



# NORTH CAROLINA MEDICAID

## Annual Report for State Fiscal Year 2025



**July 1, 2024 to June 30, 2025**

*Building a healthier North Carolina.*



## Message from Dev Sangvai

Secretary, North Carolina Department of Health and Human Services

North Carolina's Medicaid program continues to stand as a model for what health care can achieve when access and innovation are put at the center of policy. We all feel the results. It makes North Carolinians healthier.

- It saves lives and increases access to behavioral health and substance use treatment.
- It provides a major source of funding for North Carolina's rural hospitals, many of which are struggling financially.
- It supports North Carolina's workforce, including workers in child care, construction, hospitality, home health care and other essential industries.

And that's just the tip of the iceberg. Medicaid provides health coverage to 1 in 4 North Carolinians — that's more than 3 million children, pregnant women, older adults, people with disabilities and working North Carolinians.

- 50% of all births in North Carolina are covered by NC Medicaid.
- 21% of people covered by NC Medicaid are older adults and people with disabilities.
- 67% of North Carolina nursing home residents rely on NC Medicaid to help with the cost of their long-term care.
- In many rural counties, more than half of the population has health coverage through NC Medicaid.

I share these facts as a reminder of the power of NC Medicaid. Because unlike years past, it is a bittersweet moment to reflect on our previous accomplishments. As is highlighted in this report, North Carolina has leveraged Medicaid through innovation and good stewardship to lead the nation and produce unmatched benefits for North Carolinians. And yet, just a few months into the new fiscal year the federal government has made massive changes to Medicaid that puts it all at risk.

Consider this: more than 685,000 people enrolled through Medicaid expansion, reaching this milestone in half the time projected. Working adults who have gone without coverage are now seeing doctors, filling prescriptions and managing chronic conditions affordably. The Behavioral Health and I/DD Tailored Plans launched, ensuring that North Carolinians with complex needs receive integrated care. The Healthy Opportunities Pilots continued to prove that addressing food, housing and transportation needs not only improves health but also lowers health care costs. We also took bold steps to remove barriers to care. NC Medicaid began covering obesity management medications and over-the-counter contraception, eliminated copays for opioid and nicotine treatment, and led a statewide medical debt relief initiative that will help hundreds of thousands of families regain financial stability. These are tangible changes in improving people's lives every day.

The future of these innovations remains uncertain. H.R.1, passed just days after State Fiscal Year 2025 ended, increases health insurance premiums on healthcare.gov, cuts nearly \$50 billion in funding to NC Medicaid over the next ten years, eliminates health services covered by Medicaid, increases paperwork for people covered by Medicaid and reduces payments to rural hospitals. In addition, funding for Healthy Opportunities was not provided, thereby ending the program on July 1, 2025 and funding for NC Medicaid in SFY 2026 falls short of the need by \$319 million. Looking back, we have much to be proud of. Looking forward, I hope that North Carolina continues to bring the promise of Medicaid to the people of our state. Today, NC Medicaid remains strong, performing better than national trends and committed to serving people. Let's keep it that way.



# Message from Jay Ludlam

Deputy Secretary for NC Medicaid

North Carolina's Medicaid program shows what health care achieves when we are driven by the people we serve. Over the past year, NC Medicaid made historic progress – expanding coverage, improving outcomes and strengthening communities – all while demonstrating exceptional fiscal stewardship and operational excellence. During the state fiscal year 2025, we saw the transformative power of Medicaid in action.

- **Increased access to health care.** More than 685,000 North Carolinians now have health coverage through NC Medicaid due to expansion – a milestone reached in record time. They have been able to fill more than 5 million prescriptions for conditions like heart disease, diabetes, seizures and other illnesses. And people have access to more health care providers. The number of health care providers participating in NC Medicaid grew by 10%. Importantly, as we face a continued mental health crisis, there has been a 17% increase in behavioral health providers.
- **Tackled affordability.** North Carolina made history as the first state in the nation to erase medical debt for millions of people. In SFY 2025, we worked with the state's hospitals to create the Medical Debt Relief Program, an effort only made possible by leveraging the state's Medicaid program. This groundbreaking effort culminated in October 2026, when Governor Josh Stein announced that more than \$6.5 billion in medical debt has been relieved for more than 2.5 million North Carolinians over the previous year. Unlike debts of convenience, no one chooses to become ill or selects which hospital an ambulance takes them to or shops for the cost of emergency care. By eliminating this burden, we have helped restore financial stability and dignity to families across the state.
- **Improved health strengthened local businesses and reduced costs.** We worked with the first Trump administration to launch a pilot program – Healthy Opportunities – that maximized our Medicaid program and the power of local businesses and organizations to support people's and communities' independence. An evaluation of Healthy Opportunities showed that providing evidence-based supports for food, housing, and safety delivers an outsized impact on people, communities and the cost of health care. In just the first two years of the pilot, health care costs are lower, people are healthier, local communities are stronger, and small businesses and farms have prospered.

Yet, as we look ahead to state fiscal year 2026, these gains are at risk. State appropriation shortfalls for NC Medicaid along with federal and state policy changes – including increased paperwork for people covered by Medicaid, reduced payments to rural hospitals and the elimination of Healthy Opportunities – risk reversing hard-earned progress. The result could be higher costs, less access and more burden on North Carolina families and providers.

NC Medicaid's mission has always been about people – about delivering for North Carolina. In the coming year, we will continue to do what we have always done: adapt, innovate and advocate for the health and well-being of those we serve.

The strength of our program lies in our partnerships – with health plans, providers, hospitals, community-based organizations, policymakers and advocates who share our commitment to building a healthier North Carolina. Together, we will continue to lead with evidence, compassion and accountability to ensure Medicaid remains a path to better health and opportunity for all.

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# About the Annual Report

The 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' (NCDHHS) 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 Check-write Report.

Prior NC Medicaid Annual Reports can be found on the [NC Medicaid reports webpage](#). Additional information on the Department's transformation to NC Medicaid Managed Care is located on the [NC Medicaid transformation webpage](#). Please call the NC Medicaid Contact Center at 888-245-0179 with questions or requests for more information.

## About NC Medicaid

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

**NC Medicaid Managed Care** is the way most Medicaid beneficiaries get their health care with services provided by a network of providers. The network includes doctors, therapists, specialists, hospitals and other health care facilities.

**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.

North Carolina **expanded** health care coverage to more people. Adults ages 19 through 64 up to 138% of the federal poverty level may be eligible for Medicaid even if they did not qualify before. NC Medicaid pays for doctor visits, yearly check-ups, emergency care, dental care, mental health and more – at little or no cost to beneficiaries. Individuals eligible for **Medicaid expansion** may be enrolled in a NC Medicaid Managed Care plan or NC Medicaid Direct.

NC Medicaid also offers **benefit programs** designed to meet the unique needs of beneficiaries. These include the Family Planning Program, the Health Insurance Premium Payment Program (HIPP), Medicare-Aid and additional home and community-based services 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.

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# Executive Summary

In state fiscal year 2025 (July 1, 2024, through June 30, 2025), **NC Medicaid provided health coverage to more than 3.1 million North Carolinians**, including children, low-income adults, seniors and people with disabilities.

The year marked a historic transformation in health care access across the state. **Medicaid expansion**, launched **December 1, 2023**, continued to reshape the health landscape. By the end of SFY 2025, **more than 678,000 individuals** enrolled in expansion, significantly exceeding initial projections and helping to close longstanding gaps in coverage across North Carolina.

NC Medicaid continued to lead in modernization through initiatives like the **Healthy Opportunities Pilots (HOP)**. These pilots, which provide non-medical services such as housing support, food assistance and transportation to eligible beneficiaries, demonstrated measurable success. The 2025 [Interim Evaluation Report](#) found that HOP participants experienced **reduced emergency department visits and lower total cost of care** with the goal of improved health outcomes over time. These findings support the state's plan to scale services statewide under the renewed 1115 waiver.

A major milestone in SFY 2025 was the **launch of Behavioral Health and Intellectual/Developmental Disabilities (I/DD) Tailored Plans on July 1, 2024**. These plans provide integrated physical and behavioral health services for individuals with complex needs. NC Medicaid ensured a smooth transition by conducting readiness reviews, verifying network adequacy and distributing multilingual toolkits to support beneficiaries, providers and advocates. Approximately **200,000 beneficiaries** were enrolled in Tailored Plans at launch.

Another transformative initiative was the **North Carolina Medical Debt Relief Program**. Beginning in **July 2024**, the state leveraged Medicaid policy to incentivize hospitals to relieve existing medical debt. Every eligible hospital in the state agreed to participate, and the program was made possible through the **Healthcare Access and Stabilization Program (HASP)** and a partnership with **Undue Medical Debt**. This initiative not only relieves existing debt but also implements policies to prevent future debt accumulation, helping families regain financial stability and access care without fear of long-term financial harm.

