North Carolina Medicaid Assessment

Executive Summary of the Assessment Report

NC Department of Health and Human Services, Division of Health Benefits · November 20, 2026

The North Carolina Medicaid Assessment project and resulting report identifies strategic, data-informed strengths and opportunities to enhance the outcomes, value, efficiency and long-term sustainability of the NC Medicaid program, which serves over 3 million North Carolinians. NCDHHS conducted an assessment of the program as part of our commitment to the health of North Carolinians.

States generally have four levers to manage Medicaid costs: limit eligibility, reduce covered services, decrease payment rates, or maximize the program's value. This assessment focuses on the fourth: identifying actions NC Medicaid can take to improve the value, outcomes, efficiency, and sustainability of our program -- without cutting eligibility, benefits, or payment rates.

The Medicaid Assessment Report is a summation of NCDHHS' work from May 2026 to November 2026. NCDHHS conducted a landscape analysis of NC Medicaid spending and enrollment trends, including comparing that spending to 10 peer states in the US such as Virginia, Tennessee, and Michigan. By evaluating the top cost centers and cost growth drivers, NCDHHS found opportunities to improve program value and sustainability across eight program areas.

In these areas, NCDHHS is considering 27 prospective policy and program actions. Initial evaluation indicates that two-thirds of the actions are expected to be cost-neutral or produce cost-savings to NC Medicaid in the long term. All would offer non-financial benefits such as improvements to health outcomes, quality, or administrative burden. NCDHHS engaged key stakeholders for feedback. Most proposed actions were supported by stakeholders, although support varied based on stakeholder perspective (i.e., provider, health plan).

The Assessment Report also fulfills requirements from Section 3C.14 of Session Law 2026-1 (House Bill 696), which directs NC Medicaid to submit a plan for improved health outcomes, program integrity, cost savings and efficiency and included specific direction on actions that should be considered. Actions related to each House Bill 696 requirement are identified throughout the report, and a crosswalk is provided in Section IV.

Looking ahead, NCDHHS, in collaboration with stakeholders, will use this report to prioritize actions in 2027 and beyond to advance the value and sustainability of NC Medicaid. Prioritized actions could include policy changes the Department can make directly, as well as actions that require changes to State law or federal authority. Many proposed actions require up-front investment to yield long-term value or savings to the program, so these investments would need to be included in future State budget requests. Other actions will require thoughtful staging, the generation of empirical data to assess impact, and determination of NCDHHS' capacity to implement. NCDHHS will weigh these considerations carefully with lawmakers, the Governor's Office, the Office of State Budget and Management, and stakeholders. NCDHHS is aware that some proposals may have potential unintended short-term and longer-term consequences across North Carolina's healthcare ecosystem, so limiting the potential for such impact will be part of prioritization.

We thank all partners who have provided input and feedback throughout this process, including through formal public comment following public webinars that NCDHHS held in September and October. Some feedback is directly incorporated into the body of this work, while other information, especially those areas identified as concerns, will be instrumental in guiding next steps. Further feedback and engagement on the content of this report is essential as NCDHHS determines which recommendations to advance in the near-term in partnership with the NC General Assembly and Medicaid stakeholders. NC Medicaid is establishing a 30-day public comment period to solicit

additional feedback from stakeholders on the proposals in the report. We look forward to working closely with our partners to chart a strong and sustainable path forward for NC Medicaid.

Sincerely,

Melanie Bush
Deputy Secretary, Division of Health Benefits / NC Medicaid

What the Report Contains

The report is organized in five sections with an appendix, and much of the material has been shared publicly. It first includes the landscape analysis and policy and program actions presented to stakeholders and NCGA members during webinars in September and October 2026. It also includes an implementation analysis for each policy action, along with summaries of stakeholder input received to date. Four new actions related to Medicaid administration and State operations were added.

