HOUSE BILL 546:
Medicaid Modernization.

2025-2026 General Assembly

Committee:		**Date:**	July 22, 2025
Introduced by:		**Prepared by:**	Jennifer Hillman
Analysis of:	S.L. 2025-64		Staff Attorney

OVERVIEW: ***The act makes various changes to laws pertaining to the North Carolina Medicaid program.***

Part I ***makes justice-related Medicaid changes, including (i) directing the development of a new Medicaid team-based care coordination service for the screening and treatment of substance use disorder and (ii) directing the Department of Health and Human Services, Division of Health Benefits (DHB), to continue to implement Medicaid policy changes required by federal law to suspend, rather than terminate, Medicaid benefits upon a Medicaid beneficiary's incarceration and to report on its progress.***

Part II ***(i) provides additional authority for the implementation of work requirements for North Carolina Medicaid beneficiaries upon federal approval of those work requirements and (ii) requires reporting of any funding needs for the implementation of any approved work requirements.***

Part III ***allows health care providers licensed in North Carolina who provide telehealth services, and provider groups with those providers, to be eligible for enrollment as Medicaid providers or provider groups, regardless of whether the providers or provider groups maintain a physical presence in the State.***

Part IV ***makes changes to the legislation authorizing the Children and Families Specialty Plan, an upcoming new Medicaid prepaid health plan, to conform with the terms of the existing contract for the operation of that Plan.***

Part V ***makes permanent (i) the current 12-month postpartum Medicaid coverage period for pregnant women and (ii) the funding for the nonfederal share of the cost of that coverage through the modernized hospital assessments.***

Part VI ***makes freestanding psychiatric hospitals eligible to receive increased Medicaid reimbursements, known as Healthcare Access and Stabilization Program or "HASP" reimbursements. Freestanding psychiatric hospitals will finance the State share of the cost of the HASP reimbursements through new hospital assessments. Implementation of these changes is contingent upon federal approval, and the Department of Health and Human Services (DHHS) is directed to request that approval.***

Part VII ***requires DHB to consult with stakeholders and submit a request for federal approval to provide Medicaid personal care services to individuals who reside in adult care homes or special care units and who have incomes above the threshold for eligibility for the State-County Special Assistance program but below a specified level. The request must ensure that the cost of the new coverage is offset by savings or cost avoidance and complies with applicable legal requirements, and the request will only be implemented if all criteria are met and federal approval is received.***

Kara McCraw
Director

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Legislative Analysis
Division
919-733-2578

Part I: Justice-Related Medicaid Changes

BACKGROUND: Federal law at 42 U.S.C. §1396a(a)(84)(A), as amended by Section 205 of P.L. 118-42, effective January 1, 2026, prohibits state Medicaid programs from terminating Medicaid eligibility for inmates but instead allows states to suspend Medicaid eligibility for these individuals.

BILL ANALYSIS: **Section 1.1(a)** requires DHB to develop a new Medicaid team-based care coordination service in coordination with a working group of stakeholders. The service will include, at a minimum, screening for mild to moderate substance use disorders, prescription medications for opioid use disorder and alcohol use disorder, recovery support, and case management.

Section 1.1(b) requires DHB to report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division no later than October 1, 2025, regarding the new Medicaid service, including the State share of the cost, the intended start date of the service, and any statutory changes proposed to implement the service.

Section 1.1(c) directs DHB to develop a statewide campaign to (i) educate healthcare providers and community leaders about changes to the Medicaid program, (ii) train interested healthcare providers in clinical care for the substance use disorders, and (iii) encourage substance use disorder provider participation in the Medicaid program.

Section 1.2 directs DHB to continue to implement its policy changes to suspend, rather than terminate, Medicaid benefits upon a Medicaid beneficiary's incarceration, as required by the federal Consolidated Appropriations Act, 2024, P.L. 118-42. No later than October 1, 2025, DHHS is required to submit to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report on (i) DHHS's progress implementing the automated process in the NCFAST eligibility information system that allows data sharing between county jails and DHHS and (ii) any ongoing challenges to meeting the federal requirement to suspend, rather than terminate, Medicaid benefits upon a Medicaid beneficiary's incarceration.