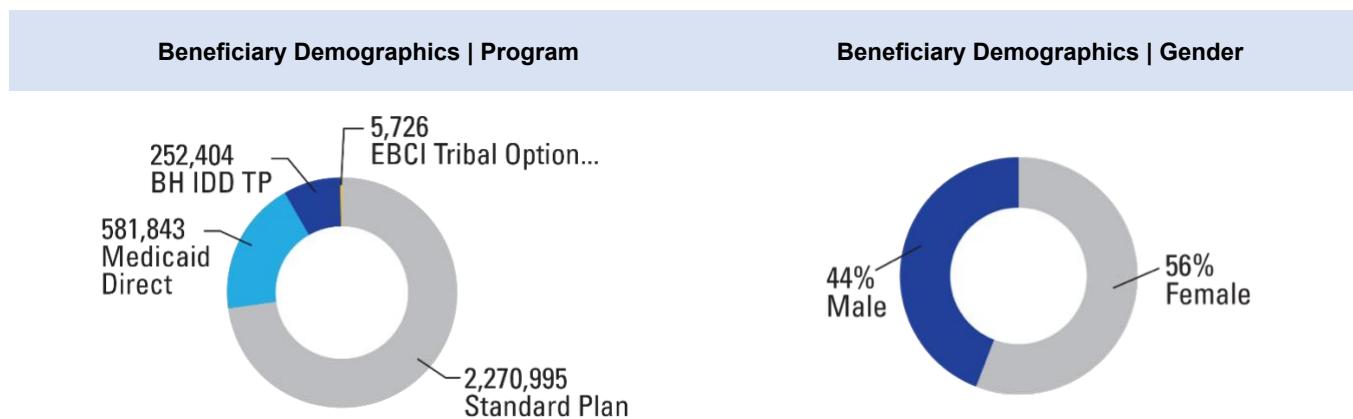
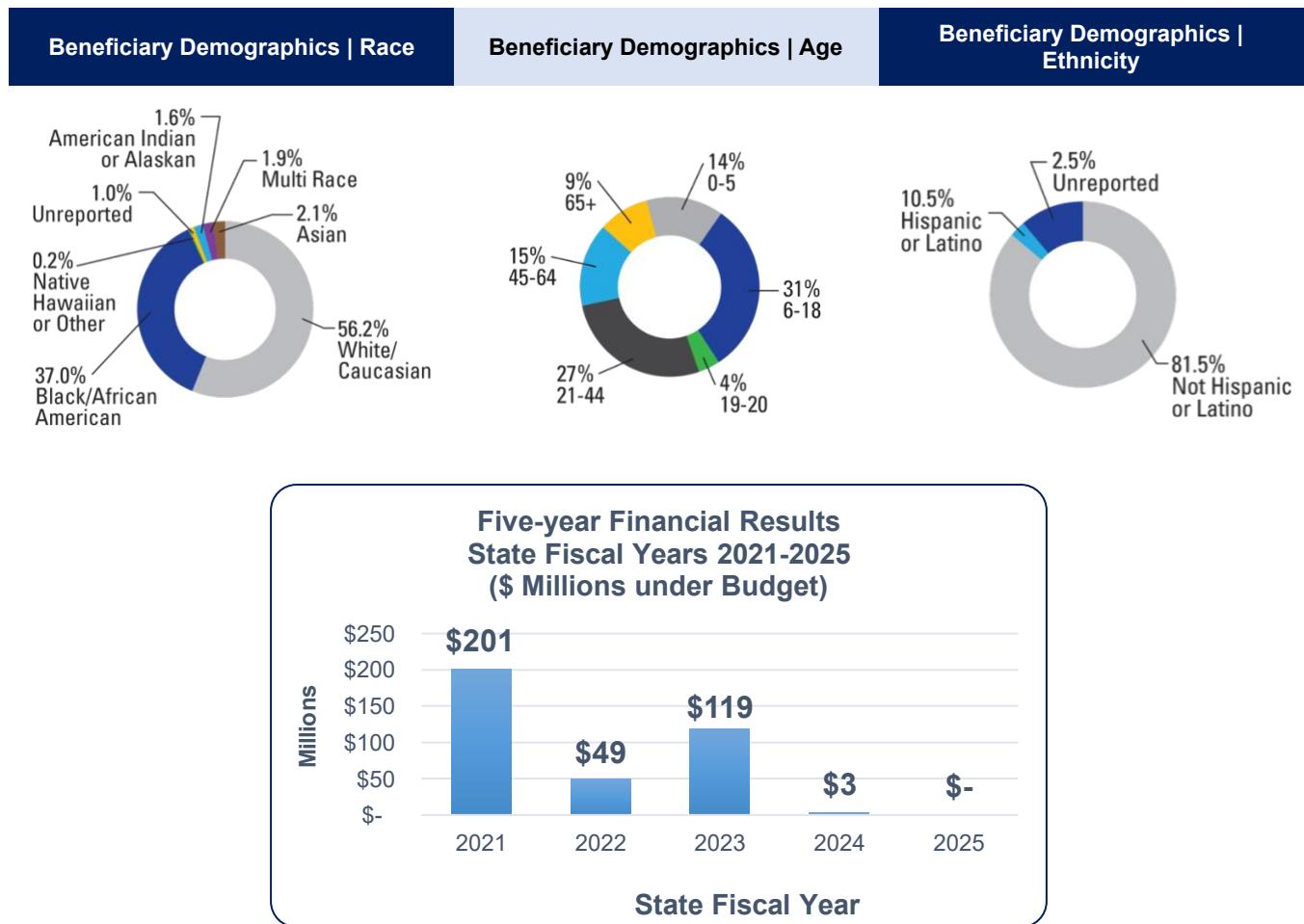
In response to the devastating impact of **Hurricane Helene** on western North Carolina in late September 2024, NC Medicaid implemented a wide range of emergency flexibilities to ensure continued access to care. These flexibilities were in effect from Sept. 26, 2024, through Feb. 28, 2025, with some extended through the end of the fiscal year to support long-term recovery.

In December 2024, **North Carolina received federal approval to renew its Section 1115 Demonstration Waiver** for another five years, through 2029. The renewed waiver supports the state's commitment to a **whole-person, well-coordinated system of care** that addresses both medical and non-medical drivers of health. It also authorizes new initiatives, including streamlined enrollment for children, reentry support for justice-involved individuals, and investments in behavioral health and long-term services and supports (LTSS) workforce development. As of June 30, 2025, **the Senate and House budgets of the North Carolina General Assembly (NCGA) have not included funding for the Healthy Opportunities Pilots**. **Healthy Opportunities services stopped July 1, 2025, due to the absence of continued funding in the state budget. Additionally, funding issues hinder implementation of the new initiatives.**

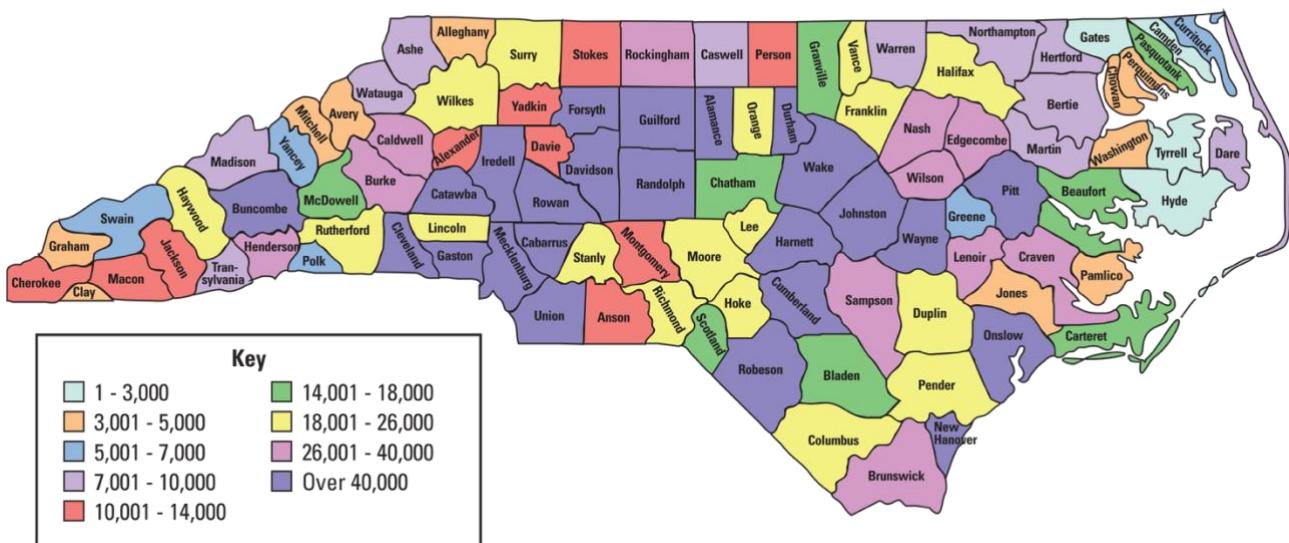
As NC Medicaid continues to evolve, its mission remains clear: to **strengthen access to quality care** for all North Carolinians. Sustaining these innovations will require continued partnership and investment from the General Assembly to ensure long-term impact and fiscal stability.

# Snapshot: North Carolina Medicaid

NC Medicaid ended state fiscal year 2025 with a total beneficiary population of 3,110,968, a 4.6% **increase** compared to state fiscal year 2024. Total expenditures were just under **\$36 billion**, an **\$8 billion increase** from state fiscal year 2024, driven primarily by increases in HASP and Medicaid expansion, neither of which required any State general fund appropriations. NC Medicaid closed out the state fiscal year approximately **\$9,000 under budget**.



## Total Beneficiaries by County



## Impactful Accomplishments: State Fiscal Year 2025

### Medicaid Expansion

More than 685,000 people have enrolled in NC Medicaid due to Medicaid expansion, reaching this goal in half the time initially projected. Launched Dec. 1, 2023, Medicaid expansion was expected to take two years to enroll 600,000 people but achieved this milestone in just one year.

### Behavioral Health and Intellectual/Developmental Disabilities Tailored Plans Launch

Behavioral Health and I/DD Tailored Plans provide an integrated health plan to individuals covered by NC Medicaid with a serious mental illness, a severe substance use disorder, I/DD or TBI.

July 1, 2024 | Behavioral Health and I/DD Tailored Plan launched.

***Tailored Plans are also responsible for managing the state's non-Medicaid (state-funded) behavioral health, I/DD and TBI services for uninsured and underinsured North Carolinians.***

### Medicaid Advisory Committee/Beneficiary Advisory Council Recruitment

In April 2024, the Centers for Medicare & Medicaid Services (CMS) released its final rule, [Ensuring Access to Medicaid Services](#). The new rule repurposed the existing Medical Care Advisory Committee (MCAC) with the **Medicaid Advisory Committee (MAC)** and established a **Beneficiary Advisory Council (BAC)**.

The MAC and BAC are designed to focus on the lived experience of beneficiaries, their families and caregivers. They will provide a more formalized structure for beneficiaries and interested parties to give feedback to the state about Medicaid.

A recruitment campaign launched a toolkit to multiple channels of communications, resulting in more than 190 applications.

## Medical Debt Relief

In state fiscal year 2025, NCDHHS began efforts to relieve existing medical debt and ease the burden of medical debt on North Carolinians in the future. All of North Carolina's 99 eligible hospitals committed to participate and in exchange will receive enhanced Medicaid reimbursement under HASP, bringing billions of additional federal dollars into the state to mitigate the impact of medical debt. \$6.5 billion in medical debt was erased for 2.5 million North Carolinians.

***Medical debt is a burden that impacts many North Carolinians as well as the state's health care system. Hospitals often only receive a small fraction of debt billed through collections.***

In response to Hurricane Helene's impact on multiple counties across North Carolina in late September 2024, NC Medicaid implemented emergency measures to facilitate uninterrupted access to care for beneficiaries and to support providers operating under disaster conditions.

### Temporary Flexibilities and Policy Adjustments

To mitigate disruptions in care and service delivery, NC Medicaid took the following actions:

- **Pharmacy Services** – Early prescription refills authorized, prior approvals waived for select medications and emergency override codes activated
- **Provider Enrollment** – Temporary enrollment of out-of-state providers delivering emergency services and expedited revalidation for in-state providers affected by the storm
- **Service Delivery Modifications** – Flexibilities for home and community-based services (HCBS), including alternative service locations for Community Alternatives Program for Disabled Adults (CAP/DA), Community Alternatives Program for Children (CAP/C) and Innovations Waiver participants; extended respite and personal care services; expanded telehealth for behavioral health and primary care; and increased hospital-at-home and swing bed capacity
- **Managed Care Coordination** – Standard Plans and Tailored Plans were directed to implement NC Medicaid emergency guidance, with care management teams mobilized to support high-risk members and coordinate transitions of care
- **Interagency Coordination** – Partnered with the Department of Public Safety (DPS), Emergency Medical Services (EMS), Division of Mental Health, Developmental Disabilities and Substance Use Services (DMHDDSS), Resilience Subject Matter Experts (SMEs) and Area Health Education Centers (AHECs) to align Medicaid operations with statewide disaster response, improving resource efficiency and reducing duplicative spending
- **Provider Preparedness and Education (Summer 2025):** – Delivered a three-part webinar series on Disaster Preparedness, Response and Recovery/Resilience for providers and care managers, enhancing disaster readiness across the healthcare system

## Hurricane Helene Response

## Standard Plan Quality Withhold Program

- **Healthy Opportunities Pilots** – The state worked with federal partners to secure necessary flexibilities, and community providers mobilized to ensure the delivery of needed supports in sectors of food, housing, transportation and interpersonal safety. Impact Health, the HOP Network Lead in western North Carolina, rapidly mobilized to ensure that community-based organizations received resources to rapidly get back up and running after being impacted by the storm.