Section	Slides	Contents
I. Project Overview	4–15	Offers national and State context, including H.R. 1; the assessment's purpose and approach; stakeholder engagement process; and how the report addresses House Bill 696 requirements.
II. Landscape Analysis	16–68	Reviews statewide Medicaid spending and enrollment trends compared with ten peer states, and findings for eight focus areas where there is the greatest opportunity to strengthen program value.
III. Proposed Policy and Program Actions	69–136	Proposes 27 potential actions across the eight focus areas for consideration. Each action has a description, rationale and implementation analysis. This implementation analysis includes expected value and cost impact, resource needs, any federal or state authority changes required, and earliest implementation timing. Of the 27 proposed actions, 20 actions were shared with a request for feedback; for those actions, this section also includes a summary of initial stakeholder input.
IV. Other Opportunities	137–145	Highlights opportunities NCDHHS is already advancing or plans to advance; reviews House Bill 696 requirements that were evaluated and the alternative actions proposed.
V. Conclusion and Appendix	146–186	Discusses next steps and further public comment opportunities; provides landscape analysis methods and detailed findings.

Landscape findings. Medicaid covers more than 3 million North Carolinians and contributes an estimated $30 billion to the State's economy. North Carolina Medicaid is not immune to increasing health care costs experienced across health plans nationwide. H.R. 1 is estimated to reduce Medicaid funding to North Carolina by as much as $50 billion over the next decade, and more than 250,000 North Carolinians are at risk of losing coverage. While total Medicaid spending has grown in recent years, Medicaid's share of State general revenue has remained flat. Costs, cost growth, and outcomes varied across service lines and populations, and NCDHHS identified opportunities to strengthen program value in eight focus areas in particular: hospital services, prescription drugs, long-term services and supports (LTSS), primary care and population health, behavioral health, research-based behavioral health treatment (RB-BHT), managed care, and administration and State operations.

Policy and program actions. The report proposes 27 potential actions across eight focus areas. Of those, NCDHHS evaluated the potential value, cost impacts, and implementation and timeline considerations of 24 actions. NCDHHS did not further evaluate the three RB-BHT actions because it has already taken these actions.

- **Value Impact:** All 24 actions are expected to yield non-financial benefit over time, such as improvements to health outcomes; member, provider, and Prepaid Health Plan (PHP) experience or burden; service utilization; and program efficiency or sustainability.

- **Resource needs:** All 24 actions will require some resources to implement. Eight actions are expected to require relatively few resources, 12 actions are expected to require a medium level of resources, and four are expected to require a relatively high level of resources.
- **Cost Impact:** The expected cost impact of each action is considered based on the difference between projected costs in North Carolina Medicaid absent policy intervention and projected costs with the policy in place over time. Nineteen actions are expected to be cost-saving or cost-neutral to NC Medicaid. For the other five actions, cost impacts are unclear due to policy dependencies.
- **Key Operational Needs:** The majority–22 of the 24 actions analyzed–will require some change in authority to implement. This includes statutory change, state plan amendment, state directed payment, waiver approval or amendment, contract amendment or other policy changes.
- **Implementation Timelines:** All but one of the actions could be implemented by state fiscal year (SFY) 2030–2031, assuming timely approval of required resources and authorities and completion of operational needs.

Focus area	Actions
Hospital services	1. Strengthen outpatient hospital payment methodology 2. Make payments site-neutral for some outpatient services
Prescription drugs	3. Carve the pharmacy benefit out of managed care 4. Connect enrollees prescribed GLP-1s to supports 5. Use PBA to manage medical pharmacy benefit 6. Limit provider use of the 340B drug purchasing program
Long-term services and supports	7. Implement a skilled nursing facility (SNF) value strategy 8. Strengthen CAP/C and CAP/DA case management
Primary care and population health	9. Implement next-generation primary care model pilot 10. Continue to invest in Healthy Opportunities Pilots 11. Develop maternal health action plan 12. Strengthen care management accountability and rigor
Behavioral health	13. Expand providers offering integrated primary care and behavioral health 14. Expand home and community-based supports (HCBS) for individuals with complex co-occurring physical and behavioral health needs 15. Increase specialized behavioral health nursing facilities
Research-based behavioral health treatment (RB-BHT)	16. Ensure appropriate utilization of RB-BHT services 17. Strengthen RB-BHT treatment planning and standards for ASD diagnosis 18. Strengthen RB-BHT provider requirements *Note: NCDHHS has already taken all three actions (#16-#18)*
Managed care	19. Simplify and streamline managed care administration 20. Increase standardization in claims processing 21. Strengthen quality incentives, mechanisms for Tailored Plans
Administration and state operations	22. Enhance qualifications and quality standards for non-clinical providers (e.g., RB-BHT, peer supports, mobile crisis, and HCBS direct support professionals) 23. Enhance data-driven oversight of utilization and claims 24. Strengthen DHB's risk-based approach to program integrity 25. Modernize eligibility and enrollment technology 26. Address key workforce gaps 27. Expand agency artificial intelligence (AI) use and governance

