, successfully began April 1, 2023. The new NC Medicaid PIHP contract builds on the existing services historically offered by LME/MCOs and adds additional benefits and services (including TCM and 1915(i) services), oversight requirements and contract oversight roles for the Department.

# A Look Ahead: State Fiscal Year 2024

In state fiscal year 2024, the NC Medicaid team will continue to increase access to integrated physical and behavioral health care for more North Carolinians, as the program reaches the major transformation milestones of expanding Medicaid and preparing to launch NC Medicaid Managed Care Behavioral Health Intellectual/Developmental Disability (I/DD) Tailored Plans.

<b>Medicaid Expansion</b>	<p><b>Medicaid expansion</b> will give more than 600,000 North Carolinians access to health care coverage by expanding Medicaid eligibility to include adults ages 19 through 64 who have incomes up to 138% of the federal poverty level (e.g., singles earning about \$20,000/year or families of three earning about \$34,000/year). These beneficiaries will have access to the same comprehensive benefits and copays as other non-disabled adults in Medicaid.</p> <p><b>March 27, 2023</b>   Governor Roy Cooper signed Medicaid expansion into law (HB 76) contingent on the North Carolina Budget enactment (<i>enacted Oct.3, 2023</i>).</p> <p><b>Dec. 1, 2023</b>   Enrollment for newly-qualified expansion beneficiaries will begin.</p> <p><b><i>Medicaid expansion will transform access to physical and behavioral health care in rural areas and historically marginalized communities covering veterans, working adults and their families, all while bringing billions in federal funding to the state.</i></b></p>
<b>Section 1115 Demonstration Amendment</b>	<p>In October 2018, North Carolina received federal approval to significantly transform its Medicaid program through the <b>NC Section 1115 Demonstration Waiver</b>.</p> <p>On <b>July 7, 2023</b>, the Centers for Medicare &amp; Medicaid Services (CMS) approved an amendment to the section 1115(a) demonstration. Approval of this demonstration amendment will adjust which populations will, will not, or must be covered under the Behavioral Health I/DD Tailored Plan, expand access to the Healthy Opportunities Pilot (HOP) for NC Medicaid Direct beneficiaries and modify implementation details related to the HOP. This amendment will remain in effect throughout the demonstration approval period, set to expire Oct. 31, 2024.</p> <p>In early state fiscal year 2024, North Carolina will seek to renew its Medicaid Reform Demonstration, the managed care authority, for another five-year period to improve health and well-being for all North Carolinians through a whole-person, well-coordinated system of care that addresses both medical and non-medical drivers of health and advances health access by reducing disparities for historically marginalized populations. The state is seeking federal authority through the demonstration renewal to provide pre-release Medicaid services to support reentry into the community for justice-involved individuals.</p>
<b>Tailored Plan</b>	<p><b>Behavioral Health and Intellectual/Developmental Disabilities Tailored Plans</b> will provide an integrated health plan to individuals with mental health disorders, substance use disorders, I/DD and other special populations, including Innovations and Traumatic Brain Injury (TBI) Waiver enrollees and waitlist members.</p> <p><b>July 1, 2024</b>   Behavioral Health and I/DD Tailored Plan will begin.</p>

	<p><b><i>Tailored Plans will be responsible for managing the state’s non-Medicaid behavioral health, I/DD and TBI services for uninsured and underinsured North Carolinians.</i></b></p>
<p><b>Transition of 1915(b)(3) Services to 1915(i) Authority</b></p>	<p>Medicaid anticipates the transition from 1915(b)(3) services to 1915(i) services to be approved by CMS and made available to Medicaid beneficiaries later this summer. 1915(i) services are Home and Community-Based Services that provide opportunities for Medicaid enrollees to receive services in their own home or community rather than institutions. This transition will allow NC Medicaid to extend coverage of the current 1915(b)(3) services to additional populations, ensuring a comprehensive array of behavioral health, I/DD and TBI services in NC Medicaid Direct and in Behavioral Health I/DD Tailored Plans. In order to ensure a smooth transition, NC Medicaid has been providing support to LME/MCOs, providers and members throughout state fiscal year 2023. This has looked like working with Local Management Entity/Managed Care Organizations (LME/MCOs) to first prioritize the transition for members who currently receive 1915(b)(3) services and are transitioning to a Tailored Plan at Tailored Plan launch and providing trainings by DHHS on the 1915(b)(3) to 1915(i) transition for providers.</p>
<p><b>Address the Surge in Congenital Syphilis</b></p>	<p>In October 2023, NC Medicaid and NCDHHS will join a partnership with southeastern states, insurers and national health leaders to combat the surge in congenital syphilis infections. The partnership aims to standardize syphilis screening in pregnant women and enforce control measures for diseases like congenital syphilis. Congenital syphilis is preventable, but can lead to still birth, blindness, deafness, developmental delay and other health complications if left untreated. The congenital syphilis numbers in North Carolina are the highest they have been in almost 20 years, with a 547% increase in syphilis rates between 2012 and 2022. An ongoing health care provider outreach campaign is in effect to increase screening of pregnant women in partnership with NC Public Health’s HIV/STD Prevention &amp; Care program. <a href="https://ncdhhs.gov/news/press-releases/2023/12/15/north-carolina-joins-southeastern-states-partnership-combat-surge-congenital-syphilis-infections">ncdhhs.gov/news/press-releases/2023/12/15/north-carolina-joins-southeastern-states-partnership-combat-surge-congenital-syphilis-infections</a></p>

# Financial Results

State fiscal year 2023 ended at \$119 million under budget.



**For ten consecutive years**, NC Medicaid has finished the state fiscal year within budget.

NC Medicaid finished state fiscal year 2023 within budget for the tenth consecutive year. Higher-than-anticipated one-time federal receipts and strong stewardship enabled the program to provide health care coverage to more than 2.93 million people and still return \$119 million to the State. NC Medicaid worked to appropriately allocate funds across all programs and provide the best possible support for our beneficiaries.

## NC Medicaid Provided Needed Services While Remaining in Budget Through...



Focused execution of NC Medicaid's implementation strategy



Additional one-time federal receipts

## Major factors, initiatives and results

### Continued COVID-19 Enhanced FMAP

Federal law extended the COVID-19 enhanced Federal Medical Assistance Percentage (FMAP) of 6.2 percentage points for one quarter longer than had been anticipated in the budget. In addition, while the enhanced FMAP was reduced under the Consolidated Appropriations Act, beginning April 1, 2023, FMAP was still 5.0 percentage points higher for April through June than budgeted. These higher than budgeted federal receipts enabled NC Medicaid to reinvest in provider networks by continuing temporary provider rate increases for long-term care providers that otherwise would not have been funded, and by funding glide path payments to medical homes providing care coordination for Behavioral Health Intellectual/Developmental Disabilities (I/DD) Tailored Plan eligible individuals.

### Addressing Workforce Challenges in Medicaid Long Term Care Services

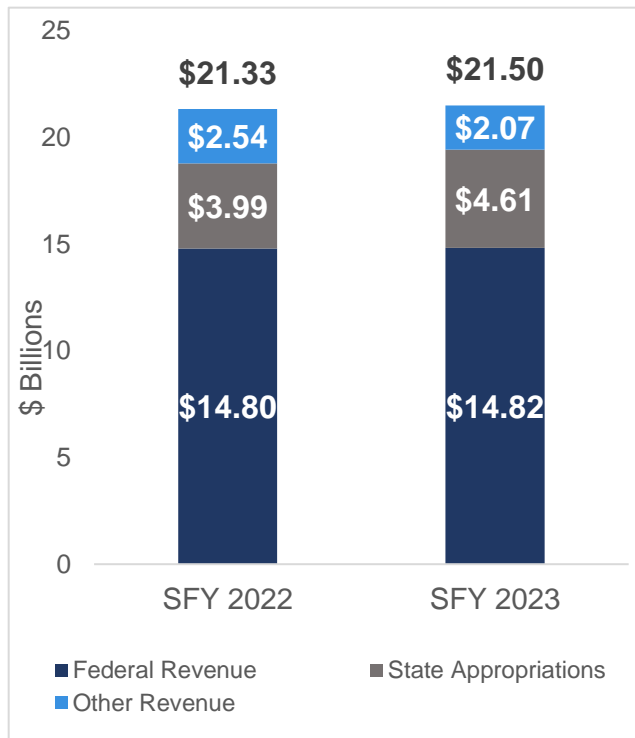
As noted above, NC Medicaid was able to maintain access to care to critical Medicaid long-term care services for beneficiaries by redeploying over-realized federal receipts to support continued temporary rate increases for long term care service providers who were facing staffing challenges due to rising labor costs. These rate increases kept per diem and per service unit rates stable at state fiscal year 2022 levels for Skilled Nursing Facilities (SNF); Hospice; Personal Care Services (PCS); the Medicaid funding vehicle for Adult Care Homes; and Community Alternatives Programs (CAP) for Children (CAP/C), Disabled Adults (CAP/DA) and Consumer Directed (CAP/CO).

**Strong Cost-Avoidance and Third-Party Liability (TPL) Program**

The NC Medicaid Finance & Accounting Third-Party Liability section continued to work with vendor partners to identify avoidable cost and validate third party payer liability in situations where other payers had liability for costs of services to NC Medicaid beneficiaries to preserve NC Medicaid’s position as payer of last resort. These efforts produced \$165,492,290 in avoided costs and \$79,190,022 in third party recoveries, thereby preserving limited State dollars for Medicaid member costs that were appropriately to be paid by NC Medicaid.

**Current v. prior year expenditures, by funding source**

Exhibit 1. Total Expenditures by Revenue/Funding Source (\$ Billions) | State Fiscal Years 2022 & 2023

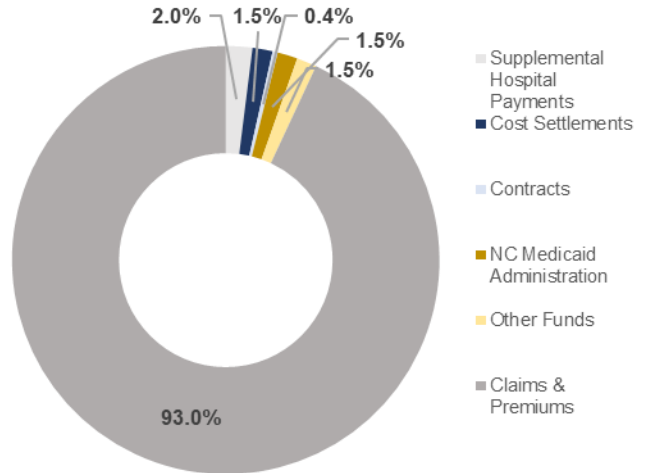


NC Medicaid’s total spending for state fiscal year 2023 increased by 0.8% compared to the previous year despite enrollment growth. While total expenditures were effectively flat year over year, there were some slight shifts in relative share of expenditures by funding source. The federally legislated reduction of the FMAP rate that began in the third quarter of state fiscal year 2023 led federal receipts to be slightly less as a proportion of overall funds (which means state appropriations comprised a slightly higher proportion of overall funds). Other revenue, which is primarily from provider assessments (mostly from hospitals), was effectively flat; the difference in other revenue is attributable to NC Medicaid not making Disproportionate Share Hospital (DSH) payments in state fiscal year 2023 due to anticipated implementation of retroactive state fiscal year 2023 Hospital Access Stabilization Program (HASP) payments in state fiscal year 2024. As such, the non-federal share related to those DSH payments was not collected in state fiscal year 2023.



In state fiscal year 2023, NC Medicaid had total expenditures of \$21.5 billion. Of the total expenditures, \$4.61 billion was paid by North Carolina, \$14.82 billion paid by the federal government and \$2.07 billion was contributed via other revenue. Most NC Medicaid expenditures (approximately \$20.8 billion) paid for care to beneficiaries via claims and premiums and through supplemental hospital payments and cost settlements (for example with Local Health Departments). Other funds include prior year adjustments and reserves and transfers. Medicaid Transformation and other non-service administrative expenditures make up approximately 1.5% of the total state fiscal year 2023 expenditures.

Exhibit 2. \$21.5B Fund Level Expenditures (\$ Billions) | State Fiscal Year 2023

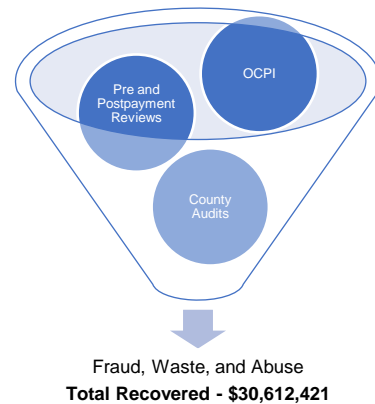


Nearly **\$20.8 billion** of NC Medicaid's total expenditures for state fiscal year 2023 went to claims & premiums, and supplemental payments to providers of services.

## Compliance and Program Integrity

The NC Medicaid Office of Compliance and Program Integrity (OCPI) verifies dollars are paid appropriately for covered services by employing claim reviews and investigations, implementing recoveries, pursuing recoupments and aggressively identifying other opportunities for cost avoidance. OCPI also protects beneficiary rights with respect to the privacy of health records, as required under the Health Insurance Portability and Accountability Act (HIPAA) of 1996.

In state fiscal year 2023, a total of \$30.6 million was recovered through a series of post-payment reviews and county audits, or payment denials associated with pre-payment claims review. OCPI reviewed more than 848 individual complaints of suspected fraud. Additionally, 110 referrals were sent to the NC Attorney General for criminal or civil investigation.



