



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Medicaid Modernization.
Bill Number: House Bill 546 (Third Edition)
Sponsor(s): Rep. White, Rep. Chesser, Rep. Reeder, and Rep. Rhyne

SUMMARY TABLE

FISCAL IMPACT OF H.B.546, V.3 (\$ in millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund Revenue	-	0.6	1.0	0.8	0.8
Hospital Receipts	-	15.6	31.3	32.0	32.6
Federal Medicaid Receipts	-	38.6	67.3	68.4	69.6
<u>Less Medicaid Expenditures</u>	<u>-</u>	<u>54.2</u>	<u>98.6</u>	<u>100.4</u>	<u>102.2</u>
General Fund Impact	-	0.6	1.0	0.8	0.8
NET STATE IMPACT	-	0.6	1.0	0.8	0.8

FISCAL IMPACT SUMMARY

Part V of the bill makes permanent the current Medicaid coverage period of 12 months postpartum, as well as the hospital assessment component that funds the State share of the cost for the coverage. The extension of the hospital assessment component keeps the program cost neutral for the General Fund.

Part VI of the bill allows freestanding psychiatric hospitals to participate in the Healthcare Access and Stabilization Program (HASP) currently available to only acute care hospitals. HASP provides enhanced Medicaid reimbursements to hospitals serving Medicaid managed care enrollees. Freestanding psychiatric hospitals will pay an assessment to cover the State share of the Medicaid costs, the State Medicaid program will use the assessment receipts to draw down federal Medicaid receipts, and the departmental receipts generated through the assessment and the federal match will be redistributed to the freestanding psychiatric hospitals based on utilization at each hospital



by Medicaid managed care enrollees. This transaction has no net impact on State finances. The State will, however, generate additional General Fund revenue due to an increase in gross premiums tax collections from the Medicaid managed care companies.

FISCAL ANALYSIS

Parts V and VI of the bill impact hospital assessments that support the State Medicaid program.

Part V. Continue Medicaid Coverage for Pregnant Women for Twelve Months Postpartum

Current law sunsets the 12-month postpartum Medicaid coverage period for new mothers as of March 31, 2027. Relative to current law, which would revert to 2 months of postpartum Medicaid coverage as of April 1, 2027, the elimination of the sunset will increase total Medicaid costs by an estimated \$14.2 million in the final fiscal quarter of FY 2026-27. Receipts from hospital assessments would pay the State share of costs, approximately \$5.0 million, and federal Medicaid receipts would contribute \$9.2 million. There is no anticipated General Fund impact.

Increases in expenditures and receipts after FY 2026-27 reflect the full annualized cost of the coverage relative to current law. The hospital assessment component that funds the State share of costs is subject to an annual inflator that is expected to keep pace with growth in the cost of coverage. Table 1 shows the estimated fiscal impact of making the 12-month postpartum coverage period permanent.

Table 1. Impact of Eliminating the Sunset on 12-Month Postpartum Coverage for Medicaid
(\$ millions)

	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Expenditures					
Cost of Coverage	\$0.0	\$14.2	\$58.6	\$60.4	\$62.2
Departmental Receipts					
Hospital Receipts	0.0	5.0	20.7	21.4	22.0
Federal Medicaid Receipts	0.0	9.2	37.9	39.0	40.2
Net Appropriation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Part VI. Medicaid HASP Reimbursement for Psychiatric Hospitals

There are approximately 10 freestanding psychiatric hospitals in the State that participate in Medicaid. If HASP for psychiatric hospitals is approved by the federal Centers for Medicare and Medicaid Services (CMS), the program would generate additional payments to Medicaid prepaid health plans (PHPs) of an estimated \$40 million per year, most of which – approximately \$39.2 million – would be passed on to the freestanding psychiatric hospitals as higher Medicaid reimbursements. The payments to PHPs that are not provided to the psychiatric hospitals would be held temporarily by the PHPs so they can pay the State’s gross premiums tax on the additional HASP payments.

Freestanding psychiatric hospitals would pay an assessment to fund the State share of the HASP payments, an estimated \$10.6 million annually, and the receipts from the assessment would be used to draw down \$29.4 million per year in federal Medicaid matching funds. Table 2 shows the estimated impact of HASP on the State Medicaid program.

Table 2. Impact of Freestanding Psychiatric Hospital HASP on Medicaid Program
(\$ millions)

	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Expenditures					
HASP Payments to PHPs	\$0.0	\$40.0	\$40.0	\$40.0	\$40.0
Departmental Receipts					
Psychiatric Hospital Assessment	0.0	10.6	10.6	10.6	10.6
Federal Medicaid Receipts	0.0	29.4	29.4	29.4	29.4
Net Appropriation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

These estimates are based on the following information and assumptions.

- It is anticipated that HASP for freestanding psychiatric hospitals will not begin until FY 2026-27. HASP is a Medicaid directed payment program that must be approved by CMS each year, and CMS has already approved HASP reimbursements for North Carolina acute care hospitals for FY 2025-26. It is assumed that the FY 2025-26 approval will not be reopened to request HASP reimbursements for freestanding psychiatric hospitals.
- It is estimated that approximately 35% of the psychiatric hospital HASP reimbursements will be for services provided to the Medicaid expansion population, which has a federal match of 90%, and the other 65% will be for the traditional Medicaid population, which has a federal match rate of 64.6%.

Gross Premiums Tax

Because the HASP directed payments the Medicaid program pays to PHPs are considered capitation payments, the payments generate additional gross premiums tax revenue. The premiums tax revenue goes in the General Fund. Table 3 shows the estimated additional premiums tax revenue generated from HASP.

Table 3. Gross Premiums Tax Revenue from Freestanding Psychiatric Hospital HASP
(\$ millions)

	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Gross Premiums Tax Revenue (GF)	\$0.0	\$0.6	\$1.0	\$0.8	\$0.8

These estimates assume that \$10 million in psychiatric hospital HASP payments will be made each fiscal quarter beginning in July 2026.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF HEALTH AND HUMAN SERVICES; NORTH CAROLINA HEALTHCARE ASSOCIATION; FISCAL RESEARCH DIVISION

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Mark Collins

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
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