As a result of the actions listed above, NC Medicaid saw the following impacts:

- **Measured Outcomes** – Post-training evaluations showed increased provider knowledge and readiness to support members with chronic and complex conditions during disasters—strengthening systemwide resilience
- **Budget Impact** – Investments in disaster response coordination and workforce training reduced emergency care expenditures, protected provider stability and reinforced Medicaid's fiscal resilience against future natural disasters
- **Care Continuity and Cost Mitigation** – Rapid deployment of policy flexibilities minimized service interruptions and avoided higher-cost emergency and inpatient care

NC Medicaid implemented a quality withhold program for its Standard Plans beginning in state fiscal year 2025, aligned with its [Managed Care Quality Strategy](#). Under the withhold program, a portion of each health plans' expected capitation payment is withheld and plans must meet quality measure performance targets in priority areas to earn withheld funds back. The SFY 2025 withhold program included three measures tied to plan performance during the 2024 calendar year: Childhood Immunization Status – Combination 10; Prenatal and Postpartum Care (PPC) – Timeliness of Prenatal Care and Postpartum Care; and Rate of Screening for Health-Related Resource Needs. This program drove increased plan resources and attention to improving performance on these measures through a variety of approaches.

## Evaluation and Reporting: Data-Driven Oversight

In SFY 2025, NC Medicaid advanced its evaluation and reporting systems to strengthen transparency, performance accountability and data-informed decision-making. The **Annual Health Disparities Report** provided a comprehensive look at health outcomes across populations, identifying where inequities persist and guiding discussions on targeted improvement strategies. **New analytic tools** – including the Expansion Utilization Dashboard, Standard Plan Performance Comparison Tool and Telehealth Monitoring Dashboard – expanded the program's ability to monitor access, utilization, and quality trends in near real time. The **Provider Experience and Consumer Assessment of Healthcare Providers and Systems Plan Survey** (CAHPS) offered valuable insight into provider and member experiences, helping refine operations and identify opportunities to reduce administrative burden. Through the **PHP Reinvestment Initiative**, plan resources were directed to community projects that strengthen access to care and support improved health outcomes. Collectively, these initiatives demonstrate NC Medicaid's commitment to continuous improvement, evidence-based program management, and transparent reporting to both stakeholders and the legislature.

## Connecting Communities in Medicaid

**Connecting Communities and Medicaid (CCM)** is a collaborative workgroup established to foster meaningful partnerships, drive community-informed solutions to improve access to care and address drivers of health. Through education, engagement and policy dialogue, CCM aims to empower communities, eliminate health disparities and ensure Medicaid beneficiaries receive comprehensive, person-centered support. The workgroup welcomed a diverse range of 138 stakeholders – including community-based organizations, human services agencies, faith-based groups and providers – who brought valuable insights and lived experiences to the table.

CCM's impact continues to shape NC Medicaid's approach to health disparity and community engagement. Along with the support of the stakeholders, the initiative helped inform Medicaid transformation efforts, strengthened relationships with trusted community messengers and supported culturally responsive outreach strategies. NC Medicaid remains committed to the principles of CCM by embedding community voice and collaboration into ongoing program design, implementation and evaluation.

## Medicaid Ambassador Initiative

In March 2024, NC Medicaid launched the Medicaid Ambassador Initiative (MAI). MAI is a network of volunteers that assists potential beneficiaries, either in-person or over the phone, as they complete the NC Medicaid application through ePASS, North Carolina's online portal to apply for benefits or HealthCare.gov.

At the end of SFY 2025, MAI had grown to more than 100 ambassadors from more than 80 organizations serving all 100 counties in the state. To stay informed, MAI attend bimonthly informational and support sessions.

The Ambassadors play a vital role in helping newly eligible individuals understand Medicaid and navigate the application process, contributing to the state's record-breaking enrollment pace with Medicaid expansion.

## Medicaid Coverage for Obesity Management Medications

Effective Aug. 1, 2024, NC Medicaid provided coverage for U.S. Food and Drug Administration (FDA)-approved **GLP-1 obesity management medications**.

for beneficiaries ages 12 and older. NC Medicaid added this coverage due to the substantial weight loss associated with these medications and the reduction of potential weight-related comorbidities. Prescription obesity management medications are widely accepted in addressing the obesity epidemic and may provide additional weight loss benefits compared to lifestyle modifications alone. Additionally, NC Medicaid receives federal match, federal pharmacy rebates and supplemental rebates which decrease the cost of weight loss therapies and ultimately lower overall health care costs in the long term.

To ensure fiscal accountability and clinical effectiveness, NC Medicaid conducts ongoing data analysis and quarterly reviews to evaluate GLP-1 utilization, outcomes and cost trends. Analyses track changes in blood pressure, body mass index and member cost profiles to assess both short-term savings and long-term reductions in obesity-related complications such as diabetes and hypertension. This data-driven oversight ensures the program remains a financially sustainable investment that delivers measurable health improvements and long-term cost savings for the NC Medicaid population.

## Opioid Use Disorder and Nicotine Replacement Therapy

Effective Aug. 1, 2024, NC Medicaid removed copay requirements for opioid antagonists, nicotine replacement therapy and medications used to treat opioid use disorder. This change applies to both NC Medicaid Direct and NC Medicaid Managed Care beneficiaries who are covered under the Outpatient Pharmacy benefit. The exemption will help ensure beneficiaries living with nicotine dependence or opioid use disorder do not face financial barriers when obtaining these medications from outpatient pharmacies.

## Expanded Access to Reproductive Health

Effective Aug. 1, 2024, NC Medicaid began coverage of the first FDA approved OTC birth control pill Opill® at no charge to beneficiaries with or without a prescription. This initiative removes barriers to care and increases access particularly to individuals living in rural and underserved communities. Building on this momentum, effective Sep. 1, 2024, NC Medicaid also began coverage of condoms and spermicides through the pharmacy benefit with a prescription, at no charge to beneficiaries. These efforts reflect NC Medicaid's commitment to improving maternal health outcomes by supporting reproductive health.

## Section 1115 Demonstration Renewal

In December 2024, North Carolina received federal approval to renew its Medicaid Reform Section 1115 Demonstration for another five-year period. The Demonstration aims 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. The approval extends federal authority for managed care and the Healthy Opportunities Pilots program. It also gives North Carolina the option to implement a set of new initiatives – pending state budget availability – focused on improving care for the justice-involved population, investment in behavioral health and intellectual and development disabilities (I/DD) technology, and bolstering the behavioral health and long-term services and supports workforce.

## Healthy Opportunities Pilots

NC Medicaid received an extension from CMS to deliver HOP services for another demonstration, with the option to expand to a wider geographic area. The HOP program continued to deliver non-medical services into 2025, including those related to food, housing, transportation and interpersonal violence/toxic stress. By the end of April 2025, over 24,000 members were currently enrolled in HOP, with recent program enrollment increases due to Local Management Entity/Managed Care Organization (LME/MCO) enrollment growth. Among HOP Members with an identified unmet need, 80% had a food need and 73% had a housing need. New food service deliveries reached a record high in April, with around 50,000 new service deliveries for that month.

## A Look Ahead: State Fiscal Year 2026

In state fiscal year 2026, the NC Medicaid team will launch the Children and Families Specialty Plan (CFSP) contract and implement changes required due to H.R.1 (also known as One Big Beautiful Bill Act) and from the State Budget requirements scheduled to pass in August 2025.

### Children and Families Specialty Plan

In September 2023, the North Carolina General Assembly authorized NCDHHS to procure the **Children and Families Specialty Plan (CFSP)**, a single, statewide NC Medicaid managed care health plan to support seamless, integrated and coordinated health care for Medicaid-enrolled children, youth and young adults currently and formerly served by the child welfare system.

On Feb. 7, 2024, NCDHHS released the CFSP request for proposals (RFP).

On August 15, 2024, NCDHHS awarded the CFSP contract to Blue Cross Blue Shield of North Carolina.

The Department will launch CFSP on Dec. 1, 2025.

### State Budget Updates

NC Medicaid's SFY 2026 Rebase request has not been fully funded as of the drafting of the SFY 2025 Annual Report. NC Medicaid continues to work with the North Carolina General Assembly to fully fund the requested amount.

### H.R. 1

#### (One Big Beautiful Bill Act)

H.R.1 was signed into federal law on July 4, 2025. As enacted, H.R.1 stands as the biggest change to Medicaid since the Affordable Care Act. Some of the most significant changes that NC Medicaid will experience under H.R.1 include:

- Mandatory work requirements for Medicaid expansion adults
- More frequent eligibility redeterminations for expansion adults (every six months)
- Delayed implementation and enforcement of certain Biden-era eligibility and enrollment rules
- Immediate prohibition on new or increased State Directed Payments (SDPs) above Medicare Rates and the ramp down of existing SDPs
- Immediate prohibition on new or increased provider taxes and gradual reductions in allowable provider taxes

	<ul style="list-style-type: none"> <li>Authorization of the Rural Health Transformation Program, which provides funding for states to launch initiatives aimed at improving health care access, quality and outcomes for rural populations</li> </ul> <p>Implementation efforts for these and other H.R.1 provisions are anticipated to span the next several years.</p>
<b>Federal Consolidated Appropriations Act</b>	<p>The Federal Consolidated Appropriations Act of 2023 (CAA) required all states to implement a set of reentry services for qualifying youth leaving incarceration beginning in calendar year 2025. During SFY 2025, NC Medicaid established the design of CAA services and created partnerships with DPS, Division of Juvenile Justice and Delinquency Prevention, and other external partners such as the NC Community Health Center Association, to develop the implementation plan for the CAA's required screening and diagnostic and reentry care management services in North Carolina's youth development centers.</p> <p>Pre-release screening and diagnostic services will be provided by local Federally Qualified Health Centers (FQHCs). In SFY 2026, the Department and LME/MCO will roll out the reentry care management services which will offer youth preparing for release from Youth Development Centers with pre-release and post-release care management services to support their coordination of care as they navigate their return to community and access to healthcare and social service needs.</p>
<b>Medicaid Advisory Committee (MAC) / Beneficiary Advisory Council (BAC) Launch</b>	<p>The federal final rule, <a href="#"><u>Ensuring Access to Medicaid Services</u></a> issued in April 2024 requires NC Medicaid and other State Medicaid agencies to create two new groups, MAC and BAC. The MAC and BAC will advise the NC Medicaid Deputy Director on matters related to policy development and the effective administration of the Medicaid program. The MAC and BAC will provide a more formalized structure for beneficiaries and interested parties to provide feedback to the State about Medicaid. North Carolina's MAC/BAC will formally launch in fall 2025.</p>
<b>Cell and Gene Therapy Access Model</b>	<p>The Cell and Gene Therapy Access Model is a federal program to improve the lives of people living with sickle cell disease by increasing access to potentially transformative treatments. The Model aims to lower prices for states by supporting outcomes-based agreements between states and drug manufacturers. North Carolina will launch its participation in the Model Oct. 1, 2025.</p>
<b>Continuous Eligibility for Children</b>	<p>Nationally, approximately four in 10 children eligible for Medicaid who are disenrolled are reenrolled within one year, a phenomenon known as "churn." This temporary loss in coverage can lead to gaps in care during critical periods of child development and administrative confusion and complexity. To prevent disruptions in care and reduce administrative burden, North Carolina received federal authority to provide continuous enrollment in Medicaid for young children up to age 5, and to extend the continuous enrollment period to 24 months for children ages six through 18. North Carolina began implementing this change July 1, 2025.</p>

# Financial Results

## State fiscal year 2025: Growth, Change and Responsiveness

NC Medicaid adapted to serving over 3.1 million people through new and changing coverage and new payment mechanisms and was able to stay within budget for the twelfth consecutive year. NC Medicaid worked to allocate funds efficiently and effectively across all programs to enable the best possible support for our beneficiaries.