## Compared to State Fiscal Year 2022, State Fiscal Year 2023 Experienced...

**29.4%↑**

In the number of total Prepaid Health Plan (PHP) claims paid

**13.4%↑**

In the number of total PHP claims denied

**4.05%↑**

In the number of total NC Medicaid Providers

# Investments in NC Medicaid

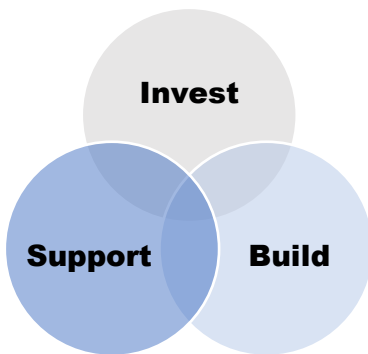
NC Medicaid is thoughtful and strategic in determining priorities and allocating funds to effectively manage and optimize NC Medicaid health care benefits.

This section of the NC Medicaid Annual Report highlights key investments and efforts NC Medicaid made in its programs and services this state fiscal year as part of the program’s commitment to value health outcomes and meet the following strategic priorities.

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## North Carolina Department of Health and Human Services Strategic Priorities

NC Medicaid provides health care and essential services to eligible low-income adults, children, pregnant women, seniors and people with disabilities while advancing innovative solutions that foster **whole-person health and health access** for all North Carolinians. These priorities cut across a broader strategic plan that the Department uses to **drive effective operations** and **measure the impact of services** provided throughout the state. You can learn about [NCDHHS Mission Vision and Values](#), [NCDHHS 2021-23 Strategic Plan](#) and [NCDHHS Initiatives](#) on the website.



### Invest in behavioral health and resilience

Develop programs that address beneficiaries’ mental health

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### Support child and family well-being

NC Medicaid has a variety of services focused on aiding families

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### Build a strong and inclusive workforce

Put the Department’s core value of belonging into practice

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### Measurably improve health resilience

Adequately track performance

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### Increase access to care

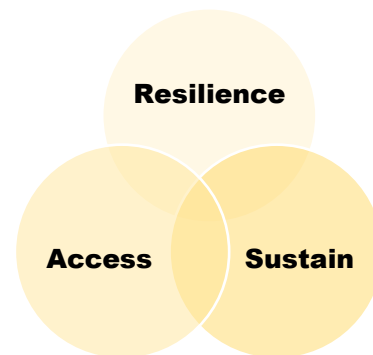
Invest in providers and care networks

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### Maximize value to ensure program sustainability

Create long-term plans for continued investment

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# Ensure Access to Health Care Services



NC Medicaid’s primary purpose is to **ensure all beneficiaries have access to the care they need**. NC Medicaid understands that to have a healthy community, **the Department must invest in services for the whole person**, build and maintain a strong provider network and engage with the community to ensure services are accessible and meet the needs of the community.

## NC Medicaid programs and services focus on whole-person health care

Whether beneficiaries obtain health services through NC Medicaid Managed Care or NC Medicaid Direct, NC Medicaid programs aim to serve beneficiaries in all areas of their life, including physical health, behavioral health, prescription medications or access to non-medical resources which may improve health, such as non-emergency medical transportation (NEMT). The development of internal DHHS tools like the Integrated Care Dashboard aid the Department in tracking progress on achieving whole-person health care.

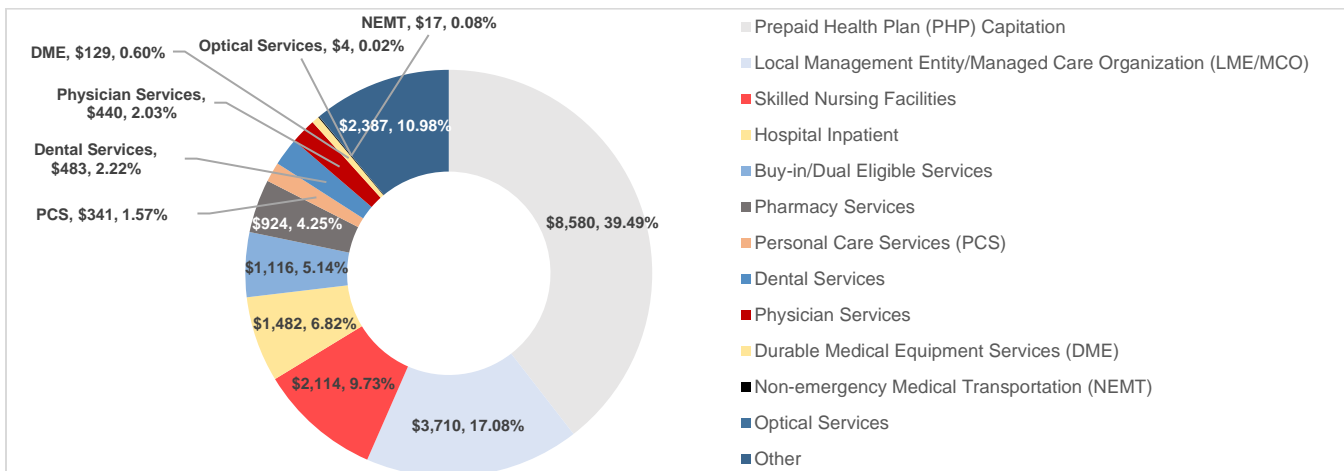


### In state fiscal year 2023, Non-Emergency Medical Transportation

- Provided **481,046 rides** to beneficiaries
- Served an **average of 8,242 beneficiaries per month**

Exhibit 3 shows some of the most common services and programs beneficiaries used and are ordered by total dollar financial expenditures. **Standard Plans, the managed care prepaid health plans in which most beneficiaries are enrolled and which are designed for whole-person care, accounted for nearly 40% of claims expenditures.** Other highly used services include Local Management Entity/Managed Care Organizations (LME/MCOs), skilled nursing facilities and inpatient hospital care.

Exhibit 3. NC Medicaid & NC Health Choice Claims Expenditure by Service Category (\$ Millions) | State Fiscal Year 2023



NC Medicaid covers a wide variety of programs and services for eligible beneficiaries. To learn more about the programs and services not covered in the annual report, visit the NC Medicaid website at [medicaid.ncdhhs.gov/providers/programs-and-services](https://medicaid.ncdhhs.gov/providers/programs-and-services) or call the NC Medicaid Contact Center at 888-245-0179.

## Increase services and tools

NC Medicaid continues to work toward expanding programs that benefit NC Medicaid beneficiaries. This year, the Department further invested in the priority of whole-person health care with the following:

### New Services and Tools this Year

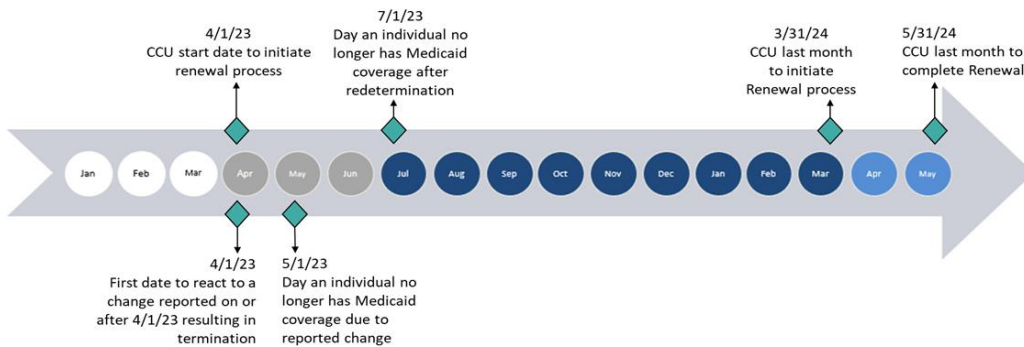
- **Tailored Care Management**
  - Implemented Tailored Care Management (TCM) Dec. 1, 2022, to provide eligible members with help to meet their individual health goals through organizing services across the full spectrum of care needs, connecting to local and community resources and making plans that focus on the beneficiary's goals.
- **Collaborative Care Model Consortium**
  - Advanced the model of integrated behavioral health care into the primary care medical home through the work of a multistakeholder consortium, including public and private payers. This included partnering to promote service coverage across all payers; enhancing NC Medicaid reimbursement rates to 120% of Medicare; launching no-cost patient registry and practice support resources; and using creative evaluation methods to drive consistent provision of services. The increased reimbursement for Collaborative Care Management service codes provided further incentive for providers to adopt the Collaborative Care Model in their practices. Based on the success of this model, NC Medicaid developed the [Roadmap for Statewide Capacity Building to Integrate Physical and Behavioral Health Care](#) to offer insights to other states interested in adopting the Collaborative Care Model and other primary care based clinical delivery innovations.
- **Quitline NC “Quit Coaches”**
  - Partnered with QuitlineNC to offer tobacco users access to “Quit Coaches” through live chat or text and the ability to watch group videos and create a personalized dashboard to track their quitting progress.
- **Fee Schedule and Covered Codes Portal**
  - Launched a [Fee Schedule and Covered Codes Portal](#) in November 2022 to provide the public better transparency to costs associated with care.
- **988 Suicide and Crisis Lifeline**
  - Partnered with the U.S. Substance Abuse and Mental Health Service Administration (SAMHSA) to provide support to North Carolinians through 988, the three-digit suicide and crisis lifeline. 988 makes it easier and faster for those in a mental health or substance use crisis to get the help they need.

## Minimize unnecessary coverage loss during the end of the Public Health Emergency and Continuous Coverage Unwinding

In January 2020, the federal COVID-19 public health emergency (PHE) required state Medicaid programs to provide continuous coverage for beneficiaries regardless of changes in their eligibility. With the passage of the 2023 Consolidated Appropriations Act (Omnibus Bill) in 2022, the continuous coverage requirement was removed from the federal COVID-19 PHE. Effective April 1, 2023, NC Medicaid was no longer required to maintain continuous coverage for beneficiaries.

**NC Medicaid began the renewal (recertification) process for Medicaid beneficiaries April 1, 2023.** Most recertifications will be completed by May 2024, as beneficiaries are up for renewal. (See timeline in Exhibit 4 below).

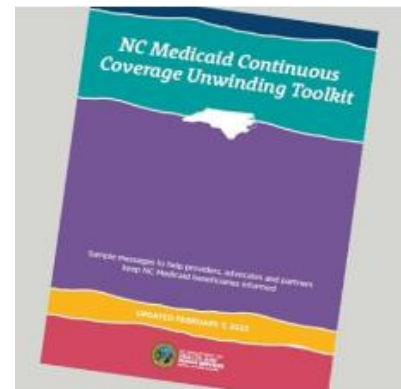
Exhibit 4. Continuous Coverage Unwinding Timeline



### Outreach

To ensure NC Medicaid beneficiaries and their families were aware the recertification process resumed after a three-year pause, NC Medicaid launched an outreach campaign to encourage beneficiaries to update their contact information and check their mail for information from their local Department of Social Services (DSS).

NC Medicaid created a **Continuous Coverage Unwinding (CCU) Communications Toolkit** for its community partners to use to help spread these messages, which received national recognition among state Medicaid agencies.



## Medicaid expansion and county support



**An estimated 100K beneficiaries** who were expected to lose coverage due to Continuous Coverage Unwinding are now eligible to keep their coverage with the launch of Medicaid expansion.

NC Medicaid began work to raise awareness of Medicaid expansion in North Carolina in Spring 2023. Medicaid expansion is a “game changer” for expanding access to health care services, potentially helping those who may lose coverage due to the end of the PHE.

NC Medicaid prioritized support for local DSS to respond to the end of the PHE and to prepare for

Medicaid expansion by creating comprehensive support plans, offering financial resources and providing technical assistance and training. **In June 2023, NCDHHS advanced \$8.335 million so**

**counties had funds to prepare for Medicaid expansion.** These funds are intended to bolster county operations through staff recruitment, technological advancements and equipment procurement due to the increased demands from CCU and Medicaid expansion. NCDHHS continues to encourage the use of these funds to build capacities for Medicaid expansion.



## Improve health access through the provider network

NC Medicaid continues to work to create and maintain a robust provider network across the state, and as of July 1, 2023, 104,182 providers were enrolled across all its programs. An additional 4,058 providers joined the Medicaid network in state fiscal year 2023.

NC Medicaid serves all 100 counties in North Carolina. Improving health care access requires NC Medicaid to monitor the health plans and track the volume and location of providers in their networks and the services available in each region. Federal regulations require health plans maintain a provider network sufficient to provide adequate access for all services covered under the contract for all beneficiaries.

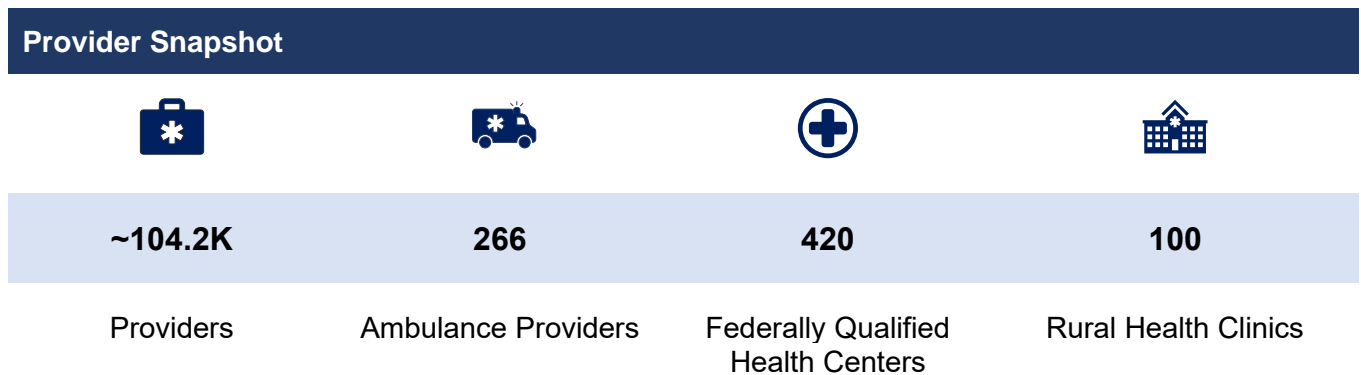


Provider recertifications resumed in April of 2023 after a three-year pause during the PHE.