Stakeholder Engagement

As detailed below, NCDHHS shared assessment findings with the General Assembly and the public at each phase and asked for feedback on the landscape analysis and on the proposed policy and program actions.

Date	Session	Purpose and audience
Sep. 2, 2026	General Assembly information session	Provided a project overview and the landscape analysis findings with Health Committee members and staff, with time for members' questions.
Sep. 3, 2026	Stakeholder webinar: Project Overview and Landscape Analysis	Open to the public. Feedback invited through an online form. [Attendance: 158]
Oct. 1, 2026	General Assembly webinar: Policy and Program Actions	Provided an overview of the proposed actions to Health Committee members and staff, with time for members' questions.
Oct. 2, 2026	Stakeholder webinar: Policy and Program Actions	Open to the public. An online form asked for a rating and comments on each proposed action. [Attendance: 130]
Oct. 5, 2026	NC Medicaid advisory committees	Briefing on the proposed actions for the Medicaid advisory committees.
Oct. 13 – Nov. 9, 2026	Small-group discussions	Small-group discussions with key stakeholders, including health plan and provider organizations, focused on the actions most relevant to each group.

Feedback. NCDHHS released a feedback form for stakeholders to react to proposed policy actions and received 31 responses. An additional seven organizations provided written comments. Respondents included provider and professional associations, hospitals and health systems, local health departments, community health centers, health plans, advocacy organizations and individuals.

What stakeholders said. Stakeholders supported most proposed actions, although recommended modifications to several.

- Limits on provider use of the 340B drug purchasing program drew the most concerns, chiefly from local health departments, community health centers, and hospitals and health systems, several of which asked to be exempted.
  - *NCDHHS modified this action to exempt additional entities in response to this feedback; the following entities would be exempt from this action, allowing them to use 340B discounted drugs for Medicaid: Non-hospital federal grantees, including Federally Qualified Health Centers (FQHCs), local health departments, Critical Access Hospitals (CAHs), and non-acute care hospitals.*
- Hospitals opposed the outpatient hospital payment methodology and site-neutral payment actions.
- Health plans opposed carving the pharmacy benefit out of managed care, citing lost premium tax revenue and managed care efficiencies that would offset potential Medicaid savings.
  - *The Report acknowledges the premium tax implications of this proposed action.*
  - *NCDHHS is evaluating a single PBA model as a potential alternative action.*
- Health plans also raised concerns about using the State's PBA to manage the medical pharmacy benefit and about simplifying and streamlining managed care administration.

    - *DHB's pharmacy team has since clarified that the action would transition management of the Medicaid Fee-for-Service (FFS) medical pharmacy benefit to the PBA. While health plans would be required to follow any management protocols used in FFS Medicaid, consistent with other pharmacy benefit requirements today, they would continue to administer the medical benefit.*
- Nursing facilities expressed that a value-based payment add-on would need new funding and legislative authority.
- Respondents asked that each action include an estimated cost and return.

How feedback is reflected in this report. Stakeholder input is summarized in Section III of the report for each of the 20 proposed actions put out for feedback, alongside the implementation analysis. Four actions in administration and state operations were not previewed with stakeholders before the report: risk-based program integrity, eligibility and enrollment technology, workforce gaps, and agency use and governance of artificial intelligence. The report invites input on these four through additional public comment. The three RB-BHT actions describe steps NCDHHS has already taken. Each action also includes a preliminary estimate of resource needs and cost impact.

Public Comment & Next Steps

The Division of Health Benefits is releasing the final draft report for a 30-day public comment period, ending on December 21, 2026.

NCDHHS will then use the report and public comments to prioritize actions to advance in 2027 and beyond, working alongside lawmakers, the Governor's Office, the Office of State Budget and Management, and stakeholders.