Overall program expenditures from all sources increased significantly in SFY 2025, though expenditures from state funds increased at a much lower rate. The most significant spending growth occurred as a result of payments for a larger Medicaid expansion population and increased HASP payments, neither of which require expenditures from state funds. As a federally-approved value and accountability measure, NC Medicaid also began Standard Plan capitation payment “withholds” in July 2025. This managed care feature is designed to incentivize plans to improve performance in key areas such as quality of care, data quality and health equity. Plans can earn the funds back by meeting performance targets by the end of the performance period.



For 12 consecutive years, NC Medicaid has finished the state fiscal year within budget

NC Medicaid provided needed services while remaining in budget due to:



- CMS approval of the e14 Waiver, which enabled faster redetermination of adult beneficiaries by delaying redeterminations for children



- Delay of Children and Family Specialty Plans launch until SFY 2026

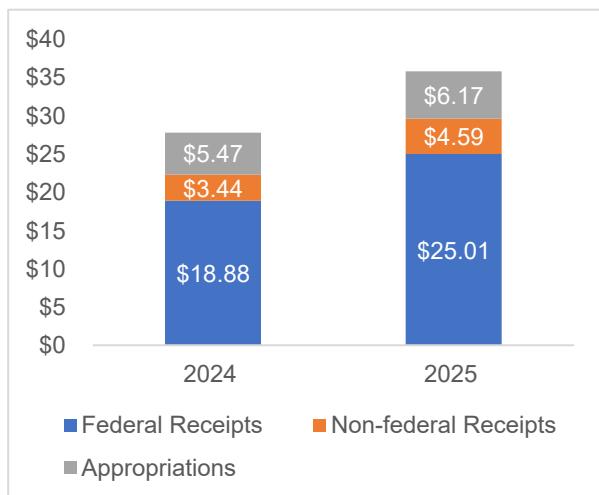


- Over-realized Federal Receipts

NC Medicaid earned and transferred to State General Fund \$935.6M generated by the five percentage point enhanced FMAP authorized by the American Rescue Plan Act Section 9814 (aka, the Medicaid expansion “sign on bonus”). \$837.9M of the amount transferred by NC Medicaid was then appropriated to other organizations within the state as directed by the NCGA in SL 2023-134.

## Current vs. prior year expenditures, by funding source

Exhibit 1. Total Expenditures by Fund Source  
(\$ Billions) | State Fiscal Years 2024  
& 2025



Total NC Medicaid spending from all funding sources for SFY 2025 was \$35.77 billion, an increase of 28.7% over the prior year. This growth was driven primarily by larger HASP payments (\$6.2 billion) and services expenditures for a growing Medicaid expansion population (\$6.1 billion), neither of which required State general fund appropriations. Services for individuals in the Medicaid expansion coverage group are funded with 90% federal receipts and 10% hospital assessments and premium tax revenue. The non-federal share of HASP payments is also funded by NC hospitals.

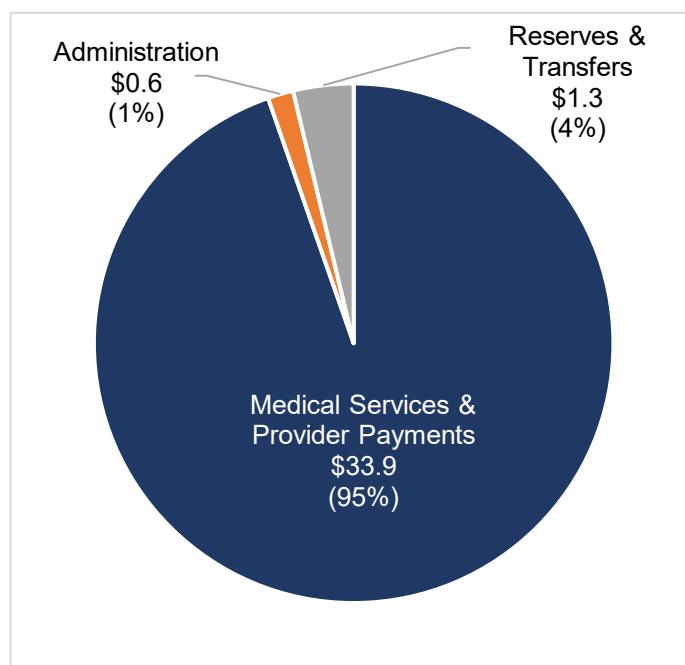
Expenditures of state appropriations in SFY 2025 increased over the prior year by a more modest 12.7%. This increase was driven primarily by a lower federal match rate (which adjusts annually, automatically based on federal calculations of state per capita wealth), higher than projected enrollment and health care cost inflation, particularly for pharmaceuticals.

Of the overall SFY 2025 expenditures, \$6.17 billion was financed by State appropriations, \$25.01 billion was paid by the federal government and \$4.59 billion was contributed via other sources, primarily hospital assessments.

Most SFY 2025 NC Medicaid expenditures (see Exhibit 2) paid for care to beneficiaries via Medicaid Direct claims and Prepaid Health Plan premiums (which include HASP add-on payments and payments for individuals in the Medicaid expansion coverage group). NC Medicaid administration accounted for less than 2% of overall Medicaid expenditures.

Nearly **\$34 billion** of NC Medicaid's total expenditures for SFY 2025 went for claims and premiums.

Exhibit 2. \$35.8 B Expenditures | State Fiscal Year 2025 (\$ billions)



## Compliance and Program Integrity

The NC Medicaid Office of Compliance and Program Integrity (OCPI) monitors fraud, waste and abuse (FWA) of 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.



- Post-payment reviews recoveries resulted in **\$3.9M**
- \$132K** recovered from county audits.
- Prepayment reviews resulting in denied claims represented **\$2.3M** in reduced costs to the state



- 1,537 intake submissions** (including both suspected fraud complaints and non-fraud requests) were ingested.
- 895** converted to **FWA investigations within OCPI**



**171 HIPAA privacy incidents** reported, researched and resolved



**69 referrals** for either criminal or civil investigations resulting in the Attorney General's Medicaid Investigations Division securing **\$24M**

# Strategic Priorities

NC Medicaid works thoughtfully and strategically to set priorities and allocate resources in ways that strengthen our shared efforts to improve health outcomes. By aligning funding with community needs and long-term goals, Medicaid benefits are delivered effectively and equitably across North Carolina.

## 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 living with disabilities while advancing innovative solutions that foster **whole-person health and health access** for all North Carolinians.

This state fiscal year, NCDHHS released its [2024-2026 Strategic Plan](#), outlining the goals and priorities for the next two years. These priorities cut across a broader strategic plan the department uses to **drive effective operations** and **measure the impact of services** provided throughout the state. In addition to the [NCDHHS 2024-2026 Strategic Plan](#), you can learn about [NCDHHS Mission Vision and Values](#) and [NCDHHS Initiatives](#) on the NCDHHS website.

	<p><b>Advance health</b> by increasing opportunity and improving outcomes for people who face greater health and situational challenges within NCDHHS and across the state.</p>
	<p><b>Promote child and family well-being</b> by making it easier for children and families to access the health care, programs and supports they need to thrive.</p>
	<p><b>Support behavioral health and resilience</b> by prioritizing investments in coordinated systems of care that make services easy to access when and where they are needed and reduce the stigma around accessing these services.</p>
	<p><b>Build a strong and inclusive workforce</b> that supports early learning, health and wellness across North Carolina.</p>
	<p><b>Achieve operational excellence</b> by enabling efficient, effective and innovative processes and services.</p>

## Quality Strategy

In July 2025, NC Medicaid released an updated Quality Strategy, positioning North Carolina as one of the first states to align with the 2024 CMS Final Rules. This update establishes a framework for measuring performance, driving accountability, and maximizing the value of Medicaid investments across divisions. The updated Quality Strategy ties measurable performance targets to financial stewardship – ensuring every Medicaid dollar spent drives improved outcomes, reduced waste and greater transparency in state-funded health services.

- **Statewide Alignment and Collaboration:** Developed in partnership with all Division of Health Benefits (DHB) and DMHDDSUS teams, the strategy coordinates behavioral health and physical health quality reporting, ensuring consistent standards and reducing duplicative administrative costs.
- **Regulatory Compliance and Fiscal Efficiency:** Incorporated new CMS regulatory standards into state operations, preventing future compliance penalties and aligning funding priorities with federal guidance for efficiency and sustainability.
- **Performance and Cost Outcomes:** Sets clear statewide improvement targets to enhance care access, quality, cost containment, and member and provider experience, ensuring budgeted dollars deliver measurable health outcomes.
- **Network Adequacy and Access Standards:** Updated standards increase transparency and accountability for managed care plans, helping ensure timely, appropriate care delivery – reducing emergency utilization and high-cost interventions.
- **Cross-Agency Transparency and Accountability:** Established clear, public-facing goals and metrics to strengthen oversight and reinforce confidence in the stewardship of Medicaid funds.

## Ensure Access to Health Care Services



Medicaid plays a vital role in ensuring access to health care for millions of North Carolinians. During state fiscal year 2025 this included assistance during Hurricane Helene, preparing for the launch of the CFSP, expanding substance use disorder prevention for opioid recovery and treatment, and continuing to implement Medicaid expansion.

### Hurricane Helene Assistance

To assist beneficiaries in the counties impacted by Hurricane Helene, NC Medicaid suspended recertifications and reminded residents they could apply for Medicaid at local Departments of Social Services (DSS) in other counties. This change ensured those needing Medicaid were able to receive coverage in a timely manner.

## Revised the NC Medicaid Policy for County Jails

To avoid gaps in Medicaid coverage and facilitate the future provision of pre-release services for beneficiaries who are incarcerated, NC Medicaid changed the current policy to require the suspension instead of termination of coverage for beneficiaries in county jails.

The new policy requires the suspension of Medicaid for beneficiaries incarcerated in county jails for more than 30 days. Upon suspension of coverage, the beneficiary is disenrolled from their health plan. Beneficiaries with stays of 30 days or less do not have coverage suspended, nor will health plan disenrollment occur.