Provider recertification is an ongoing process but an initial effort to bring delayed recertifications current will be complete in early 2024.

NC Medicaid’s Provider Services and Network Adequacy teams verify this requirement is met by constant review and quickly addressing any accessibility concerns. The Department continuously monitors the network adequacy standards outlined, which may not always ensure provider availability for appointments. Additional monitoring is done on appointment wait time metrics and panel availability to help bridge the gap.

Exhibit 5. Provider Snapshot


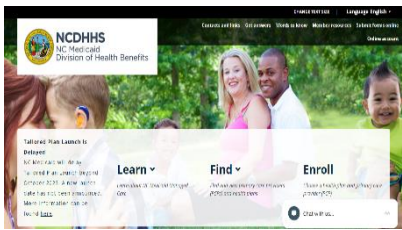










## Ensure awareness of services through assistance options and community engagement

Even with a variety of programs available, a lack of awareness of these resources can create an additional barrier to health care access. With value proven by sustained high usage rates, NC Medicaid continues to invest in its NC Medicaid Contact Center, NC Medicaid Enrollment Broker and the NC Medicaid Ombudsman, ensuring beneficiaries fully understand the services and resources for which they qualify. All offer Spanish-speaking operators, materials or other translation services to ensure the highest access to information.

NC Medicaid and its partners also conduct **outreach and engagement** through various channels to ensure beneficiaries and community partners who assist beneficiaries are kept informed of program changes, calls to action or other important updates. Such partnerships and opportunities also allow for the collection of lived experiences to shape outcomes and content.

### Metrics show beneficiaries use these assisters.

		
<p><b>NC Medicaid Contact Center</b></p>	<p><b>NC Medicaid Enrollment Broker</b></p>	<p><b>NC Medicaid Ombudsman</b></p>
<p>Answers or directs questions from beneficiaries, providers and other stakeholders, ensuring a consistent response and professional service</p>	<p>Provides services to help NC Medicaid beneficiaries learn and find information about NC Medicaid Managed Care health care options, locate primary care providers and enroll in a health plan</p>	<p>Works to advocate for beneficiaries and support them with free, confidential services to mitigate any barriers to access. This includes legal aid, housing resources and other programs</p>
 <p><b>212,110 Calls</b></p>	 <p><b>202,923 Calls</b></p>	 <p><b>41,185 Calls, including 38,141 English and 2,652 Spanish</b></p>
<p><b>Industry low 3.21% abandonment rate of customer service calls</b></p>	 <p><b>2,445 Outreach Events</b></p>	 <p><b>173 Events, with 6,769 Attendees</b></p>
<p><b>Quality Assurance Score of 89.5%</b></p>	 <p><b>51,725 Enrollments Assisted</b></p>	 <p><b>Opened 17,421 cases (up from 14,000 in state fiscal year 2022), resolving 98% of them</b></p>

As part of its commitment to robust **communication strategies**, NC Medicaid supports both the public and its business partners by a mix of social media messaging, provider bulletins, fact sheets, toolkits,



**More than 5,000 attendees** opted to be included on NC Medicaid distribution lists for Community Partner webinars, finding it a valuable source for NC Medicaid updates. The distribution list grew by an **increase** of 46% in state fiscal year 2023.

press releases, knowledge articles and web content for its initiatives. NC Medicaid routinely hosts webinars for advocates and providers, sharing the most recent information to help support NC Medicaid beneficiaries.

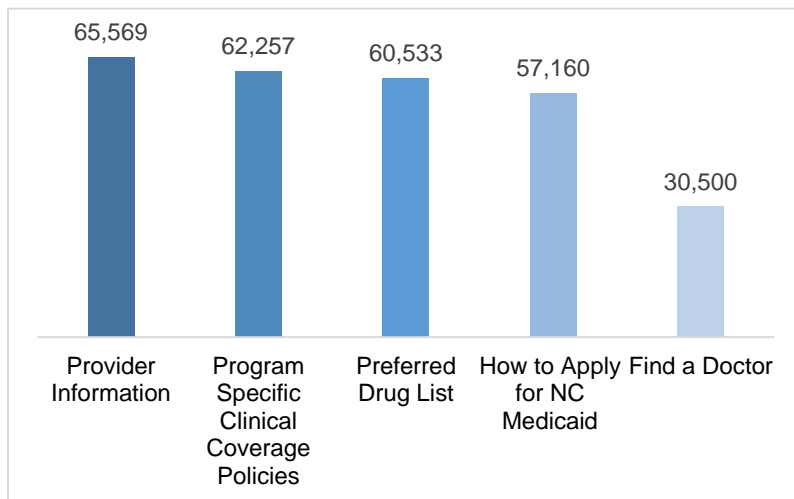
The North Carolina Area Health Education Centers (NC AHEC) is a statewide network striving to meet North Carolina’s health care and health workforce needs. NC AHEC partners with NCDHHS to support NC Medicaid Managed Care programs and

initiatives by strategically providing education, training and technical support to participating Medicaid providers.

For Public / Beneficiaries	For Providers	For Counties
Increased social media presence with 536 posts (214 X – formerly Twitter, 214 Facebook, 108 Instagram), up from 159 last year	Hosted nine Back Porch/Fireside Chats, reaching 4,488 providers	Added more than 15 Fact Sheets to the County Playbook
Increased push for enhanced readability in all beneficiary-facing materials	Posted 254 Medicaid Bulletins with 12 Medicaid Monthly Digests for providers	Added more than 32 Training Videos to the Learning Gateway

Connected 14,345 providers to NC AHEC to offer one-on-one support, resources and share information on behalf of the NC Medicaid program

Exhibit 6. State Fiscal Year 2023 Top Five Most Visited NC Medicaid Website Pages



NC Medicaid supports initiatives with web content to ensure beneficiaries and partners can access needed information.

The top five most visited pages for state fiscal year 2023 were Provider Information, Program Specific Clinical Coverage Policies, Preferred Drug List (PDL), How to Apply for NC Medicaid and Find a Doctor, see Exhibit 6.

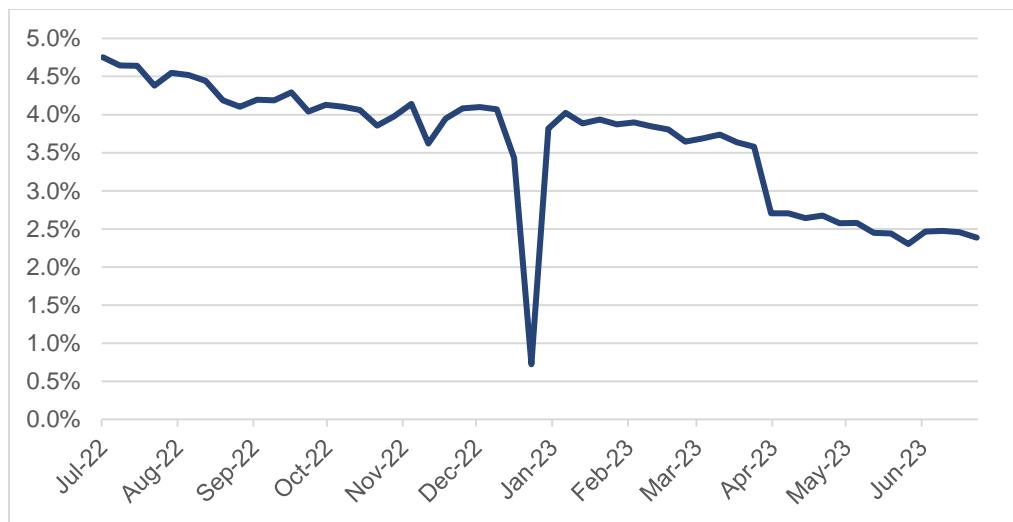


## Ongoing telehealth transformation

Prompted by the COVID-19 PHE, NCDHHS swiftly adopted temporary evidence-based telehealth policies for at-home care to increase access to services and reduce viral exposure risk for beneficiaries and providers. At the end of 2020 and into early 2021, the Department assessed which telehealth flexibilities to keep beyond the COVID-19 PHE. Taking into account the state's telehealth utilization data and community feedback, NCDHHS began a formal integration process that resulted in permanently implementing more than 50% of the telehealth flexibilities from the COVID-19 PHE.

While there was a drop from the volume recorded during the early part of the COVID-19 PHE, the utilization rate for telehealth services during state fiscal year 2023 remained higher than pre-pandemic levels. During state fiscal year 2023, a weekly average of 3.6% of beneficiaries utilized telehealth services. The proportion per week throughout state fiscal year 2023 is shown in Exhibit 7. Of all the specialties and services available through telehealth, those related to behavioral health experienced a higher level of usage.

Exhibit 7. Proportion of Beneficiaries Utilizing Telehealth | State Fiscal Year 2023



*Note: The decrease in late December 2022 is attributable to the holidays. The decrease in April 2023 is due to the LME/MCOs transitioning their reporting to the Encounter Processing System (EPS).*

In addition, overall utilization trends by race and ethnicity are similar. However, an analysis of utilization data spanning from March 2020 through December 2022 shows a lower relative probability of telehealth use among Black (between 1.0 and 1.4 lower odds) and Hispanic beneficiaries (between 3.0 and 3.5 lower odds) compared with non-Black and non-Hispanic beneficiaries.

Overall, telehealth continues to be a practical and convenient way for NC Medicaid beneficiaries to receive the care they need. NCDHHS is invested in providing resources to health care providers and beneficiaries to increase access to care and utilization of telehealth across the state.

# Advance Medicaid Transformation



Building on the historic launch of Standard Plans and Eastern Band of Cherokee Indians (EBCI) Tribal Option in July 2021, in state fiscal year 2023, NC Medicaid implemented Tailored Care Management (TCM) and updated the administration of NC Medicaid Direct, paving the way for the launch of Tailored Plans in July 2024.

NC Medicaid continued to commit resources to its multi-year roadmap to advance Medicaid Transformation by enhancing NC Medicaid enrollment options (see Exhibit 8 below). In state fiscal year 2023, the Department launched TCM and incorporated NC Medicaid Prepaid In-Patient Health Plans (PIHP) in the administration of NC Medicaid Direct. Behavioral Health Intellectual/ Developmental Disability (I/DD) Tailored Plans and Children and Families Specialty Plan (CFSP) are anticipated to launch in future phases.

Exhibit 8. NC Medicaid Enrollment Options

## NC Medicaid Enrollment Options

Phase 1			Phase 2	Phase 3
<p><b>Standard Plan</b> July 1, 2021</p> <p><b>Standard Plans</b> provide integrated physical health, behavioral health, pharmacy, and <u>long term</u> services and support to most Medicaid beneficiaries, as well as programs and services that address other unmet health related resource needs.</p>	<p><b>EBCI Tribal Option</b> July 1, 2021</p> <p><b>The Eastern Band of Cherokee Indians (EBCI) Tribal Option</b> is available to federally recognized tribal members and their families, as well as IHS eligible beneficiaries for primary care case management and will be managed by the Cherokee Indian Hospital Authority (CIHA).</p>	<p><b>NC Medicaid Direct</b> July 1, 2021</p> <p><b>NC Medicaid Direct</b> provides Medicaid benefits through fee-for service (NCTracks), the LME/MCOs (behavioral health/ SUD/I/DD and TBI services operating as a PIHP) and CCNC (primary care case management services) for the Delayed, Excluded, and Exempt Populations. Prepaid Inpatient Health Plans (PIHPs) launched April 1, 2023.</p>	<p><b>Behavioral Health I/DD Tailored Plan</b> July 1, 2024</p> <p><b>Behavioral Health I/DD Tailored Plans</b> will provide the same services as Standard Plans, as well as additional specialized services for individuals with significant mental health and substance use disorders, I/DDs and traumatic brain injury (TBI Waiver), on the Innovations Waiver, as well as people using state-funded services.</p>	<p><b>Children and Families Specialty Plan</b> Dec. 1, 2024</p> <p><b>Children and Families Specialty Plan</b> will provide the same services as Standard Plans, as well as specialized care management services that aim to address many of the challenges children/youth in the child welfare system face today in receiving seamless, integrated and coordinated health care.</p>

## A new type of care: Tailored Care Management launch



**169,218** TCM beneficiary assignments made on the Dec. 1, 2022 launch.

**TCM launched Dec. 1, 2022.** Through TCM, qualified NC Medicaid beneficiaries have a single designated care manager supported by a multidisciplinary care team to provide whole-person care management to

address all their needs, including physical health, behavioral health, I/DD, Traumatic Brain Injury (TBI), pharmacy, Long Term Services and Supports (LTSS) and support for unmet health-related resource needs. Beneficiaries enrolled in Standard Plans and NC Medicaid Direct who meet TCM qualifications can receive

TCM services through their Local Management Entity/Managed Care Organizations (LME/MCOs). When Behavioral Health I/DD Tailored Plans launch, Medicaid beneficiaries in Tailored Plans will be able to access TCM services throughout the duration of their enrollment in a Tailored Plan.