EFFECTIVE DATE: Part I became effective July 7, 2025.

Part II: Expedient Implementation of Medicaid Work Requirements

BACKGROUND: The legislation that authorized Medicaid expansion, S.L. 2023-7, contains language in Section 2.4 directing DHB to enter into negotiations with the Centers for Medicaid and Medicare Services (CMS) to develop a plan for adding work requirements as a condition of participation in the Medicaid program and to obtain approval of that plan, if there is any indication that work requirements may be authorized by CMS.

BILL ANALYSIS: **Section 2.1** authorizes implementation of the federally-approved Medicaid work requirements described in Section 2.4 of S.L. 2023-7, notwithstanding any need for conforming changes to the Medicaid eligibility requirements that are codified in G.S. 108A-54.3A. This section also requires DHB to identify any funding necessary for implementation of the work requirements when reporting on any approved work requirements to the Joint Legislative Oversight Committee on Medicaid.

EFFECTIVE DATE: Part II became effective July 7, 2025.

Part III: Telehealth Service Provide Eligibility

BILL ANALYSIS: Section 3.1 directs DHB to ensure that:

- Health care providers that are duly licensed in North Carolina and provide telehealth services are eligible to enroll as Medicaid providers, even if they do not maintain a physical presence in North Carolina.
- Health care provider groups with health care providers licensed in North Carolina that provide telehealth services are eligible to enroll as Medicaid provider groups, even if they do not maintain a physical presence in North Carolina.

EFFECTIVE DATE: Part III became effective July 7, 2025.

Part IV: Children and Families Specialty Plan

BILL ANALYSIS: Section 4.1 makes changes to the legislation authorizing the Children and Families Specialty Plan (Plan), an upcoming new Medicaid prepaid health plan, to conform with the terms of the existing contract for the operation of the Plan, including revising the start date for operation of the Plan to December 1, 2025 (was December 1, 2024).

EFFECTIVE DATE: Part IV became effective July 7, 2025.

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

BACKGROUND: Section 9D.13 of S.L. 2021-180 extended the Medicaid coverage period for pregnant women to 12 months postpartum (previously 60 days) by amending the Medicaid eligibility statute at G.S. 108A-54.3A(10). When the language was enacted in 2021, it had a sunset date of March 31, 2027, which corresponded with the anticipated end date of temporary federal authority for this coverage as enacted in Sections 9812 and 9822 of the American Rescue Plan Act of 2021 (Pub. L. 117-2). Later, the temporary federal authority for providing this Medicaid coverage became permanent under Section 5113 of P.L. 117-328.

BILL ANALYSIS: Section 5.1(a) removes the sunset date on the extended Medicaid postpartum coverage period, making the coverage permanent. **Section 5.1(b)** amends the modernized hospital assessments to remove the sunset date on the postpartum component of those assessments, which collects funding for the nonfederal share of costs to provide the Medicaid coverage for pregnant women for twelve months postpartum.

EFFECTIVE DATE: Part V became effective July 7, 2025.

Part VI: Medicaid HASP Reimbursement for Psychiatric Hospitals

BACKGROUND: Medicaid expansion legislation (S.L. 2023-7) created the Healthcare Access and Stabilization Program (HASP) under G.S. 108A-148.1, which provides increased Medicaid reimbursements to acute care hospitals that participate in Medicaid managed care. Acute care hospitals finance the State share of the HASP reimbursements through hospital assessments collected by DHHS under Article 7B of Chapter 108A of the General Statutes. Currently, only acute care hospitals participate in HASP, and freestanding psychiatric hospitals are excluded from participation in HASP.

Section 9E.27 of S.L. 2023-134 directed DHHS to develop a proposal to allow freestanding psychiatric hospitals, in addition to acute care hospitals, to receive reimbursements through the HASP, as long as the nonfederal share of those reimbursements are funded through hospital assessments in which freestanding psychiatric hospitals participate. DHHS submitted a March 1, 2024, report[1] to the Joint Legislative Oversight Committee on Medicaid, which proposed the legislative changes included in this Part.