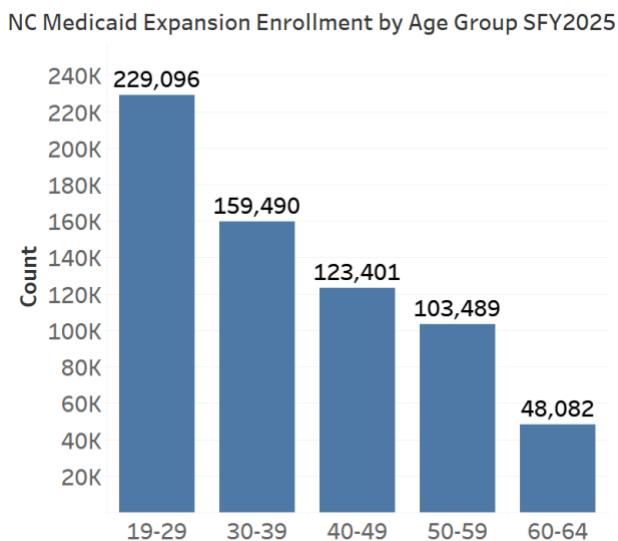
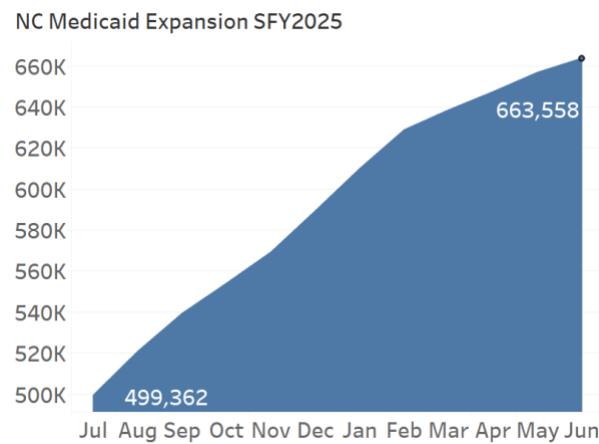
## Preparation for the Launch of the Children and Families Specialty Plan

To implement CFSP, a first of its kind program, multiple NCDHHS divisions collaborated to develop the new health plan. This includes the Division of Social Services, the Division of Child and Family Well-Being, DMHDDSS and NC Medicaid at the state level and Departments of Social Services at the county level. To prepare local DSSs and Child Welfare for the launch of CFSP, each division in concert with Healthy Blue Care Together, conducted more than 15 training sessions – both in person and virtually.

Feedback from the training and ongoing support from the North Carolina Association of County Directors of Social Services (NCACDSS) gave the department the opportunity to make adjustments to improve the logistics of the health plan.

## Medicaid Expansion

Enrollment in NC Medicaid from Medicaid expansion continued at a rapid pace, exceeding goals and expectations. At the end of SFY 2025, 663,588 beneficiaries were enrolled and receiving full Medicaid benefits.



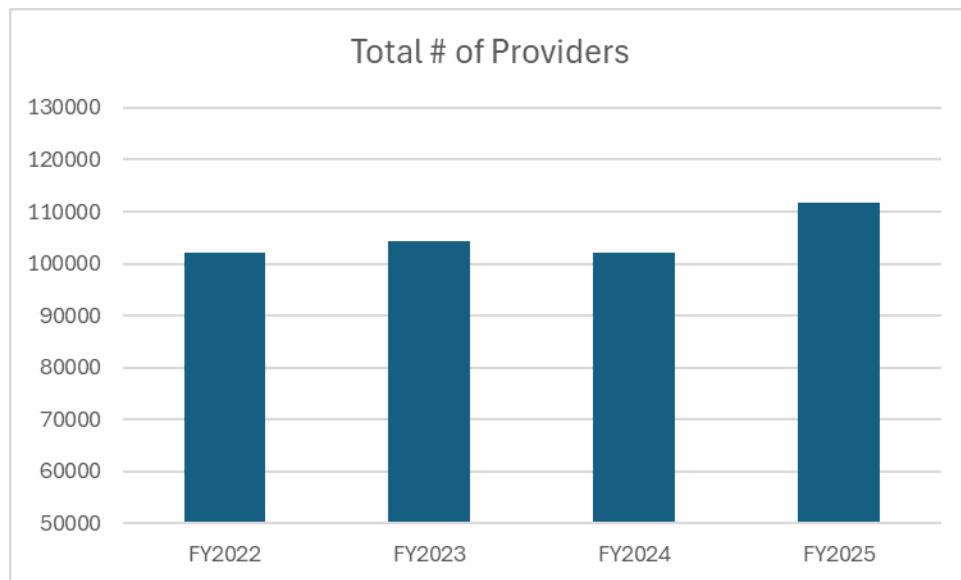
Most beneficiaries enrolled in NC Medicaid through expansion are young adults ages 19 to 29. This age group is most likely to lack health insurance and more likely to incur medical debt, sometimes because they delay or forgo needed medical care due to a lack of coverage.

## Empower providers to improve the health of their patients

NC Medicaid works to create and maintain a robust provider network that includes providers of all types and specialties and serve beneficiaries in all 100 counties in North Carolina. Improving health care access requires NC Medicaid to monitor the health plans and programs participation to ensure an adequate network of providers and services are available to Medicaid beneficiaries in each region. Federal regulations require health plans to maintain a provider network sufficient to provide adequate access for all services covered by the contract for all beneficiaries.

NC Medicaid's Provider Operations facilitates centralized provider enrollment, credentialing and data maintenance of all providers, alleviating the need for providers to complete credentialing processes with each health plan. This allows health plans to focus on contracting, which aids in building provider networks and offering consistent provider information to beneficiaries. Network adequacy teams verify the sufficiency of those networks to provide adequate access to services by constantly reviewing and addressing any accessibility concerns quickly. The department continuously monitors the network adequacy standards outlined, appointment wait time metrics and panel availability. As indicated in Exhibit 3, the Provider Operations team has seen continued growth in the provider enrollment across the state even through the significant change the NC Medicaid program has experienced.

Exhibit 3. Provider Snapshot



NC Medicaid's Managed Care Quality Strategy empowers providers to improve the health of their patients by aligning learning collaboratives, performance improvement initiatives and data-driven insights that translate evidence-based practices into measurable results. Through this approach, providers are supported in engaging community prevention efforts, advancing equitable care, and improving key outcomes in areas such as vaccination, chronic condition management, behavioral health and maternal health.

# Advance Medicaid Transformation



Since North Carolina received federal approval to transform its Medicaid program in 2018, NC Medicaid has been dedicated to improving the health and well-being for all North Carolinians. **From the transition to managed care to investments in innovative programs, NC Medicaid has responded to the diverse needs of North Carolinians enrolled in Medicaid.**

In SFY 2025, NC Medicaid implemented Behavioral Health I/DD Tailored Plans to advance Medicaid transformation (see Exhibit 4 below).

Exhibit 4. NC Medicaid Enrollment Options

Phase 1		Phase 2		Phase 3
Standard Plan July 1, 2021	ECBI Tribal Option July 1, 2021	NC Medicaid Direct July 1, 2021	Behavioral Health IDD/Tailored Plan July 1, 2024	Children and Families Specialty Plan December 1, 2025
<b>Standard Plans</b> provide integrated health, behavioral health, pharmacy, and long-term services and support to most Medicaid beneficiaries, as well as programs and services that address other unmet health related needs.	<b>The Eastern Band of the 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 (CIHA).	<b>NC Medicaid Direct</b> is North Carolina's health care program for NC Medicaid beneficiaries who are not enrolled in NC Medicaid Managed Care. It includes care management by Community Care of North Carolina (CCNC), the primary care case management entity for physical health services. Local Management Entity/Managed Care Organizations (LME/MCOs) coordinate services for mental health disorder, substance use disorder, intellectual/developmental disability (I/DD) or traumatic brain injury (TBI)	<b>Behavioral Health I/DD Tailored Plans</b> provide the same services as Standard Plans, as well as additional specialized services for individuals with serious mental health and severe substance use disorders (SUD), I/DDs and traumatic brain injury (TBI Waiver), on the Innovations Waiver, as well as people using state-funded services.	<b>Children and Families Specialty Plan</b> will include all Medicaid services offered in the Standard Plans and most services offered by Tailored Plans, including 1915(i) services and specialized care management services that aim to address challenges that children, youth, and young adults currently and formerly served by the child welfare system may face in receiving seamless, integrated and coordinated health care.

## NC Medicaid Managed Care – Standard Plans

North Carolina received federal authority to continue operating Standard Plans and launch Tailored Plans and the Children and Families Specialty Plan (CFSP) in December 2024. This continued authority will allow North Carolina to **support a smooth transition to managed care to improve care for Medicaid beneficiaries with complex needs.**



The start of NC Medicaid Managed Care in 2021 was the **biggest change to the state's Medicaid program** in its history



With NC Medicaid Managed Care, beneficiaries can choose a health plan and get care through a health plan's network of doctors

**Standard Plans offer integrated physical health, behavioral health, LTSS and pharmacy services**



When NC Medicaid Managed Care Standard Plans launched July 1, 2021, approximately **1.6 million beneficiaries were transitioned** to the new care delivery model. Today, **Standard Plan beneficiaries represent a majority (72.7%) of the total NC Medicaid beneficiary population.**

By the end of SFY 2025, 2,288,572 North Carolinians were enrolled in Standard Plans. This marked a 5.98% increase in Standard Plan enrollment when compared to SFY 2023. There were 5,683 enrolled in the first-in-the-nation Indian Managed Care Entity (IMCE), the Eastern Band of Cherokee Indians (EBCI) Tribal Option, as of July 2025.

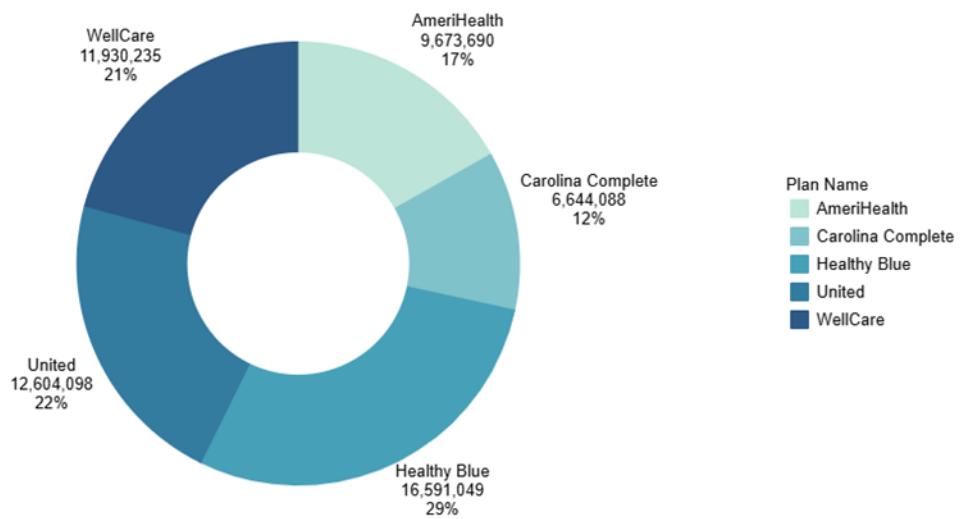
Exhibit 5. Enrollment by Health Plan

Standard Plan Health Plans	Enrollees as of June 2025
AmeriHealth	393,982
Carolina Complete*	281,046
Healthy Blue	621,029
UnitedHealthcare	491,531
WellCare	500,984
<b>Total</b>	<b>2,288,572</b>

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

In SFY 2025, the five Standard Plans processed more than 57 million pharmacy, professional and institutional claims.