**71** community-based providers certified as TCM providers at launch.

### What is Tailored Care Management?



TCM is North Carolina's specialized care management model targeted toward individuals with a significant behavioral health condition (including both mental health and substance use disorders), I/DD or TBI.



TCM is aimed at promoting whole-person care, fostering high-functioning integrated care teams and driving toward better health outcomes.

TCM is available to NC Medicaid beneficiaries who meet clinical eligibility criteria.

This includes individuals with serious mental illness (SMI), serious emotional disturbance (SED), severe substance use disorder (SUD), I/DDs and TBIs.

Children and youth in foster care, children receiving adoption assistance and former youth in foster care under age 26 can receive TCM if they meet eligibility criteria.

With TCM, NC Medicaid beneficiaries receive:

- Personalized care in beneficiary-preferred settings to the maximum extent possible
- Prioritized frequent in-person interactions with their care managers
- Additional emphasis on outcomes and population health management

Tailored Care Managers:

- Develop care management comprehensive assessments and care plans/individual support plans with beneficiaries
- Coordinate/refer/monitor all services (medical, pharmacy, behavioral health, waiver services, food, housing, transportation, community resource supports)
- Provide management for beneficiaries with chronic, high-risk, high-cost care management needs
- Help with medication monitoring
- Address unmet health-related resource needs
- Educate on chronic health conditions and support self-health management

- Support beneficiaries in a crisis (with planning supports) (eating healthier, helping beneficiaries join a diabetes prevention program)
- Arrange for annual physicals
- Innovations and TBI Waiver care coordination (if applicable)
- Convene and consult with a multidisciplinary care team
- Support transitions out of hospitals and nursing facilities
- Monitor Hospital Admission Discharge and Transfer (ADT) alerts and ensure beneficiaries with any admissions, discharges or transfers are followed

## NC Medicaid Managed Care — Standard Plans

Most NC Medicaid beneficiaries receive Medicaid services through NC Medicaid Managed Care. With NC Managed Care, beneficiaries can choose a health plan and get care through a health plan’s network of doctors.

### Building upon a historic investment: Standard Plan and Tribal Option operations

On July 1, 2021, the Department launched NC Medicaid Managed Care Standard Plans, transitioning approximately 1.6 million beneficiaries to the new care delivery model. The start of NC Medicaid Managed Care marked the biggest change to the state’s Medicaid program in its history. NC Medicaid moved from being the sole payer for physical health services to overseeing the operations of health plans offering the physical health services, each with its own network of Medicaid providers delivering services to beneficiaries. **Today, Standard Plan members represent a majority (64.4%) of the total NC Medicaid beneficiary population.**



There were **1,889,496** Standard Plan enrollees in state fiscal year 2023.



There were **4,583** EBCI Tribal Option enrollees in June 2023.

By the end of state fiscal year 2023, 1,889,496 North Carolinians were enrolled in Standard Plans. This marked a 9.25% increase in Standard Plan enrollment when compared to state fiscal year 2022. There were 4,583 enrolled in the first-in-nation EBCI Tribal Option as of June 2023.

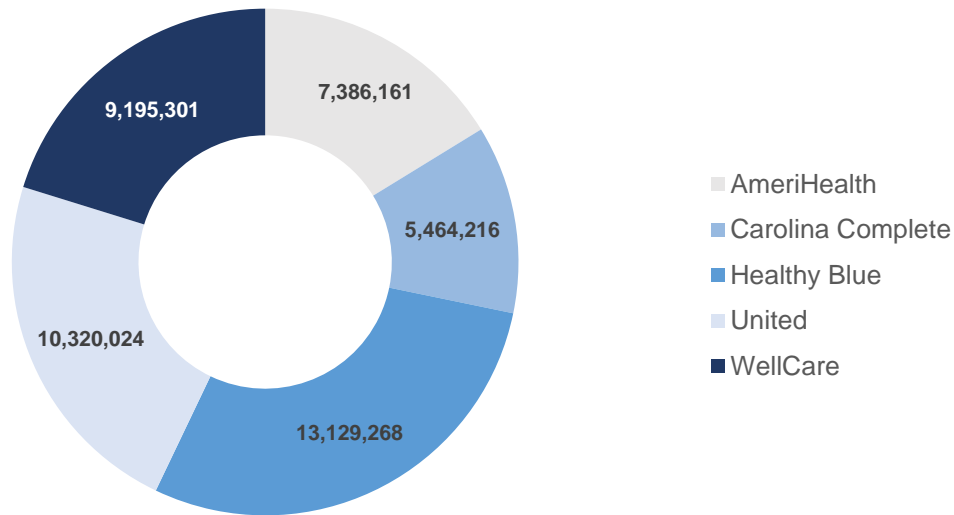
Exhibit 9. Enrollment by Health Plan

Standard Plan Health Plans	Enrollees as of June 2023
Healthy Blue	511,986
WellCare	409,508
UnitedHealthcare	390,605
AmeriHealth	336,842
Carolina Complete*	240,555
<b>Total</b>	<b>1,889,496</b>

*Note: Carolina Complete Health operates in three of NC Medicaid’s six Standard Plan regions*

In state fiscal year 2023, the five Standard Plans processed more than 45 million pharmacy, professional and institutional claims.

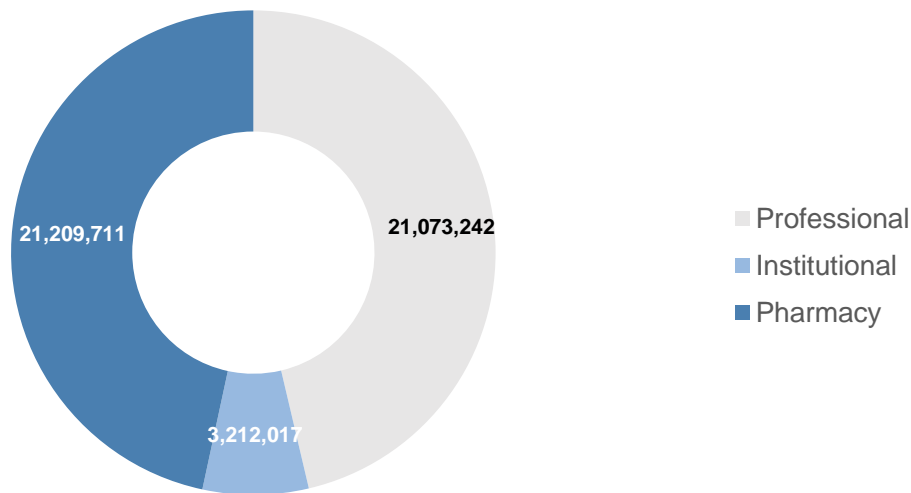
Exhibit 10. NC Medicaid Managed Care State Fiscal Year 2023 Total Claims Volume by Plan



*Note: This chart includes all claims (approved and denied)*

During state fiscal year 2023, 70.9% of NC Medicaid Managed Care claims were approved. As shown in Exhibit 10, Healthy Blue processed the highest claims volume with 28.9% of all claims. Carolina Complete, which operates in three of NC Medicaid’s six Standard Plan regions, had the fewest number of claims, making up 16.2% of the total claims volume for NC Medicaid.

Exhibit 11. NC Medicaid Managed Care State Fiscal Year 2023 Total Claims Volume by Claim Type



*Note: This chart includes all claims (approved and denied)*

As shown in Exhibit 11, of all NC Medicaid Managed Care claims in state fiscal year 2023, 46.6% were Pharmacy claims. Professional claims made up the second highest category (46.3%), while Institutional claims made up the smallest portion of all NC Medicaid Managed Care claims received (7.1%). Of the claims categories, Pharmacy claims had the highest rate of denial, with 43.7% of all Pharmacy claims for state fiscal year 2023 being denied. Both Professional and Institutional claims categories had more than 80% of their claims paid (83.1% and 87.7% respectively).

## NC Medicaid Direct

NC Medicaid Direct currently serves beneficiaries who do not qualify for coverage under Standard Plans or EBCI Tribal Option. In state fiscal year 2023, NC Medicaid incorporated NC Medicaid Direct PIHPs into NC Medicaid Direct. This change provided more North Carolinians with comprehensive whole-person care. Many current NC Medicaid Direct beneficiaries will transition to Tailored Plans upon the July 1, 2024 launch.

### NC Medicaid Direct

- Traditional fee-for-service model (physical health)
- Eligibility for Medicaid is the same
- Individuals who do not qualify for a health plan because of the type of health care services they need are automatically enrolled in NC Medicaid Direct
- PIHP manages all mental health, I/DD and substance use services
- Care management from Community Care of North Carolina (CCNC)



**1,037,478** NC  
Medicaid Direct  
enrollees as of  
June 2023. \*

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\*This figure includes partial benefit programs which do not provide all of the services above.

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## Enhance oversight with Prepaid Inpatient Health Plan launch

On April 1, 2023, the NC Medicaid Direct PIHP contract built on the existing services that had been historically offered by LME/MCOs and added additional benefits and services, oversight requirements and contract enforcement capabilities for the Department. After Tailored Plan launches, the NC Medicaid Direct PIHP contract will focus on beneficiaries remaining in NC Medicaid Direct, including dual-eligible beneficiaries and foster care populations.

The contract implemented important operations and eligibility changes to NC Medicaid. Beneficiaries impacted by the changes received a new Medicaid ID cards but retained their existing number.

Under the new contract, LME/MCOs began administering mental health, developmental disabilities and substance use disorders services to NC Medicaid Direct beneficiaries ages 0 through 3, children formerly enrolled in NC Health Choice and fully qualified legal immigrants.



The NC Medicaid Direct PIHP program to enable enhanced Behavioral Health, TBI and I/DD services for more than **475,000 NC Medicaid Direct beneficiaries** went live **April 1, 2023**.

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## New Services & Requirements

- Tailored Care Management for NC Medicaid Direct PIHP members who meet TCM criteria
- 1915(i) Option Services (effective July 1, 2023)
- Enhanced beneficiary and provider engagement and materials
- Enhanced beneficiary and provider portals
- Enhanced customer service standards for service lines

## New Oversight Capabilities

- Established standard managed care contract
- Enabled more than 30 additional operations report capabilities across business units
- Provided insight into more than 50 LME/MCO policies, procedures and operating practices

## NC Health Choice Move to Medicaid

On April 1, 2023, approximately 55,000 children enrolled in NC Health Choice were moved to Medicaid. This move provided beneficiaries with additional physical and behavioral health services. The change was enacted by North Carolina Session Law 2022-74.

**This transformation saves families money and increases access to care.** Families with children who moved from NC Health Choice to Medicaid no longer pay enrollment fees or copays for medical visits and prescriptions. They also have help getting to and from medical appointments through non-emergency medical transportation services (NEMT) and early and periodic screening, diagnosis and treatment (EPSDT) to discover and treat health conditions before they become serious. This streamlines state, county, health plan and provider operations by providing consistent benefits to all enrolled children.



**55,000** children moved to Medicaid April 1, 2023.

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# Advance Strategic Quality Programs

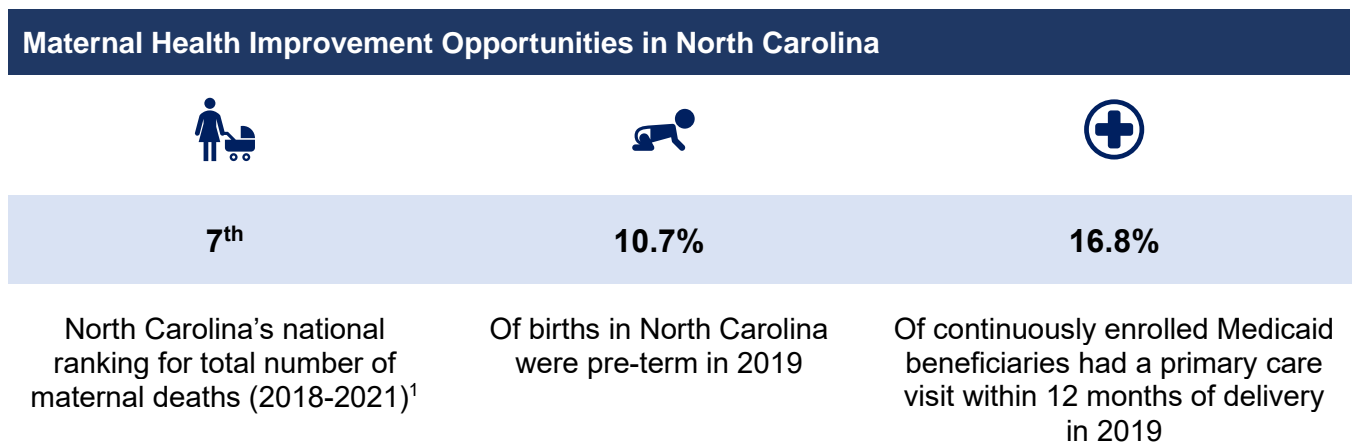
NC Medicaid’s Quality Strategy focuses on continued monitoring of all programs and the creation of tangible measures to allow NC Medicaid to better understand the needs of beneficiaries. Using a data-driven approach, the Quality Strategy focuses on creating, adapting and expanding programming to best meet the needs of the whole person. NC Medicaid also updated the [Medicaid Delivery Reform and Value-Based Payment](#) program documentation to expand the organization’s vision of accessible, whole-person centered and coordinated systems of care. This initiative incorporated stakeholder comments and interview feedback to create a more holistic and beneficiary-driven approach to delivery and payment reform. These are just a few of the strategic updates that NC Medicaid released in state fiscal year 2023 to continue to ideate and iterate on how to best serve beneficiaries. More information on the policy papers developed in state fiscal year 2023 can be found on the [Policy Papers section of the NC Medicaid website](#).

