

MEDICAID MANAGED CARE DELAY HITS NORTH CAROLINA’S BOTTOM LINE HARD

Hundreds of millions in savings forfeited

North Carolina passed legislation in 2015 moving North Carolina’s Medicaid program from fee-for-service to managed care. This transition was set to begin for two regions in the state in November 2019, with the program going statewide in February 2020. As of May 2020, the program has yet to be implemented. With each month the program is not implemented, North Carolina forfeits considerable savings associated with the program.

In April 2019, the North Carolina Department of Health and Human Services¹ issued a report detailing the potential first-year savings as well as future savings, based on the implementation of managed care. The delay in implementation has already cost the state roughly **\$19.8 million** in lost savings and pushed the full realization of program savings out an additional year. This one-year delay will cost the state more than **\$200 million** in additional savings in the same four-year period. Each additional month delay causes a **\$17.6 million** hit to state finances and creates a larger disparity in the estimated four-year savings.

Status Quo Enrollment	YEAR 1 SFY 2019- 20	YEAR 2 SFY 2020- 21	YEAR 3 SFY 2021- 22	YEAR 4 SFY 2022- 23	TOTAL
Standard Plan expenditures (in millions)	\$6,600	\$6,600	\$6,600	\$6,600	\$26,400
MC Savings, no delay in MC implementation (%)	0.3%	1.9%	3.2%	3.2%	8.6%
MC Savings, no delay in MC (in millions)	\$19.80	\$125.40	\$211.20	\$211.20	\$567.60
MC Savings, one-year delay in MC implementation (%)	0.0%	0.3%	1.9%	3.2%	5.4%
MC Savings, one-year delay in MC implementation (in millions)	\$ -	\$19.80	\$125.40	\$211.20	\$356.40
Impact of one-year delay	\$19.80	\$105.60	\$85.80	\$ -	\$211.20

This estimate is based on a phase-in approach for the first year of managed care. Further delays to the program going forward will forfeit greater levels of savings, based on the expectation the program would be implemented statewide. Given the state’s already incurred losses, it is vitally important to implement the program sooner rather than later. State coffers are already seeing a decrease in revenues due to economic pressures resulting from the COVID-19 pandemic; managed care’s timely implementation will positively impact the state’s bottom line. The table below details the additional losses incurred by the state Medicaid program, based on potential program start dates.

¹ <https://files.nc.gov/ncdma/NCGA-Report-7Year-Forecast-Final-20190409.pdf>

POTENTIAL START DATE	Estimated State Savings			TOTAL SAVINGS	SFY 2020-21 MISSED SAVINGS	TOTAL MISSED SAVINGS
	SFY 2020- 21	SFY 2021- 22	SFY 2022- 23			
1/1/2021	\$19.80	\$125.40	\$211.20	\$356.40	\$105.60	\$211.20
4/1/2021	\$9.90	\$104.00	\$189.80	\$303.60	\$115.50	\$264.00
7/1/2021	\$ -	\$82.5	\$168.30	\$250.80	\$125.40	\$316.80
10/1/2021	\$ -	\$51.20	\$146.90	\$198.00	\$125.40	\$369.60

The estimates above assume no enrollment growth and no health care cost increases due to current health care cost trends. In reality North Carolina's Medicaid population will grow over the next year at a minimum, given the economic impact from COVID-19. Health care costs continue to rise, and in most years, outpace the rate of inflation. Managed care implementation would likely have an increased cost savings than what is projected here due to these factors.

In addition, Prepaid Health Plans have already made substantial investments in staff, infrastructure and facilities to support Medicaid Transformation. To date, plans have hired approximately 1,200 employees to work on managed care and continue to pay salaries, office rent and other expenses to maintain the program during the delay.

The conservative estimates of potential savings calculated in April 2019 clearly demonstrate a fiscal need for the state of North Carolina to implement managed care Medicaid. Any delay in plan implementation not only is a loss in savings for the current plan year, but also affects the state budget for additional years as the full impact of managed care is delayed.

ABOUT US

The North Carolina Medicaid Choice Coalition advocates for quality and affordable health care options for all North Carolinians who participate in Medicaid.

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