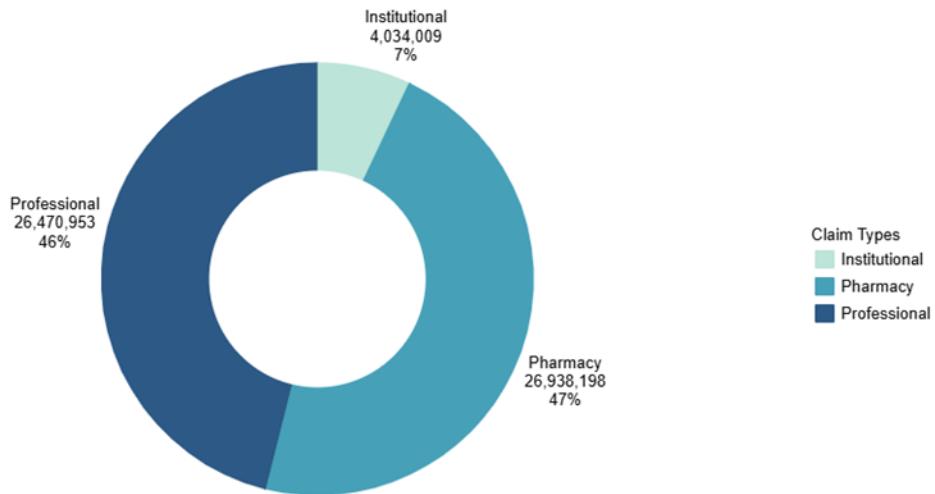
Exhibit 6. NC Medicaid Managed Care State Fiscal Year 2025 Total Claims Volume by Plan



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

During SFY 2025, 71.99% of NC Medicaid Managed Care claims were approved. As shown in Exhibit 6, 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 12% of the total claims volume for NC Medicaid.

## Exhibit 7. NC Medicaid Managed Care State Fiscal Year 2025 Total Claims Volume by Claim Type



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

As shown in Exhibit 7, of all the NC Medicaid Managed Care claims in SFY 2025, 47% were Pharmacy claims. Professional claims made up the second highest category (46%), while Institutional claims made up the smallest portion of all NC Medicaid Managed Care claims received (7%). Both Professional and Institutional claims categories had more than 85% of their claims paid (85.4% and 87.9% respectively). Of the claims categories, Pharmacy claims had the highest rate of denial, with 56.4% of all Pharmacy claims for SFY 2025 being denied.

## NC Medicaid Managed Care — Tribal Option

The Eastern Band of Cherokee Indians (EBCI) Tribal Option is a health care option managed by the Cherokee Indian Hospital Authority (CIHA) designed to meet the primary care coordination needs of federally recognized tribal members and others eligible for services through Indian Health Service (IHS).



Only IHS-eligible beneficiaries associated with the EBCI can participate in this health care option



EBCI Tribal Option had 5,683 beneficiaries as of June 2025

## NC Medicaid Direct

NC Medicaid Direct provides physical health care and behavioral health and I/DD services for more than 595,000 beneficiaries. During SFY 2025, NC Medicaid Direct served beneficiaries who were not enrolled in a Standard Plan, Tailored Plan or the Tribal Option. Some of the NC Medicaid Direct population will move to CFSP Dec. 1, 2025, when the program goes live. Potential CFSP beneficiaries include NC Medicaid-enrolled children, youth and young adults currently and formerly served by child welfare.



NC Medicaid Direct is North Carolina's health care program for Medicaid beneficiaries who are not enrolled in a health plan or the EBCI Tribal Option



**595,443** NC Medicaid Direct beneficiaries as of June 2025 \*

\*This figure includes partial benefit programs which do not provide all NC Medicaid services.

## Tailored Care Management

In December 2022, NC Medicaid launched Tailored Care Management (TCM), a service that pairs beneficiaries with a Tailored Care Manager to support their health and well-being. TCM is North Carolina's specialized care management model targeted toward individuals with a serious mental illness, severe substance use disorder, I/DD or TBI.



34% of TCM beneficiaries had at least one claim submitted on their behalf in SFY 2025



**309,000 beneficiaries** are currently enrolled in TCM



**88** community-based providers are currently certified as TCM providers in addition to TCM services delivered by Tailored Plans

The cumulative TCM engagement rate doubled in SFY25 from 17% to 34%.

### Tailored Care Management is Making a Real Difference for Beneficiaries

Many beneficiaries receiving TCM have high intensity needs. The service is extremely valuable, and members are receiving **ongoing support**. Engaged members had an average of 4.9 claims submitted on their behalf, showing long-term engagement in care management services.

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
- Management of chronic health conditions
- Support accessing medical and non-medical health-related needs

## Launching Tailored Plans

On **July 1, 2024**, the Department, alongside Alliance, Partners, Trillium and Vaya launched Behavioral Health I/DD Tailored Plans.

The launch of the Behavioral Health and I/DD Tailored Plans occurred July 1, 2024. Tailored Plans cover doctor visits, prescription drugs, LTSS, and services for serious mental illness, severe substance use disorders, I/DD and TBI all in one plan. Initially when the contract was awarded, there were seven LME/MCO organizations throughout the state. To streamline care for Medicaid beneficiaries, the Department oversaw the consolidation of three LME/MCO organizations which resulted in four remaining regional LME/MCOs.



Behavioral Health and I/DD Tailored Plans launched July 1, 2024



**Approximately 253,000 North Carolinians** receive services through a Tailored Plan



Tailored Plans cover doctor visits, prescription drugs and services for mental illness, substance use disorder, I/DD and TBI in one plan

When NC Medicaid Managed Care Tailored Plans launched July 1, 2024, approximately **210,000 beneficiaries were transitioned** to the new care delivery model. By the end of SFY 2025, approximately 253,000 North Carolinians were enrolled in Tailored Plans. This marked a 23% increase in Tailored Plan enrollment when compared to state fiscal year 2024. Nearly 74,000 beneficiaries within Tailored Plans received services through Medicaid expansion eligibility.

Standard Plan Health Plans	Enrollees as of June 2025
Trillium	88,962
Vaya	45,408
Alliance	68,061
Partners	51,118
<b>Total</b>	<b>253,549</b>

## Children and Families Specialty Plan

The CFSP is a single, statewide NC Medicaid Managed Care plan currently in the implementation phase.

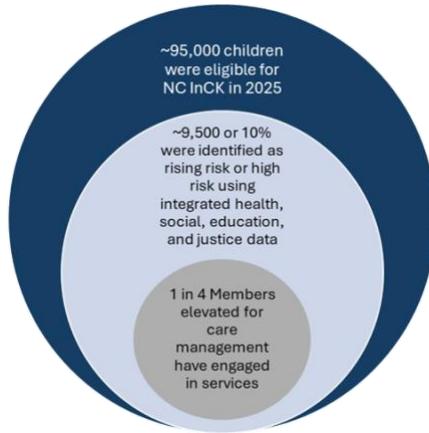


The CFSP will cover physical health, behavioral health, pharmacy, care management, non-emergency medical transportation (NEMT), LTSS and I/DD services for Medicaid-enrolled children, youth and young adults currently and formerly served by the child welfare system

At launch, the CFSP will serve approximately 32,000 children and youth currently in foster care or receiving adoption assistance, and young adults under age 26 formerly in foster care. Additionally, minor children of these eligible populations will be enrolled at launch and maintain enrollment while their parents are enrolled. Phase 2 of the new health plan, **which will launch at a future date yet to be determined**, will include Medicaid-eligible family members of children in foster care, as well as Medicaid-eligible families receiving Child Protective Services In-Home Services.

## NC Integrated Care for Kids

The North Carolina Integrated Care for Kids Model (NC InCK) is a child-centered, local service delivery and state payment model aimed at improving the quality of care and reducing expenditures for children insured by Medicaid in Alamance, Orange, Durham, Granville and Vance counties. NC InCK aims to integrate services for children, including physical and behavioral health, food, housing, early care and education, Title V, child welfare, mobile crisis response services, juvenile justice and legal aid. NC InCK has operated as a collaborative effort between Duke, UNC and NCDHHS, beginning with a two-year planning period in 2020 and continuing with a five-year implementation period that will end in 2026.



Rising risk children participate in NC InCK care management for a median of 197 days, while high risk children participate for a median of 206 days. Early data indicates that more time in care management is associated with greater cost reductions, with a 32% reduction in costs for highest-risk children at the end of one year of engagement. Costs also appear to continue to decrease for these highest risk children, with a 21% reduction in costs one year post-engagement.

Qualitative interview data also indicates that NC InCK has a strong impact on child and family health. Parents report improvement in physical and behavioral health for the engaged child as well as other siblings in the household. Caregivers also describe improvements in their own health and well-being when their children's health and educational concerns are better managed.

## Healthy Opportunities Pilots

HOP is a first-in-the-nation, comprehensive pilot that integrates medical and non-medical services, including healthy food, housing, transportation and supports to address interpersonal violence and toxic stress, within the Medicaid program. In 2018, the federal government authorized the use of federal and state Medicaid funding to implement HOP in three regions of the state over five years, through October 2024. A subsequent CMS waiver renewal in 2024 gave North Carolina the option to continue current operations, expand the program statewide, and provide services such as provision of six months rental assistance under HOP.

Since launching March 15, 2022, NC Medicaid has reimbursed Human Service Organizations (HSOs) for the delivery of over 100,000 evidence-based, non-medical services to address whole-person health through HOP. HOP connects eligible beneficiaries to Medicaid care management, defines and prices 28 non-medical services, and provides reimbursement for the provision of services that address non-medical drivers of health (also known as social drivers of health). HOP provides the state the opportunity to cover the cost of 28 interventions as listed in the [Pilot Service Fee Schedule](#).

In 2024, HOP expanded eligibility to include Medicaid Members that meet the pilot eligibility criteria and are also enrolled in Tailored Plans and those enrolled in NC Medicaid Direct and qualify for LME/MCO services.

HOP covers a wide variety of services for eligible beneficiaries that address food, housing, and interpersonal safety violence and toxic stress needs. To learn more about the Healthy Opportunities Pilot, visit their webpage.

## Evaluating the success of the Healthy Opportunities Pilots



Since March 15, 2022, HOP has served over 40,000 enrollees in total, delivering more than 1,145,000 non-medical services across 33 counties

### What's next for the Healthy Opportunities Pilots?

Based on the findings of the Interim Evaluation Report, researchers outlined four key recommendations: maintain efforts to screen, enroll and deliver Healthy Opportunities Pilot services to Medicaid beneficiaries; do not limit service duration; understand the relationship between Pilot services and social needs, including keeping the focus on HOP addressing health-related social needs to improve health; and expand Pilot services to other regions of North Carolina. The full Interim Evaluation Report and summary can be viewed [here](#).

Continued provision of HOP services into state fiscal year 2026 and beyond is dependent on additional state funding for the program. NCDHHS has continued to work with the NCGA on future funding opportunities, seeking to build upon the reduced health care costs and improved health outcomes that have been consistently demonstrated by HOP.