In state fiscal year 2023, NC Medicaid released an updated [Managed Care Quality Strategy](#). The Quality Strategy is a roadmap through which the Department uses the managed care infrastructure to facilitate improvements in health and health care. It details NC Medicaid Managed Care aims, goals and objectives for quality management and improvement. The Quality Strategy also details specific quality improvement (QI) initiatives that are priorities for the Department. The Quality Strategy serves beneficiaries by using historical data to identify areas that require intervention and define benchmarks to measure program effectiveness. Ongoing evaluation of clinical care quality, health outcomes, beneficiary experience and provider experience help NC Medicaid’s growth remain in line with the Department’s vision of advancing innovative solutions that foster independence, improve health and promote well-being for all North Carolinians. Through programs like Maternal Support Services, Advanced Medical Home Care Management, Healthy Opportunities Pilot (HOP) and other strategic benefit services, NC Medicaid has grown the care network for beneficiaries beyond medical facilities and into their communities.



NC Medicaid empowered and deployed frontline Community Health Workers (CHWs) and published the [North Carolina Medicaid CHW Strategy Guidance Paper](#) to best leverage our community partners and strengthen the bridge connecting NC residents to health resources.

## Maternal Health Care



<sup>1</sup> Source: [CDC, Maternal deaths and mortality rates by state 2018-2021](#)



To improve maternal health, NC Medicaid extended postpartum health care coverage from 60 days to 12 months, increasing access to care after the birth event, including miscarriages, live birth and stillborn on April 1, 2022. This benefit supports beneficiaries from the date their pregnancy ends through the following 12 months. Beneficiaries remain eligible even if certain changes occur that may affect eligibility (e.g., change in income or household/family unit) and will receive coverage for full Medicaid benefits beyond those in the maternity-focused benefits previously included in the Medicaid for Pregnant Women program.



Qualifying NC Medicaid beneficiaries receive **childbirth education classes; provider counseling and emotional support; and medical home visits** through the NC Medicaid Maternal Support Services.



During state fiscal year 2023, NC Medicaid paid approximately **\$510.5 million** for Prepaid Health Plan (PHP) prenatal, delivery and postpartum care events.

In state fiscal year 2023, NC Medicaid updated policies for beneficiaries in the Obstetrical Services and Pregnancy Management Program. One feature of this unique model is the referral of beneficiaries with a priority risk factor on the pregnancy risk screening form to pregnancy care management assessment. In response to feedback on identifying rising risk in pregnancy, NC Medicaid modified the policy to provide reimbursement for two additional screenings

during pregnancy when providers complete the required Pregnancy Risk Screening form. The screening is now conducted at the initial visit, 28 weeks gestation and 36 weeks gestation. This allows providers to identify unmet needs or changing risk factors that could impact the pregnancy.

At the end of state fiscal year 2023, NC Medicaid began developing plans to increase the Medicaid rate for Maternal Bundled Payments. In state fiscal year 2024, these rates will be adjusted to at least 71% of the Medicare rate. This could increase the amount that providers receive for services such as antepartum care, vaginal delivery, cesarean delivery and postpartum care. Legislation also promoted policies incentivizing the use of group prenatal care visits by NC Medicaid beneficiaries. These incentives were implemented through add-on rates or payments to providers when five or more visits are attended and documented in the health record. Prenatal care offered in a group setting is an evidence based best practice that can enhance not only the education that beneficiaries receive, but the level of social support that pregnant beneficiaries have access to.

## One year later: Healthy Opportunities Pilot addresses even more non-medical barriers to health in North Carolina



The HOP is the first comprehensive program in the country to integrate non-medical services, including healthy food, housing, transportation and supports for interpersonal violence and toxic stress, into its Medicaid program. In March 2023, **HOP celebrated its one-year anniversary**. In April 2023, **the Department expanded HOP services to include interventions to support individuals experiencing interpersonal violence.**

HOP covers the cost of 28 interventions defined and priced in the Department's [Pilot Service Fee Schedule](#). These services were selected based on their potential to improve health outcomes and/or lower health care costs for qualifying NC Medicaid beneficiaries.

**Newly offered interpersonal violence interventions** include services to cover a set of activities designed to support individuals at risk of, or experiencing, interpersonal violence, such as enhanced case management, violence intervention services and linkages to health-related legal supports.

HOP covers a wide variety of programs and services for eligible beneficiaries. To learn more about the programs and services not covered in the NC Medicaid Annual Report, visit the NC Medicaid website at [ncdhhs.gov/healthy-opportunities-pilot-fee-schedule-and-service-definitions](https://ncdhhs.gov/healthy-opportunities-pilot-fee-schedule-and-service-definitions).

## A look back: HOP one-year anniversary

### In March 2023, HOP reached its one-year anniversary.

Around the one-year mark, more than 61,000 services had been delivered to more than 8,500 NC Medicaid beneficiaries across 33 counties.

On average, each HOP beneficiary received more than 12 services, with food services making up the majority. With the increase in housing and transportation services, the number of Medicaid beneficiaries **receiving Pilot services continued to rise quickly with an increase of more than 100% between January and May 2023.**

### As HOP turned One Year



**More than 8,500** enrolled beneficiaries had received more than **61,000** non-medical services across 33 counties.



## Multi-faceted strategy leads to increased Pilot usage

### Data-Driven Text Campaign Increases “Fruit & Vegetable Prescription” Users

**13%** of identified beneficiaries signed up for the service after receiving a text, **a significantly higher engagement rate** than the traditional care management engagement rate for the program.

Using data from Medicaid claims and encounters, NC Medicaid determined which Medicaid beneficiaries were eligible for the “Fruit & Vegetable Prescription,” a HOP service, and shared the data with a health plan.

The health plan contacted the identified beneficiaries via text message with a link to a sign-up portal hosted by a Community Based Organization (CBO).

After completing the sign-up process, beneficiaries received a debit card calibrated to purchase just fruits and vegetables from the CBO.

Between March 2023 and October 2023, beneficiaries who signed up for the Fruit and Vegetable Prescription have redeemed more than \$1.7 million in produce purchases.

As HOP continued into its second year, the Department expanded its strategy to raise awareness about the program to deliver more services to more beneficiaries. NC Medicaid **invested in community outreach** by funding outreach and enrollment efforts by CBOs and by implementing a text campaign to test the efficacy of a direct-to-consumer enrollment approach. The Department bolstered these efforts with a significant investment in the development of a **robust communications strategy**. **Between December 2022 and December 2023, enrollment increased by over 12,000.**

### Community-based outreach and enrollment: investing in Community Based Organizations

Recognizing CBOs have extensive expertise about, and trust developed with, the communities they serve, the Department distributed funds across 75 CBOs specifically for conducting grassroots outreach and enrollment activities for HOP. Activities included: adapting and circulating outreach materials, conducting community training, referring beneficiaries to their health plan for enrollment and hosting or participating in outreach events.

Funding was available from April to September 2023. In that time, CBOs made more than 5,000 referrals to health plans.

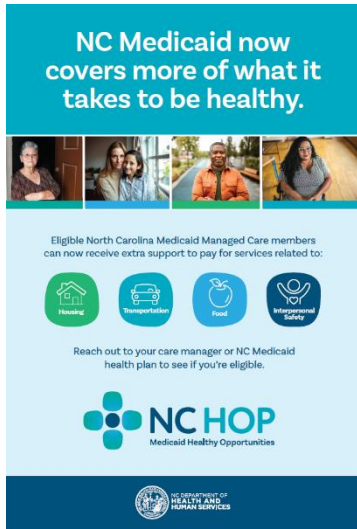
### Connect with the community: social media outreach, text campaign and toolkit



In December 2022, NC Medicaid used social media channels on Facebook, Instagram and X to raise awareness about the Pilot, share information on how to get connected, and post Pilot metrics.

NC Medicaid plans to expand their HOP social media footprint further in 2024 by using LinkedIn.

## NC HOP Communications Toolkit



NC Medicaid developed a toolkit and associated resources for Network Leads, care managers, health plans, providers and other external HOP partners to communicate with the community. The following resources were shared in the toolkit in May 2023:

- Provider Conversation Guide
- Care Manager Conversation Guide
- HOP Zap Banner
- HOP FAQ Document
- Human Service Organization (HSO) Conversation Guide
- HOP Trifold
- HOP Poster
- Official HOP Logo

## Healthy Opportunities Pilot gains national attention

The groundbreaking first-in-the-nation Pilot program gained national attention from health publications by addressing social determinants of health — access to healthy food, transportation, safe and clean housing and interpersonal safety and toxic stress — to improve health outcomes, all the while reducing health care utilization rates and emergency services for NC Medicaid members. National coverage of HOP is available at the following links.

- [STAT: In North Carolina, a radical experiment targets social determinants of health with fresh produce and safe housing](#)
- [Harvard Public Health: North Carolina's radical Medicaid reinvention](#)

## Advance Strategic Benefits Programs

NC Medicaid implemented numerous changes to better serve its beneficiaries. To improve access to care, the reimbursement rates for home health services were increased by 10% over 2012 rates. Rates for services such as psychiatric collaborative care, federally qualified health centers (FQHCs), opioid treatment program bundled services and sexually transmitted infection (STI) screenings were updated to better meet the needs of beneficiaries and providers.

## Long Term Services and Supports

To reach the Department's priority of whole-person health, some beneficiaries need additional services and supports that directly correspond to their living circumstances. To fulfill this need, NC Medicaid offers a variety of strategic benefits programs, including the Community Alternatives Programs (CAP), the Program for All-inclusive Care for the Elderly (PACE), Money Follows the Person (MFP), the Traumatic Brain Injury (TBI) waiver and the Innovations waiver.

## Community Alternatives Programs

CAP covers Home and Community-Based Services to help people receive care at home instead of being placed in an institution. Services offered through CAP waivers supplement rather than replace

the formal and informal services and supports already available to an approved Medicaid beneficiary. There are two CAPs that allow these services to be provided, one program for children (CAP/C) and another for disabled adults (CAP/DA).



**The CAP/C waiver was renewed for five additional years, through February 2028**, and includes three newly approved Home and Community-Based Services, attendant nurse care, community integration and coordinated caregiving.

During state fiscal year 2023, CAP finalized the transition from Appendix K flexibilities enacted during the COVID-19 public health emergency and resumed in-person visits and services.

Additionally, the CAP/C waiver obtained approval for a five-year extension from Centers for Medicare & Medicaid Services (CMS), from March 1, 2023 through Feb. 29, 2028, and

introduced three new services: attendant nurse care, community integration and coordinated caregiving. As part of the renewal, **CMS approved the request to increase the available slots by 500 each year, progressing from the current 4,000 maximum to 6,000 by the fifth year.** This will help more children get access to the services and supports they need.

### By the Numbers: Community Alternatives Programs



**3,428**

CAP/C participants,  
86% of the 4,000  
available slots



**10,623**

CAP/DA participants,  
92% of the 11,534  
available slots



**4,298**

Consumer Direction  
participants



**\$588.4 million**

In CAP reimbursements,  
a 16% increase  
compared to state fiscal  
year 2022

To serve more individuals with Alzheimer’s disease and related disorders, an additional 114 slots were added to the 11,420 available for the CAP/DA waiver. Following a public comment period, which garnered favorable feedback regarding changes to the program, the NC Medicaid CAP team submitted amendments to the CAP/DA waiver to CMS. The proposed amendments were approved in November 2022.

### Program for All-inclusive Care for the Elderly

PACE is a national model of a capitated full-risk managed care program for adults ages 55 and older who require nursing facility-level of care. The goal of PACE is to provide high quality care by managing a beneficiary’s health and medical needs to delay or avoid unnecessary hospitalization and provide a community-based alternative to long-term care placement.

PACE offers a comprehensive array of services including primary health clinics, adult day care programs, areas for therapeutic recreation, personal care and other acute, emergency care and long-term care services for those enrolled in the program. Each beneficiary has an interdisciplinary team to case manage services provided or arranged by the PACE organization.

## By the Numbers: Program for All-Inclusive Care for the Elderly



11

PACE organizations, delivering services at 12 locations



36

Counties covered by PACE organizations, and working to expand



2,783

Beneficiaries served, a 38% increase compared to state fiscal year 2022

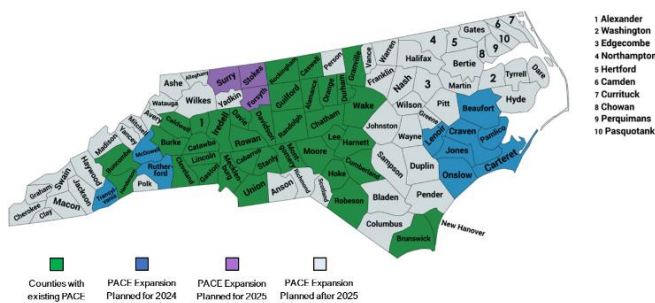


\$114.5 million

Invested in PACE, a 45.7% increase compared to state fiscal year 2022

With the increase in beneficiaries, the Department increased its investment as well. In state fiscal year 2023, the Department reimbursed \$114.5 million to PACE organizations, at a monthly per person rate of \$4,912.82 for dual-eligible beneficiaries (Medicaid and Medicare) and \$7,944.53 for Medicaid only beneficiaries. Over the past few years, PACE has consistently enhanced and broadened its presence across the state. In February 2023, the Department allowed four additional PACE organizations to submit statements of intent for service area expansion (SAE), as part of a plan to expand to 13 counties between 2024 and 2026.