BILL ANALYSIS: Section 6.1(a) authorizes freestanding psychiatric hospitals to be added to the HASP, which provides increased Medicaid reimbursements to acute care hospitals. A freestanding psychiatric hospital is defined in Section 6.1(c) as a hospital facility that (i) holds a license under the General Statutes pertaining to mental health, (ii) is primarily engaged in providing inpatient psychiatric services for the diagnosis and treatment of individuals with mental illness, and (iii) is not a State-owned or operated facility. In order to qualify for HASP reimbursements, a freestanding psychiatric hospital must report certain Medicare cost data, which is required for the calculation used to generate the funding for the HASP reimbursements. **Section 6.1(b)** directs the Department of Health and Human Services to request federal approval of this change to the HASP.

Sections 6.1(c)-(r) amend the hospital assessment statutes in Article 7B of Chapter 108A of the General Statutes to add freestanding psychiatric hospitals as a type of hospital that is subject to the modernized hospital assessments and the hospital health advancement assessments. Section 6.1(f) adds to the modernized hospital assessments a new "freestanding psychiatric hospital modernized assessment," which collects funding for the nonfederal share of HASP payments made for Medicaid beneficiaries who are not in the Medicaid expansion population. Section 6.1(m) adds to the hospital health advancement assessments a new "freestanding psychiatric hospital health advancement assessment," which collects funding for the nonfederal share of HASP payment made for Medicaid expansion beneficiaries. Other changes in this section are conforming changes to the hospital assessment statutes to account for the addition of the assessments on freestanding psychiatric hospitals.

EFFECTIVE DATE: Sections 6.1(c)-(r) become effective on the first day of the next assessment quarter after it becomes law, which is October 1, 2025, and apply to hospital assessments imposed on or after that date. The remainder of Part VI became effective July 7, 2025.

[1] The March 1, 2024, DHHS report titled "Proposal for Incorporating Freestanding Psychiatric Hospitals into the Healthcare Access and Stabilization Program (HASP)" is available online at https://www.ncdhhs.gov/sl-2023-134-section-9e27b-haspfreestanding-psych-hospitals/download?attachment.

Part VII: Adult Care Home Medicaid Personal Care Services Coverage

BACKGROUND: Section 9E.26 of S.L. 2023-134 required DHB to explore options available to increase access to Medicaid services for dual eligibles that provide alternatives to nursing home placements and to report on those options to the Joint Legislative Oversight Committee on Medicaid by March 1, 2024. That report, entitled "Reimbursement Methodology Used for Services Provided to Senior Dual Eligibles," submitted August 9, 2024, is available online at: https://webservices.ncleg.gov/ViewDocSiteFile/88644.

BILL ANALYSIS: Section 7.1(a) requires DHB to consult with stakeholders and submit a request for federal approval to add Medicaid coverage of personal care services for certain individuals residing in adult care homes or special care units. The request must comply with all of the following:

- Medicaid personal care services are covered for individuals residing in an adult care home whose income does not exceed 180% of the federal poverty level. (Currently $17,149 per year, which is equivalent to 110% of FPL).
- Medicaid personal care services are covered for individuals residing in a special care unit whose income does not exceed 200% of the federal poverty level. (Currently $21,744 per year, which is equivalent to 139% of FPL).
- The cost of the new coverage is offset by savings or cost avoidance.
- Applicable legal requirements are met.

Section 7.1(b) requires DHB to submit the request to the Centers for Medicare and Medicaid Services (CMS) for federal approval by October 5, 2025 (90 days after the act became law). DHB is directed to only implement the Medicaid coverage described in the request if (i) the request is approved by CMS and (ii) the request meets all of the requirements in Section 7.1(a) of this act, including the cost neutrality requirement.

EFFECTIVE DATE: Part VII became effective July, 7, 2025.