## Advance Long-Term Services and Supports

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

### By the Numbers: Community Alternatives Programs



**3,977**



**12,134**



**5,372**



**\$681.8 million**

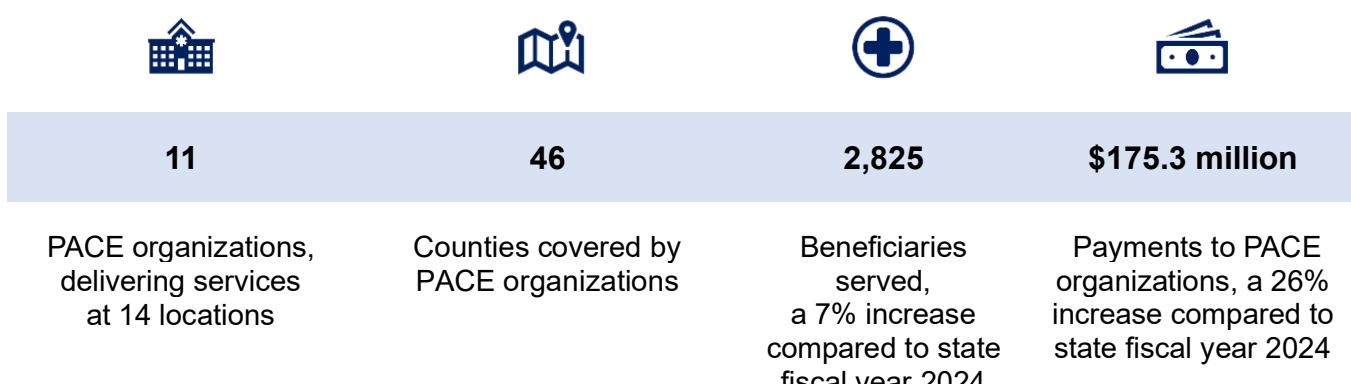
Unduplicated CAP/C participants served in this fiscal year

Unduplicated CAP/DA participants served in this fiscal year

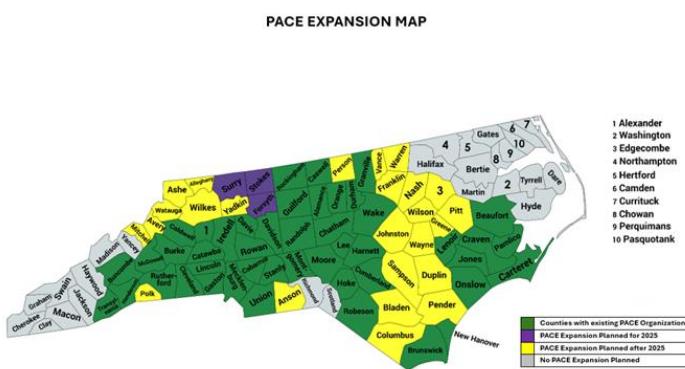
CAP/C and CAP/DA participants directing care through Consumer-directed services

Dollar amount in CAP reimbursements, a 10.4% increase compared to state fiscal year 2024

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



#### Exhibit 8 PACE Service Areas and Planned Expansions



in Kannapolis. Once these expansions are completed, PACE will cover 49 of the 100 counties. NC Medicaid received the submission of nine additional statements of intent for SAE for its review in SFY 2026. These statements include proposed expansion into 24 additional counties.

## By the Numbers: Money Follows the Person



**MFP** is a national initiative funded by the Centers for Medicare & Medicaid Services (CMS) that helps people move out of institutional settings and into homes and communities where they can live more independently. The program is designed to support older adults, individuals with physical disabilities, people with TBI and those with I/DD.

Since its launch in North Carolina in 2009, MFP has helped **1,980 individuals** transition from institutional care to community living through the end of fiscal year 2025. These transitions are made possible by providing one-time financial support for essential needs that are not typically covered by Medicaid. This includes home modifications to improve accessibility, deposits for housing and utilities, basic furniture, and pre-transition assessments to ensure a smooth and safe move.

By removing financial and logistical barriers, MFP empowers people to choose where they live and how they receive care – while continuing to access the services and supports they need to thrive in the community. Choice. Community. Home.

## Advance Pharmacy Benefits

NC Medicaid enhances the lives of beneficiaries through a comprehensive pharmacy benefit. In SFY 2025, NC Medicaid developed innovations to reduce spending for high-cost drugs, increased access to critical immunizations and enhanced continuity of care in insulin therapy. The NC Pharmacy team provided oversight of the pharmacy benefit managed by Standard Plans and launched the Tailored Plans in SFY 2025.

### State Fiscal Year 2025 Performance

NC Medicaid currently spends \$4.1 billion gross on pharmacy claims per year. Spending is reduced to \$1.8 billion per year after federal and supplemental rebates are received. NC Medicaid reimbursed providers for 20.1 million prescriptions in state fiscal year 2025.

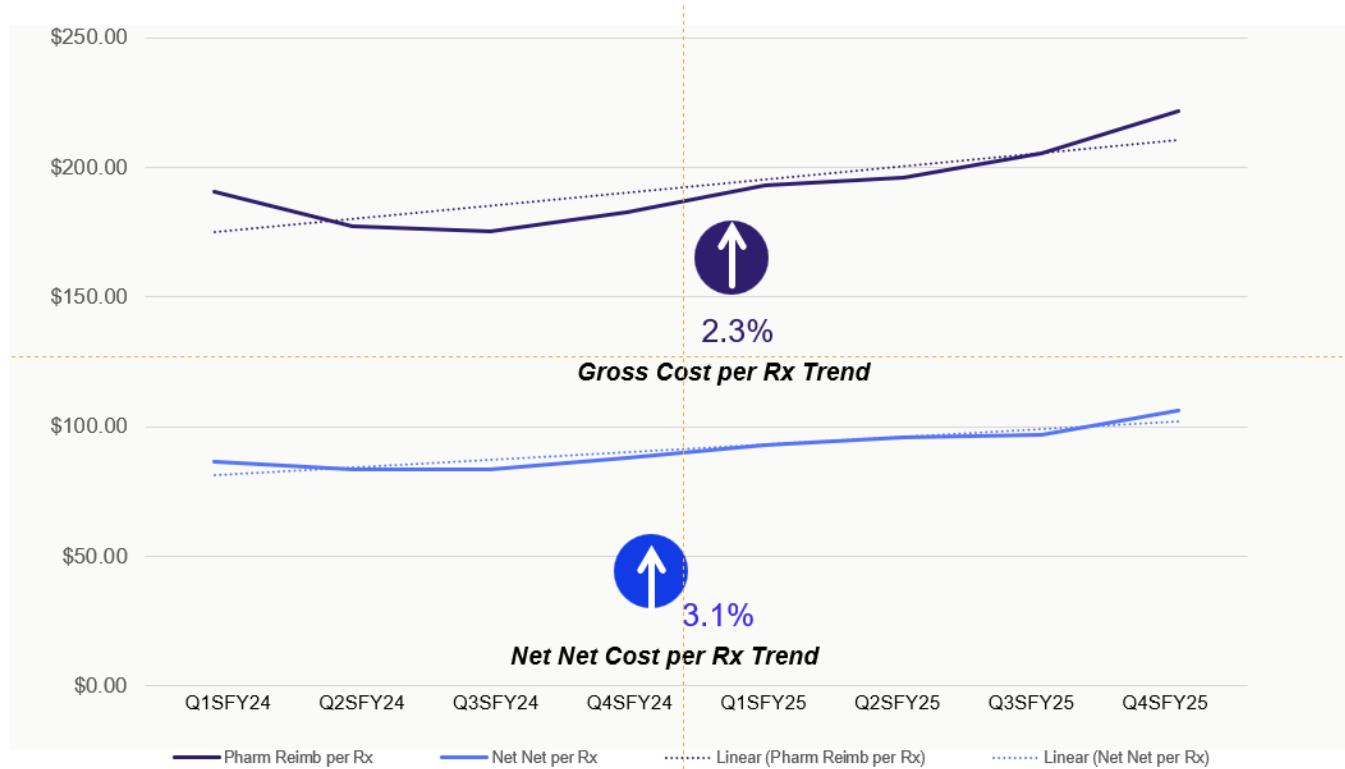
Overall, the gross spending per prescription increased by 2.3% to approximately \$204.01 per prescription in state fiscal year 2025. After rebates are factored in, the net cost per prescription remains at approximately \$97.94 per prescription, a 3.1% increase over the past two years.

Considering only traditional medications, the gross spend on a per prescription basis increased 2.1% to \$105.09 per prescription and the net cost after rebates increased 4.2% to \$ 41.98 per prescription.

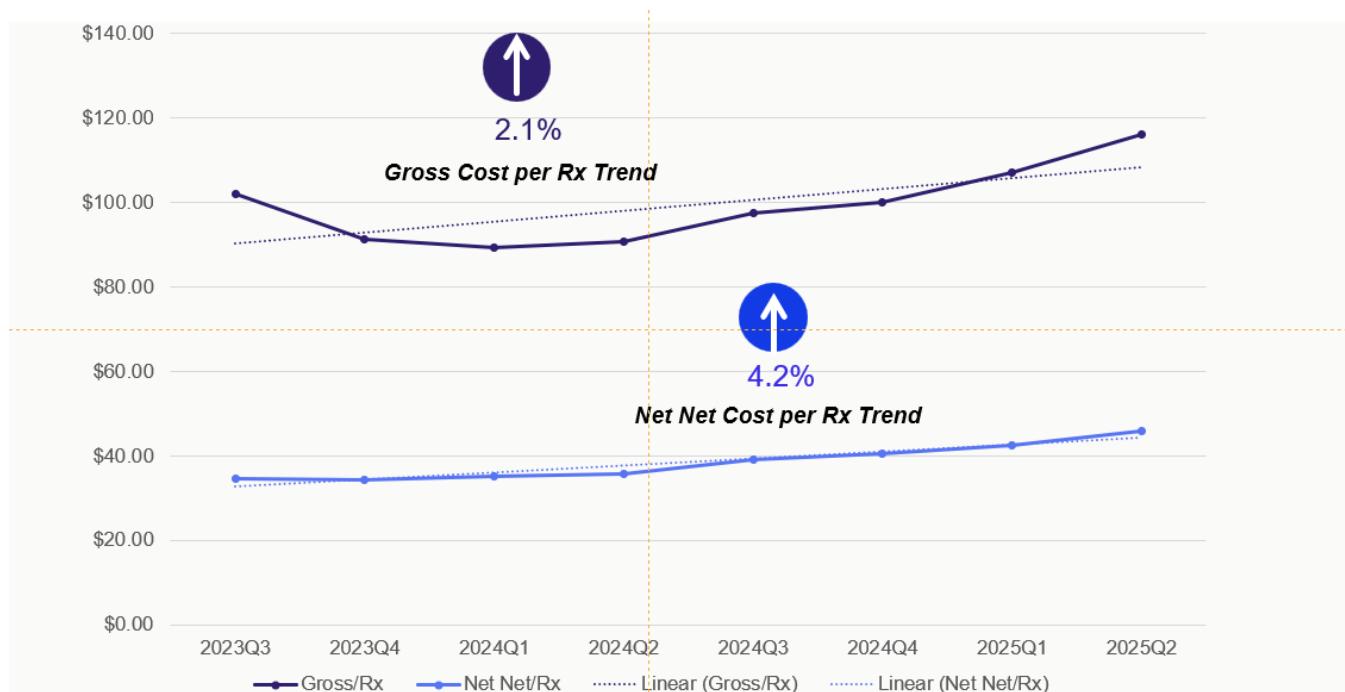
Specialty drug spending declined slightly to 57.9% of the overall drug spend. This reflects an increase of 0.9% in gross spend per prescription and an increase of 0.6% in net spend per prescription after rebates. The gross spend in SFY 2025 was approximately \$5,769.27 per specialty drug prescription and net cost was approximately \$3,246.00 per specialty drug prescription.

Medications for behavioral health represent 14.86% of the overall drug spend, which is consistent with SFY 2024 (14.14%).