### Exhibit 12. PACE Service Areas and Planned Expansions



PACE of the Triad is in the process of expanding and aims to finalize by 2025. CarePartners was approved for expansion in 2023 and is expected to finalize expansion in early 2024. Carolina SeniorCare submitted its SAE application to CMS in March 2023 after review by NC Medicaid. In addition, NC Medicaid approved the statement of intent for SAE for PACE of the Southern Piedmont and CarePartners. Once these expansions are completed, PACE will cover 49 of

the 100 counties. NC Medicaid anticipates the submission of two additional statements of intent for its review.

### Money Follows the Person

MFP is a state project and voluntary program that helps NC Medicaid-eligible individuals living in inpatient facilities move into their own homes and communities while getting the support they need. MFP supports older adults (ages 65 and older), people with physical disabilities (ages 65 and under) and individuals with intellectual or other developmental disabilities who reside in facilities such as nursing homes, hospitals or psychiatric residential treatment facilities.

MFP also helps fund initial start-up expenses for individuals to move into the community, including expenses crucial to a successful transition but not covered under the Medicaid service packages, such as accessibility modifications, one-time items and services, security deposits and furniture.

Funding from the Consolidated Appropriations Act 2023 (CAA 2023) (P.L. 117-328) provided an extension of MFP services through 2031. CAA 2023 extends the Medicaid MFP program to appropriate \$450 million in federal funding for each fiscal from FY2024-FY2027, for a total of \$1.8 billion for competitive grants to states (to remain available through 2031 until extended). In addition, the provision appropriates \$5 million to states for state fiscal year 2023 and for each subsequent three-year period through state fiscal year 2029 for capacity building initiatives for quality assurance and improvement, technical assistance, oversight, research and evaluation.

The renewal of the MFP Demonstration grant will empower states to continue and expand the transition of individuals living in institutional settings to the community. This work supports North Carolina's Olmstead Plan to provide services in the least restrictive environment.

### By the Numbers: Money Follows the Person



147

Beneficiaries transitioned out of facilities and into their own homes, a 3% increase compared to state fiscal year 2022



4,729

Total participants attended online professional development and learning series on relevant topics



4

Launched collective impact grants, awarded to four grantees



\$2,600

Providing services outside of institutions saves the Medicaid program \$2,600 per month per person

In total, Money Follows the Person has supported more than **1,700 beneficiaries with transitions since 2009.**

A key focus area for MFP was to raise awareness of the project and educate potential beneficiaries, their family members and providers on topics related to transitions. Through usage of Rebalancing Funds, MFP hosted leadership development trainings focusing on quality transition coordination through the Transitions Institute, which benefitted 52 individuals from 30 organizations statewide. The team also held stakeholder engagement events across the state with more than 758 individuals attending MFP Roundtables. Additionally, MFP partnered with UNC Cares to develop tools to enhance MFP's outreach, marketing and education efforts and to improve transition processes for beneficiaries.

MFP partnered with the UNC Cares program to launch four new capacity-building initiatives to address systemic barriers to transition: housing, access to the community, increasing natural supports and building a strong direct support workforce. As a result, UNC Cares completed a full year of funding for the following four grantees:



Collective Impact for Inclusive, Diverse, Engaging, Affordable and Lifelong (IDEAL) Communities



Western North Carolina Initiative for Supportive Housing (WISH) Collaborative



Workforce Engagement with Care workers to Assist, Recognize and Educate (WECARE)



PIEDMONT TRIAD REGIONAL COUNCIL

Natural Supports

As of June 30, 2023, each grantee has established steering committees and developed goals to address these critical barriers to transitions.

## Behavioral Health and Intellectual/Developmental Disabilities

Behavioral Health and Intellectual/Developmental Disabilities (I/DD) services provide NC Medicaid beneficiaries with medically necessary diagnostic, therapeutic, rehabilitative, palliative or case management needs.

### Non-waiver

The 2023 Medicaid Annual Report highlights two key initiatives in the Behavioral Health (non-waiver) program: Mental Health Parity and Mobile Crisis Grant.

Mental Health Parity	Mobile Crisis Grant
<p>This initiative aims to ensure that health insurers provide the same level of benefits for mental health and substance use disorder services as they do for medical and surgical services. A two-part mental health parity analysis was completed for Tailored Plans and Standard Plans and submitted to CMS.</p>	<p>This effort is focused on evaluating and strengthening the Mobile Crisis Management (MCM) system in North Carolina. An assessment of the strengths and weaknesses of the current system was completed, and a toolkit was prepared to survey MCM providers individually. The goal is to improve MCM systems/services across the state and align them with the National Guidelines for Behavioral Health Crisis Care.</p>

The impact of these initiatives on beneficiaries and stakeholders includes increased access to mental health services and improved crisis management systems.

### Behavioral Health Waivers

#### 1115 Substance Use Disorder Waiver policy implementation

This initiative involves updating or creating new substance use disorder (SUD) clinical policies in compliance with the 1115 SUD demonstration waiver. Three policies were finalized during state fiscal year 2023 to increase access to SUD treatment, improve treatment adherence and retention, reduce overdose mortality and improve access to care for physical health conditions.

#### Innovations Waiver

The NC Innovations Waiver is a federally approved 1915(c) Medicaid Home and Community-Based Services (HCBS) waiver designed to meet the needs of individuals with an I/DD who prefer to get long-term care services and supports in their home or community, rather than in an institutional setting.

The Medicaid Innovations Waiver provides support to individuals with I/DD to help them live the life they choose. Waiver services are administered by a Local Management Entity/Managed Care Organizations (LME/MCO) which facilitates services and oversees a network of community-based service providers.

The Innovations Waiver program made significant strides in state fiscal year 2023. The Innovations waiver program's capacity was increased through an amendment as part of North Carolina HCBS funding initiative, and this state fiscal year 600 new slots were made available. The Innovations Waiver program provides an array of person-centered services that assist with daily living activities, like bathing, getting dressed and meal preparation. This waiver offers a combination of physical assistance, organization and decision-making support, through community-based organizations.



## Traumatic Brain Injury Waiver

The Traumatic Brain Injury (TBI) Waiver pilot began in September 2018. The program is currently available to eligible individuals living in the Alliance Health LME/MCO catchment area (Wake, Durham, Johnston, Cumberland, Mecklenburg and Orange counties).

A 1915(c) waiver provides long-term services and supports to allow eligible people with TBI to remain in their homes and communities. TBI Waiver services are limited. If service slots are full, the beneficiary's name is added to the waiting list.

Appendix K flexibilities were implemented during the public health emergency and were scheduled to end effective Nov. 11, 2023. NC Medicaid extended Appendix K temporary flexibilities until Feb. 29, 2024, and submitted a 1915(c) TBI Waiver amendment to CMS to make the following Appendix K flexibilities permanent:

- Allow home delivered meals (up to seven meals per week/one per day)
- Allow real time two-way interactive audio and video telemedicine for Life Skills Training, Cognitive Rehabilitation, Day Support, Supported Employment; Supported Living and Community Networking to be delivered via telemedicine.
- Allow waiver individuals to receive services in alternative locations: hotel, shelter, church, or alternative facility-based settings.
- Remove the requirement for the beneficiary to attend the day supports provider once per week.
- Allow relatives as providers for TBI waiver individuals to provide Personal Care and/or Life Skills Training (or a combination of those two services) up to 40 hours/week total.

## Pharmacy

NC Medicaid strives to enhance the lives of North Carolina's citizens through a comprehensive pharmacy benefit. In state fiscal year 2023, the NC Medicaid pharmacy team focused on reaching their strategic goals of improving pharmacy provider reimbursement, improving access to reproductive health care, modernizing claim processes, increasing access to care for uninsured or underinsured individuals and ensuring the continued provision of necessary medications to NC Medicaid beneficiaries. The team also focused on providing oversight of the pharmacy benefit managed by the NC Medicaid Managed Care Standard Plans and preparing for launch of the Tailored Plans in state fiscal year 2024.

### State fiscal year 2023 performance

The NC Medicaid program currently spends \$2.8 billion gross on pharmacy claims per year. This spending is reduced to \$1 billion per year after state and federal rebates are received. NC Medicaid pays for 17 million prescriptions per year with beneficiaries receiving an average of six prescriptions each, at an average per beneficiary per month cost of \$82 net of rebates.

Overall, the gross spend per prescription increased by 2.8% to approximately \$195 per prescription in state fiscal year 2023. After rebates are factored in, the net cost remains at approximately \$87 per prescription, a 4% increase over the past two years.

Considering only traditional medications, the gross spend on a per prescription basis increased 0.4% to \$98 per prescription and the net cost after rebates increased 0.2% to \$32 per prescription.

Specialty drug spending continues to rise to 48.7% of the overall drug spend. This reflects an increase of 3.2% in gross spend and an increase of 4.2% in net spend after rebates. The gross spend in state fiscal year 2023 was approximately \$5,800 per specialty drug prescription and net cost was approximately \$3,300 per specialty drug prescription.

Medications for behavioral health represent 15.9% of the overall drug spend.

Exhibit 13. Two-Year Trend Line — All Drugs

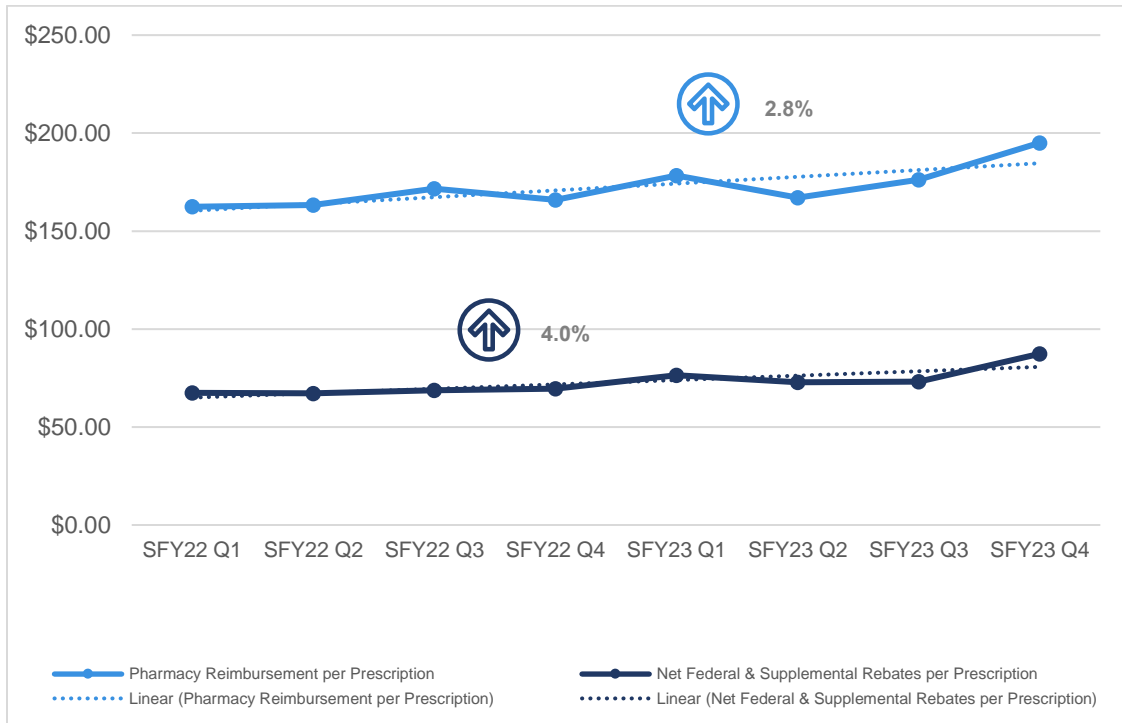


Exhibit 14. Two-Year Trend Line — Traditional

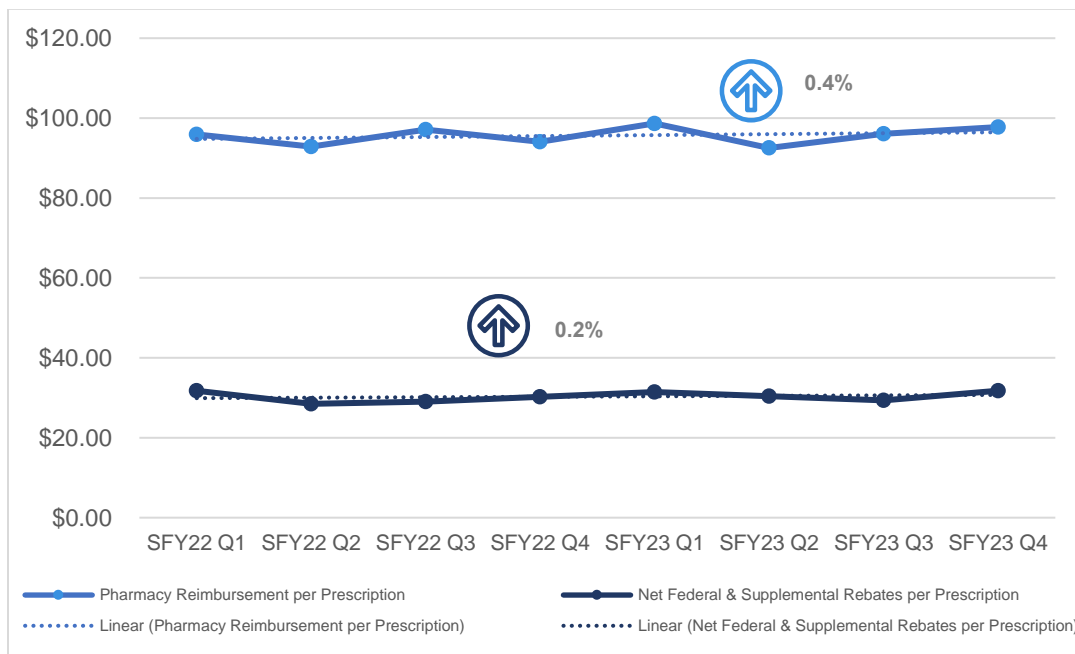
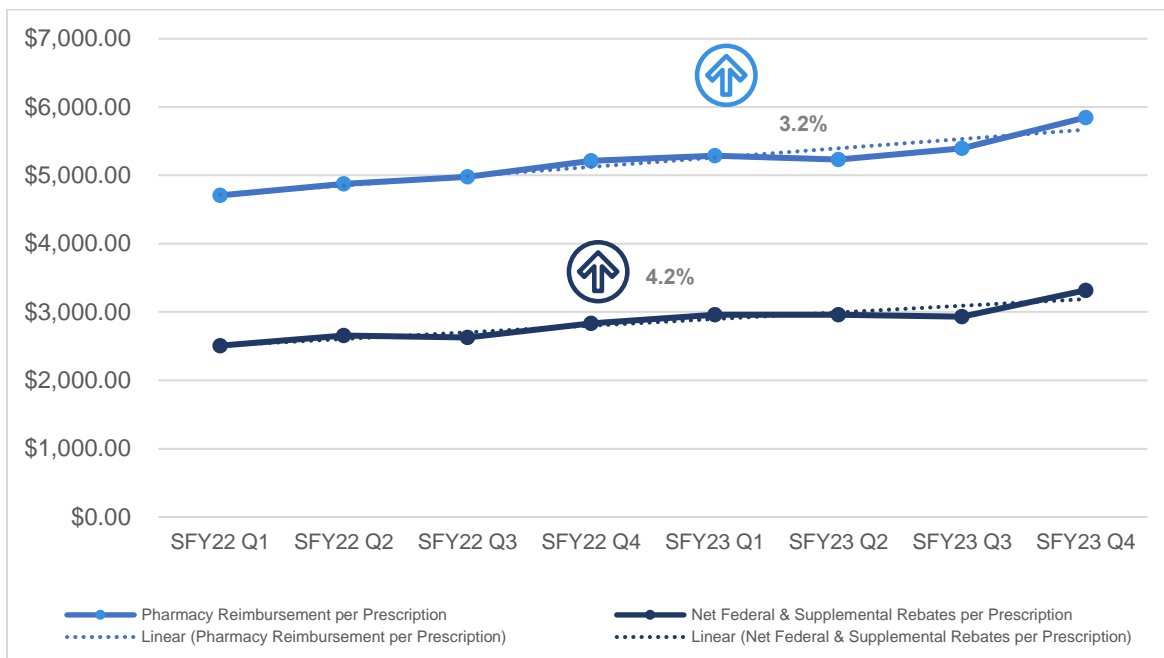


Exhibit 15. Two-Year Trend Line — Specialty



The NC Medicaid pharmacy benefit is largely funded through federal and supplemental rebates. The rebate program is supported by the Single State Preferred Drug List (PDL), followed by both the NC Medicaid Direct and the NC Medicaid Managed Care health plans. The PDL current compliance rate is 96.6%, which is exceptional. This reflects NC Medicaid’s thorough process to manage costs while ensuring provider access to medications to treat beneficiaries. The average total rebate discount received by NC Medicaid for state fiscal year 2023 was 62.46% of pharmacy expenditures. This exceeds the all-state Medicaid average rebate discount of 60.5%, based on the same period, demonstrating NC Medicaid’s efficiency at maximizing available rebates.

Exhibit 16. Top 10 Drugs by spend

Rank	Drug
1	Humira (Adalimumab)
2	Dupixent (Dupilumab)
3	Concerta, Ritalin (Methylphenidate)
4	Vyvanse (Lisdexamfetamine)
5	Invega Sustenna, Invega Trinza (Paliperidone)
6	Trikafta (Elexacaftor/tezacaftor/ivacaftor)
7	Biktarvy (Bictegravir/emtricitabine/tenofovir alafenamide)
8	Trulicity (Dulaglutide)
9	Bunavail, Suboxone, Zubsolv (Buprenorphine / Naloxone)
10	Stelara (Ustekinumab)

## Changes to Hepatitis C coverage criteria

Several enhancements to Hepatitis C coverage criteria were approved in state fiscal year 2023, for implementation in early state fiscal year 2024. The changes included reducing clinical requirements for coverage, which experts in the field deemed were no longer necessary and considered to be barriers to treatment and access to care. Beneficiaries were also allowed to receive enough medication for the entire treatment course at once, which increases the likelihood of beneficiaries completing treatment.

Exhibit 17. Utilizers of Hepatitis C Drugs per Quarter | State Fiscal Year 2023

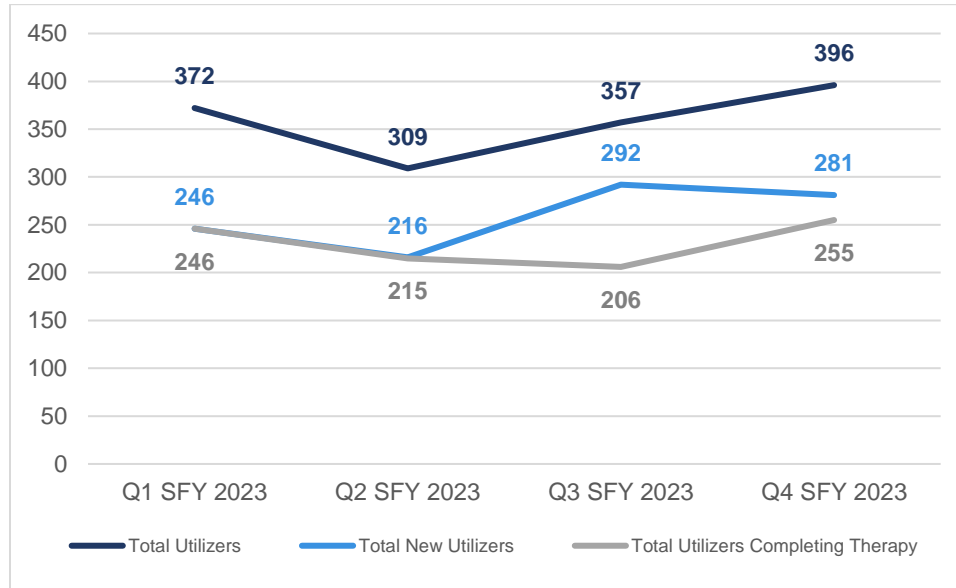
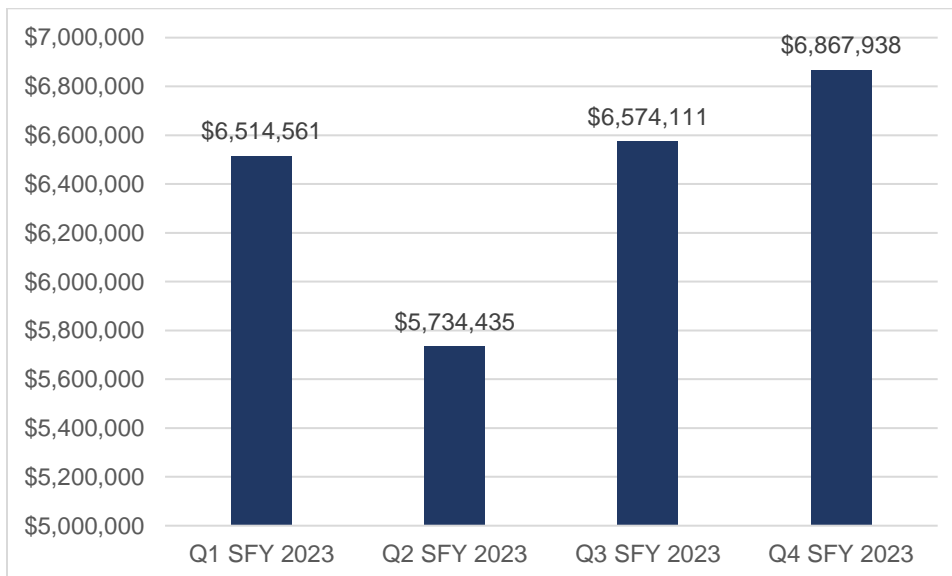
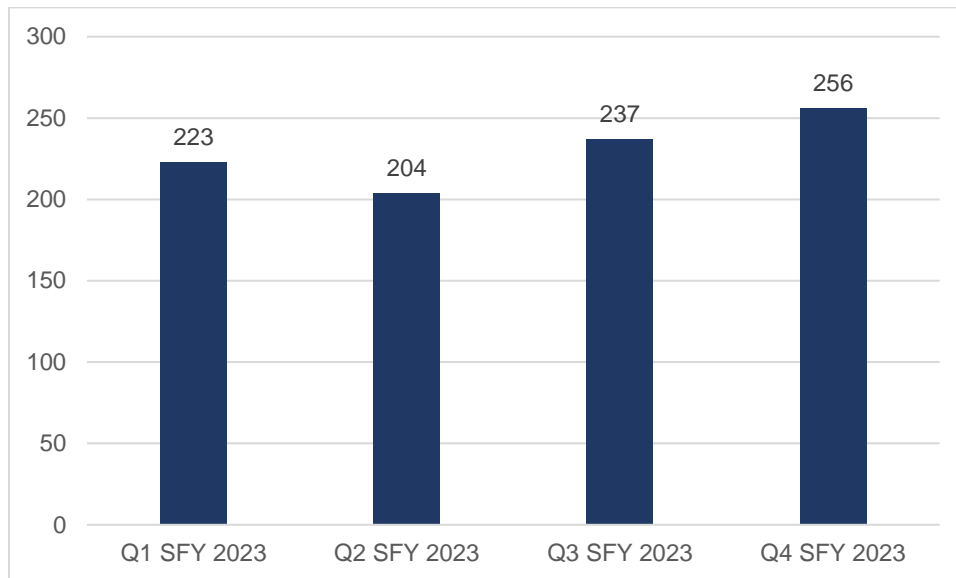


Exhibit 18. Hepatitis C Drug Expenditures per Quarter | State Fiscal Year 2023



## Exhibit 19. Hepatitis C Number of Prescribers per Quarter | State Fiscal Year 2023



### Advancements in Sickle Cell Disease care

In North Carolina, it is estimated that more than 5,000 residents suffer from Sickle Cell Disease (SCD), and NC Medicaid covered a significant portion of hospital admissions and emergency department visits for SCD patients. Individuals living with SCD face significant inequities in health care. These disparities are being addressed through various efforts, including changes in Medicaid programs and the development of the CDC's SCDC (Sickle Cell Data Collection) programs. The NC Medicaid team learned from stakeholders that the Medicaid Lock-In Program was an incredible barrier to patients with SCD accessing pain medications. To address this inequity, NC Medicaid excluded SCD diagnosis from the criteria that locks in a beneficiary to a prescriber and a pharmacy when they have been prescribed multiple opioid medications or have multiple opioid prescribers. This change improved access to care for beneficiaries living with SCD. While significant work has been done to address health care disparities faced by the SCD populations, there is still additional work to be done to contribute to equitable treatment for SCD patients, including creating meaningful access to new gene therapies for the treatment of SCD. As part of upcoming plans, a policy paper on SCD is set to be released in state fiscal year 2024.

### Donation of abandoned long-acting injectable antipsychotics to a registered drug repository program

NC Medicaid established a policy to allow for unused, expensive antipsychotic injections to be donated instead of being disposed of when a Medicaid beneficiary fails to appear for their appointment. This policy was developed to increase access to care for uninsured or underinsured individuals in North Carolina, particularly those requiring behavioral health treatment.

Prior to the policy, long-acting injectable antipsychotics (LAIs) were being wasted because drugs paid for by Medicaid for a Medicaid beneficiary cannot be used for another person. Donation is not allowed.

The new policy defines requirements and guardrails to allow such donations by providers on behalf of beneficiaries who have not appeared for their LAI dose. This is an important step toward improving access to expensive antipsychotics that some uninsured or underinsured North Carolinians may not have access to otherwise.

### Pharmacy reimbursement

NC Medicaid continues to reimburse pharmacies and providers for the drugs dispensed and products administered to Medicaid beneficiaries. Several changes were made to improve reimbursement for

medications dispensed to Medicaid beneficiaries, including changes to the professional dispensing fee (PDF), and increasing the reimbursement rate for long-acting reversible contraceptives (LARCs) dispensed through the 340B program.

### Professional dispensing fee changes

NC Medicaid implemented several changes to the Professional Dispensing Fee (PDF), including paying a flat dispensing fee to pharmacies across the enterprise rather than a tiered PDF in NC Medicaid Direct based on the generic dispensing rate. Per the NC dispensing fee survey conducted every five years, pharmacies in NC Medicaid Direct and NC Medicaid Managed Care are paid a flat dispensing fee of \$10.24 for all prescriptions.