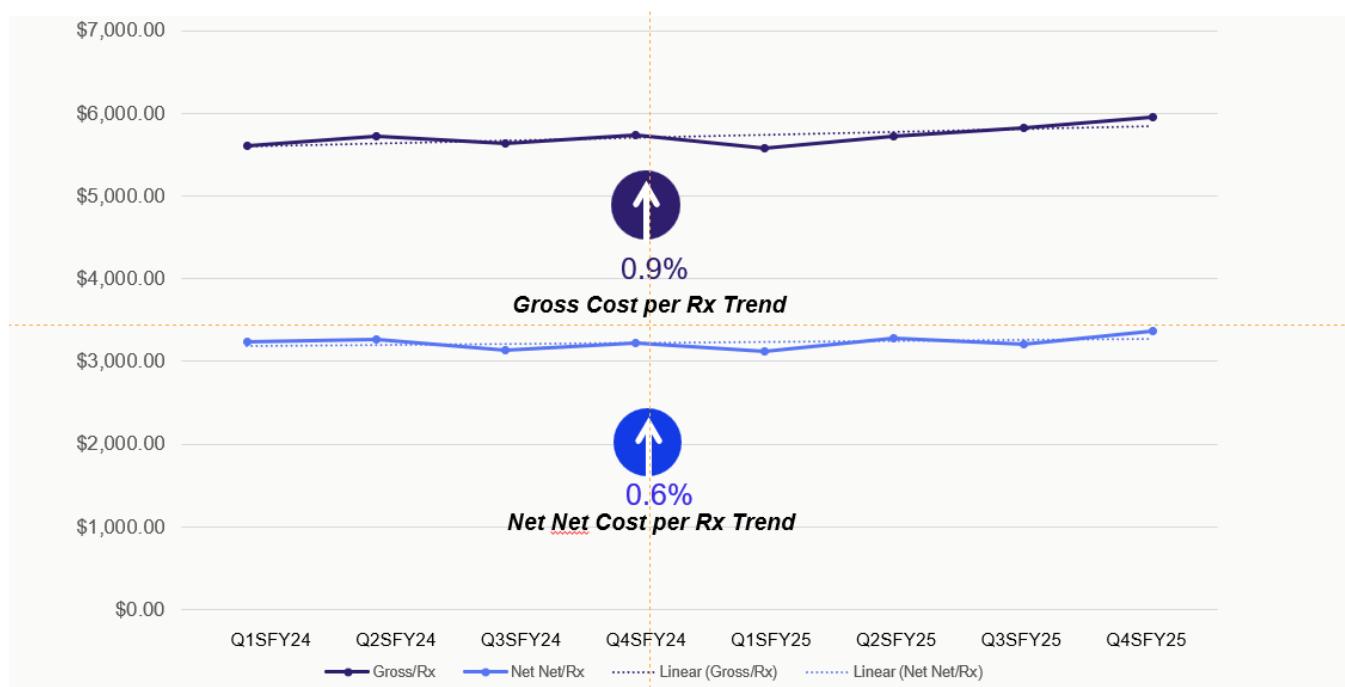
## Exhibit 9. Two-Year Trend Line — All Drugs



## Exhibit 10. Two-Year Trend Line — Traditional



## Exhibit 11. 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 NC Medicaid Direct and NC Medicaid Managed Care health plans. The PDL compliance rate for state fiscal year 2025 was 96%, which is consistent with years past and continues to be exceptional. It 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 SFY 2025 was 54.9% of pharmacy expenditures.

## Exhibit 12. Top 10 Drugs by Spend, net of rebates

Rank	Drug
1	Dupixent Pen(dupilumab)
2	Wegovy (semaglutide)
3	Stelara (ustekinumab)
4	Ozempic (semaglutide)
5	Mounjaro (tirzepatide)
6	Dupixent Syringe (dupilumab)
7	Vraylar (cariprazine)
8	Cosentyx (secukinumab)
9	Skyrizi (risankizumab-rzaa)
10	Ocrevus (ocrelizumab)

## **Participation in Centers for Medicare & Medicaid Services Cell and Gene Therapy Access Model for Sickle Cell Disease**

NC Medicaid is proud to announce its participation in the CMS Cell and Gene Therapy (CGT) Access Model coming October 1, 2025, a groundbreaking initiative aimed at expanding access to transformative therapies for Medicaid beneficiaries with Sickle Cell Disease. As one of the 33 states participating in the model, North Carolina will implement outcomes-based agreements that tie payments for high-cost gene therapies for LYFGENIA™ and CASGEVY® to measurable health outcomes. This model will help reduce financial barriers, improve health equity and ensure that eligible beneficiaries can access life-changing treatments through a standardized, value-based framework. NC Medicaid's involvement reflects its ongoing commitment to innovation, health equity and improving the quality of life for individuals living with Sickle Cell Disease.

## **Development of NC Select Drug List**

The NC Select Drug List is a strategic initiative designed to improve access to high-cost, innovative therapies while ensuring fiscal responsibility and transparency. The NC Select Drug List is applicable to both NC Medicaid Direct and NC Medicaid Managed Care and includes select specialty drugs – such as cell and gene therapies – that are excluded from standard inpatient and outpatient reimbursement methodologies and instead are reimbursed separately based on the lesser of the actual acquisition cost or average sales price, net of all discounts and rebates. This approach allows NC Medicaid to claim manufacturer rebates and better manage the financial impact of these transformative treatments. The NC Select Drug List currently includes therapies such as CASGEVY®, LYFGENIA™, ZOLGENSMA®, and LUXURNA®, among others, reflecting NC Medicaid's commitment to supporting access to life-changing treatments for beneficiaries with rare and serious conditions.

## **Coverage of COVID-19 and Seasonal Influenza Vaccines for Children in Pharmacies**

To improve access to critical immunizations and reduce barriers for families, NC Medicaid now covers COVID-19 and seasonal influenza vaccines at point-of-sale (POS) pharmacies for beneficiaries ages 3 and older, outside of the Vaccines for Children (VFC) program. Effective January 1, 2025, and aligned with the extended federal PREP Act through 2029, this initiative allows immunizing pharmacies to administer and bill for non-VFC COVID-19 and flu vaccines for children ages 3 to 18. This expansion ensures that children who may not have access to a VFC provider can still receive timely vaccinations at convenient pharmacy locations. By enabling broader access through retail pharmacies, NC Medicaid is advancing health equity and supporting preventive care for its youngest members.

## **Increased Duration of Prior Authorizations for Insulin**

To enhance continuity of care and reduce administrative burden for patients and providers, NC Medicaid has extended the prior authorization (PA) duration for insulin products from one year to three years for beneficiaries with Type 1 diabetes effective May 1, 2025. By streamlining the PA process, NC Medicaid aims to improve medication adherence, reduce delays in therapy and support better long-term health outcomes for individuals managing Type 1 diabetes. This initiative reflects NC Medicaid's commitment to improving access to essential treatments while easing the administrative workload for prescribers and pharmacists.

# Additional Exhibits

## Exhibit 13. Medicaid Funding Sources | State Fiscal Years 2023-2025

(\$ millions)	Medicaid					
	2023 Actuals	2023 Budget	2024 Actuals	2024 Budget	2025 Actuals	2025 Budget
Expenditures	\$21,496	\$22,052	\$27,789	\$29,257	\$35,771	\$32,960
Revenues-Fed	14,822	15,192	18,887	19,890	25,013	22,514
Revenues-Other	2,068	2,135	3,443	3,895	4,594	4,282
Appropriations	\$4,606	\$4,725	\$5,468	\$5,471	\$6,165	\$6,165

## Exhibit 14. Medicaid Payment by Category of Service | State Fiscal Years 2023-2025

EXPENDITURES FOR MEDICAID (ranked by claims expenditure in SFY 2025)						
Service Category	SFY 2023		SFY 2024		SFY 2025	
	Claims Expenditure (\$ millions)		Claims Expenditure (\$ millions)	YOY Variance (vs. SFY2023)	Claims Expenditure (\$ millions)	YOY Variance (vs. SFY2024)
Standard Plan Managed Care	\$6,301.54		\$9,174.63	45.6%	\$12,013.63	30.9%
Healthcare Access & Stabil Prog (HASP)	\$0.00		\$2,949.15	N/A	\$6,595.52	123.6%
Tailored Plan Managed Care	\$0.00		\$0.00	N/A	\$6,179.31	N/A
Skilled Nursing Facilities (SNF)	\$2,114.06		\$2,221.24	5.1%	\$2,346.04	5.6%
Medicaid Direct Behavioral Health	\$3,710.08		\$4,201.59	13.2%	\$1,325.21	-68.5%
Buy-in/Dual Eligible	\$1,116.45		\$1,180.98	5.8%	\$1,280.07	8.4%
Hospital Inpatient	\$1,134.10		\$1,143.77	0.9%	\$767.69	-32.9%
Non-Capitation Managed Care*	\$2,192.10		\$1,313.86	-40.1%	\$577.68	-56.0%
Community Alternatives Programs (CAP) - Disabled Adults	\$482.95		\$505.23	4.6%	\$536.48	6.2%
Personal Care Services (PCS)	\$581.69		\$569.77	-2.0%	\$530.53	-6.9%
Dental	\$431.38		\$472.94	9.6%	\$526.03	11.2%
Graduate Medical Education (GME)	\$345.12		\$380.86	10.4%	\$387.67	1.8%
Pharmacy	\$919.23		\$924.36	0.6%	\$299.17	-67.6%
Hospital Outpatient	\$329.64		\$319.12	-3.2%	\$201.40	-36.9%
Tailored Care Management (TCM)	\$0.00		\$105.27	N/A	\$195.98	86.2%
Physician	\$339.04		\$331.30	-2.3%	\$190.01	-42.6%
Program for All-Inclusive Care for the Elderly (PACE)	\$114.48		\$136.60	19.3%	\$175.29	28.3%
Hospice	\$129.47		\$145.87	12.7%	\$165.11	13.2%
Home Health	\$182.72		\$206.32	12.9%	\$160.21	-22.3%
CAP - Children	\$105.39		\$112.18	6.4%	\$136.27	21.5%
Durable Medical Equipment (DME)	\$173.08		\$168.91	-2.4%	\$130.13	-23.0%
Other Fee for Service	\$421.79		\$818.86	94.1%	\$84.34	-89.7%
Hospital Emergency Room	\$173.16		\$181.65	4.9%	\$81.03	-55.4%

NEM Transport	\$71.98	\$84.17	16.9%	\$74.68	-11.3%
Clinic	\$66.22	\$69.61	5.1%	\$59.05	-15.2%
Practitioner Non-Physician	\$93.32	\$97.01	4.0%	\$51.71	-46.7%
Hosp Inp/Outp Mental Health	\$42.20	\$42.33	0.3%	\$25.47	-39.8%
Lab & X-ray	\$51.30	\$43.24	-15.7%	\$15.87	-63.3%
Optical	\$4.47	\$12.59	181.7%	\$10.61	-15.7%
Ambulance	\$17.12	\$15.84	-7.5%	\$9.38	-40.8%
Health Check	\$7.38	\$7.73	4.7%	\$3.62	-53.1%
Ambulatory Surgery Center	\$4.20	\$6.33	50.7%	\$3.04	-52.0%
	\$21,655.74	\$27,943.40	29.0%	\$35,138.25	25.7%

*\*Includes wrap payments, state directed payments (excluding HASP), and other non-risk payments to managed care plans.*

*Excludes drug rebates, cost settlements, and supplemental payments to providers*