Medicaid also removed a policy, which only allowed for one PDF per drug, per beneficiary, per pharmacy, per month. Per CMS, a PDF is paid when a prescription is dispensed. This change has been well received by pharmacies, because prior to the policy change, when a beneficiary presented at day 28 to get their next month's refill, the pharmacy would not be paid a dispensing fee or when a doctor prescribed 10 more days of the same antibiotic because they needed a longer course of treatment — the pharmacy would dispense the medication but would not be eligible for the dispensing fee.

Medicaid began paying a PDF for emergency supplies, including the 72-hour supplies provided while awaiting prior authorization, as well as emergency fills allowed once per year for beneficiaries enrolled in the Medicaid Lock-In program. Historically, Medicaid has struggled with pharmacies' willingness to dispense 72-hour supplies, because there were no dispensing fees for these fills. Paying the dispensing fee improves access to beneficiaries.

### Increased access to long-acting reversible contraceptives

Providers of reproductive care to women approached Medicaid with requests for additional funding to support overhead costs of providing long-acting reversible contraceptives (LARCs) in the Physician Administered Drug Program (PADP) care setting.

Most of these LARCs are procured under the federal \$340 billion drug discount program and reimbursed by Medicaid at actual acquisition cost without any markup. Medicaid changed the reimbursement policy to allow a 6% mark-up, which is in line with the mark-up allowed for non-340B procured LARCs.

The intent for this change was to support the overhead of providing LARCs in a PADP setting, and ultimately improving access for Medicaid beneficiaries.

### Point of sale billing for vaccine claims

Since December 2022, pharmacies can bill for vaccines through pharmacy point of sale (POS) billing systems as an alternative to billing vaccines as medical claims. This change modernizes how providers submit claims to NC Medicaid, how NC Medicaid receives the claims and ultimately reduces provider burden.

## By the Numbers: Point of Sale Billing



**\$2,837,1375,221**

**Pharmacy Reimbursement**



**17,064,351**

**Prescriptions Paid per Year**



**96.6%**

**PDL Compliance Rate**



91%

\$25,691,045

1,643  
(81.6% of all enrolled  
pharmacies)

**Generic Dispensing Rate**

**HepC Drug Expenditures  
state fiscal year 2023**

**Pharmacies using POS  
method to claim vaccine  
reimbursement**

The strategic goals met through these initiatives include improving pharmacy provider reimbursement, improving access to reproductive health care, modernizing claim processes, increasing access to care for uninsured or underinsured individuals and ensuring the continued provision of necessary medications to NC Medicaid beneficiaries. The impact of these programs on beneficiaries and stakeholders is significant, as they aim to improve health outcomes, increase access to care and streamline administrative processes.

# Additional Exhibits

Exhibit 20. Medicaid and NC Health Choice Funding Sources | State Fiscal Years 2021-2023

(\$ millions)	Medicaid <sup>1</sup>					
	2021 Actuals	2021 Budget	2022 Actuals	2022 Budget	2023 Actuals	2023 Budget
Expenditures	\$17,908	\$18,041	\$21,109	\$21,277	\$21,377	\$21,780
Revenues-Fed	12,144	12,019	14,554	14,499	14,726	14,980
Revenues-Other	1,875	1,935	2,602	2,776	2,066	2,132
Appropriations	\$3,889	\$4,088	\$3,954	\$4,002	\$4,585	\$4,668

(\$ millions)	NC Health Choice					
	2021 Actuals	2021 Budget	2022 Actuals	2022 Budget	2023 Actuals	2023 Budget
Expenditures	\$230	\$232	\$217	\$223	\$119	\$272
Revenues-Fed	190	189	178	179	96	212
Revenues-Other	0	0	3	6	1	3
Appropriations	\$40	\$42	\$37	\$38	\$21	\$57

(\$ millions)	Medicaid + NC Health Choice					
	2021 Actuals	2021 Budget	2022 Actuals	2022 Budget	2023 Actuals	2023 Budget
Expenditures	\$18,138	\$18,273	\$21,326	\$21,499	\$21,496	\$22,052
Revenues-Fed	12,334	12,208	14,731	14,678	14,822	15,192
Revenues-Other	1,875	1,935	2,605	2,781	2,068	2,135
Appropriations	\$3,929	\$4,130	\$3,990	\$4,040	\$4,606	\$4,725

<sup>1</sup> Note: Due to rounding, expenditure minus revenues may not equal appropriations figure shown.



Exhibit 21. Medicaid Medical Assistance Payment by Category of Service | State Fiscal Years 2021-2023

MEDICAL ASSISTANCE PAYMENTS (CLAIMS AND PREMIUMS   MEDICAID (ranked by claims expenditure in SFY 2023)					
Service Category	SFY 2021		SFY 2022		SFY 2023
	Claims Expenditure (\$ millions)	Claims Expenditure (\$ millions)	YOY Variance (vs. SFY 2021)	Claims Expenditure <sup>1</sup> (\$ millions)	YOY Variance (vs. SFY 2022)
PHP Capitation	\$-	\$ 7,167.2	N/A	\$ 8,493.6	18.5%
LME/MCO <sup>2</sup>	3,461.8	3,635.9	5.0%	3,710.1	2.0%
Skilled Nursing Facilities	2,057.9	2,004.4	-2.6%	2,114.1	5.5%
Hospital Inpatient	2,518.7	1,482.4	-41.1%	1,479.2	-0.2%
Buy-in/Dual Eligible Services	903.6	1,021.9	13.1%	1,116.5	9.3%
Pharmacy Services	848.2	957.3	12.9%	919.2	-4.0%
Personal Care Services	597.0	556.5	-6.8%	581.7	4.5%
CAP for Disabled Adults <sup>3</sup>	361.8	415.2	14.8%	483.0	16.3%
Dental Services	394.3	409.7	3.9%	431.4	5.3%
Physician Services	1,153.9	450.9	-60.9%	339.0	-24.8%
Hospital Outpatient	814.0	345.2	-57.6%	329.6	-4.5%
Home Health Services	234.3	191.8	-18.1%	182.7	-4.7%
Hospital Emergency Room Services	359.4	193.9	-46.1%	173.2	-10.7%
Durable Medical Equipment Services	289.5	181.2	-37.4%	173.1	-4.5%
Hospice Services	128.4	119.7	-6.8%	129.5	8.2%
PACE <sup>4</sup>	82.2	78.6	-4.4%	114.5	45.7%
CAP for Children	81.6	92.0	12.7%	105.4	14.6%
Practitioner Non-Physician Services	175.6	95.4	-45.7%	93.3	-2.2%
NEMT Services	48.0	57.1	18.8%	72.0	26.1%
Clinic Services	244.5	77.3	-68.4%	66.2	-14.3%
Lab & X-ray Services	155.1	67.8	-56.3%	51.3	-24.3%
Ambulance Services	111.8	18.9	-83.1%	17.1	-9.3%
Health Check Services	113.0	13.5	-88.0%	7.4	-45.5%
Optical Services	21.2	5.8	-72.7%	4.5	-22.8%
Am. Surgery Center Services	18.4	5.2	-71.9%	4.2	-19.1%
Other Services	2,829.9	698.7	-75.3%	421.8	-39.6%
<b>Total Medicaid</b>	<b>\$18,004.2</b>	<b>\$20,343.2</b>	<b>13.0%</b>	<b>\$21,613.5</b>	<b>6.2%</b>

<sup>1</sup> Claims expenditure data are net of drug rebates

<sup>2</sup> LME/MCO: Local Management Entity/Managed Care Organization

<sup>3</sup> CAP: Community Alternatives Program

<sup>4</sup> Program of All-inclusive Care for the Elderly

Exhibit 22. NC Health Choice Medical Assistance Payment by Category of Service | State Fiscal Years 2021-2023

MEDICAL ASSISTANCE PAYMENTS (CLAIMS AND PREMIUMS)   NC HEALTH CHOICE (ranked by claims expenditure in SFY 2023)					
Service Category	SFY 2021	SFY 2022		SFY 2023	
	Claims Expenditure (\$ millions)	Claims Expenditure (\$ millions)	YOY Variance (vs. SFY 2021)	Claims Expenditure <sup>1</sup> (\$ millions)	YOY Variance (vs. SFY 2022)
PHP Capitation	\$-	\$155.6	N/A	\$ 86.1	-44.6%
Dental Services	24.6	16.8	-31.8%	8.7	-48.2%
Practitioner Non-Physician Services	21.5	10.0	-53.5%	4.4	-56.0%
Pharmacy Services	68.7	9.3	-86.5%	4.3	-53.9%
Hospital Inpatient	12.5	5.5	-55.7%	2.3	-58.2%
Physician Services	37.4	6.0	-84.0%	2.0	-67.0%
Hospital Outpatient	13.3	4.4	-66.7%	2.0	-55.7%
Hospital Emergency Room Services	8.8	2.1	-76.6%	0.8	-62.1%
Durable Medical Equipment Services	5.0	0.9	-81.7%	0.4	-57.6%
Clinic Services	5.8	1.0	-82.3%	0.3	-68.9%
Lab & X-ray Services	3.8	0.6	-84.3%	0.1	-78.3%
Health Check Services	6.1	0.6	-91.0%	0.1	-80.0%
Optical Services	1.9	0.2	-91.4%	0.0	-75.0%
Ambulance Services	0.2	0.1	-70.8%	0.0	-71.4%
Am. Surgery Center Services	0.5	0.1	-87.5%	0.0	-83.3%
Home Health Services	0.0	0.0	-75.0%	-	-100.0%
Hospice Services	0.0	0.0	-75.0%	-	-100.0%
CAP for Children <sup>2</sup>	-	-	N/A	-	N/A
Buy-in/Dual Eligible Services	-	-	N/A	-	N/A
CAP for Disabled Adults	-	-	N/A	-	N/A
NEMT Services	-	-	N/A	-	N/A
PACE <sup>3</sup>	-	-	N/A	-	N/A
Personal Care Services	-	-	N/A	-	N/A
Skilled Nursing Facilities	-	-	N/A	-	N/A
LME/MCO <sup>4</sup>	-	-	N/A	-	N/A
Other Services	19.0	3.2	-83.3%	1.8	-44.2%
<b>Total Medicaid</b>	<b>\$229.2</b>	<b>\$216.3</b>	<b>-5.7%</b>	<b>\$113.3</b>	<b>-47.6%</b>

<sup>1</sup> Claims expenditure data are net of drug rebates

<sup>2</sup> CAP: Community Alternatives Program

<sup>3</sup> PACE: Program of All-inclusive Care for the Elderly

<sup>4</sup> LME/MCO: Local Management Entity/Managed Care Organization

Exhibit 23. Medicaid and NC Health Choice Medical Assistance Payment by Category of Service | State Fiscal Years 2021-2023

MEDICAL ASSISTANCE PAYMENTS (CLAIMS AND PREMIUMS)   MEDICAID + NC HEALTH CHOICE (ranked by claims expenditure in SFY 2023)					
Service Category	SFY 2021	SFY 2022		SFY 2023	
	Claims Expenditure (\$ millions)	Claims Expenditure (\$ millions)	YOY Variance (vs. SFY 2021)	Claims Expenditure <sup>1</sup> (\$ millions)	YOY Variance (vs. SFY 2022)
PHP Capitation	\$-	\$ 7,322.7	N/A	\$ 8,579.8	17.2%
LME/MCO <sup>2</sup>	3,462	3,635.9	5.0%	3,710.1	2.0%
Skilled Nursing Facilities	2,058	2,004.4	-2.6%	2,114.1	5.5%
Hospital Inpatient	2,531	1,488.0	-41.2%	1,481.5	-0.4%
Buy-in/Dual Eligible Services	904	1,021.9	13.1%	1,116.5	9.3%
Pharmacy Services	917	966.6	5.4%	923.5	-4.5%
Personal Care Services	597	556.5	-6.8%	581.7	4.5%
Physician Services	1,191	456.8	-61.7%	341.0	-25.4%
Dental Services	419	426.5	1.8%	440.1	3.2%
CAP for Disabled Adults <sup>3</sup>	362	415.2	14.8%	483.0	16.3%
Hospital Outpatient	827	349.6	-57.7%	331.6	-5.1%
Hospital Emergency Room Services	368	195.9	-46.8%	173.9	-11.2%
Home Health Services	234	191.8	-18.1%	182.7	-4.7%
Durable Medical Equipment Services	295	182.1	-38.2%	173.5	-4.7%
Hospice Services	128	119.7	-6.8%	129.5	8.2%
Practitioner Non-Physician Services	197	105.4	-46.5%	97.7	-7.3%
CAP for Children	82	92.0	12.7%	105.4	14.6%
PACE <sup>4</sup>	82	78.6	-4.4%	114.5	45.7%
Clinic Services	250	78.3	-68.7%	66.5	-15.0%
Lab & X-ray Services	159	68.4	-57.0%	51.4	-24.8%
NEMT Services	48	57.1	18.8%	72.0	26.1%
Ambulance Services	112	19.0	-83.1%	17.1	-9.6%
Health Check Services	119	14.1	-88.2%	7.5	-46.8%
Optical Services	23	6.0	-74.2%	4.5	-24.2%
Am. Surgery Center Services	19	5.3	-72.3%	4.2	-19.8%
Other Services	2,849	701.8	-75.4%	423.6	-39.7%
	<b>\$18,233</b>	<b>\$ 20,559</b>	<b>12.8%</b>	<b>\$21,727</b>	<b>5.7%</b>

<sup>1</sup> Claims expenditure data are net of drug rebates

<sup>2</sup> LME/MCO: Local Management Entity/Managed Care Organization

<sup>3</sup> CAP: Community Alternatives Program

<sup>4</sup> PACE: Program of All-inclusive Care for the Elderly