

Impact of Proposed Federal Medicaid & SNAP Cuts in North Carolina

July 1, 2025



Briefing Agenda

- Congressional Timeline
- Impact of Proposed Federal SNAP Cuts
- Impact of Proposed Federal Medicaid Cuts
- Q&A

Congressional Timeline

- US House passed their version of the budget bill on **May 22**.
- US Senate version released from Committees has a smaller but still significant cost shift to states on SNAP and significant reductions in Medicaid funds.
- Votes in the US Senate on the bill started **June 28** (and currently underway).
- US House and Senate leadership have stated a goal of getting the bill by **July 4**.
- Differences between the US House and Senate bills will have to be resolved.

Impact of Proposed Federal SNAP Cuts in North Carolina

Over 1.4 Million North Carolinians Rely on SNAP

- **More than a million North Carolinians are food insecure**, including 1 in 6 children
- **4 in 5 families** participating in SNAP in NC have either a child, a senior, or an adult with a disability.
- More than 66% of participating families have children and more than 34% include seniors or adults with disabilities
- 600,000+ children under 18 and 159,000+ older adults over 65 benefit from SNAP
- Between 2019-2023, an average of 80% of SNAP households in NC included someone who was working
- 46,000+ **NC veterans** benefit from SNAP



House & Senate SNAP - Side by Side Comparison

	House	Senate
Benefit Cost Share <i>Error rate is the percentage of SNAP benefit payments that were made incorrectly – either too much (overpayment) or too little (underpayment). National error rate is 11.54%; NC's FFY2024 error rate is 10.21%</i>	Require states to pay portion of benefit costs based on error rates Minimum cost share 5% for all 15% if error rates 6 to 8% 20% if error rates 8 to 10% 25% if error rates over 10% Starts October 1, 2027 Zero tolerance for low-dollars errors which increases error rate USDA Secretary cannot modify or compromise the state share NC cost share would be \$700 million per year	Same as House but different share % No cost share if error rate <6% 5% if error rates between 6 to 8% 10% if error rates between 8 to 10% 15% if error rates over 10% Starts October 1, 2027. Cost share for FY28 would be based on error rate from FY25 or 26. Subsequent years based on error rates from 3 years prior No zero-tolerance language USDA Secretary cannot modify or compromise the state share NC cost share would be \$420 million per year

House & Senate SNAP - Side by Side Comparison

	House	Senate
Administrative Cost Share	Increases 50% to 75% - counties on hook for extra \$65M per year Effective immediately upon passage	Increases 50% to 75% - counties on hook for extra \$65M per year Starts October 1, 2027
Work Requirements	Expands work requirements to 18-64 instead of 18-54 and to parents of kids over age 7 New exception to work requirements for parent of child over 7 and married to someone who is working Estimated 174,000 adults would lose SNAP benefits because of work requirements	Expands work requirements to 18-64 instead of 18-54 and to parents of kids over age 14 Estimated 90,000 adults would lose SNAP benefits because of work requirements

Three Paths Forward If Signed Into Law

- **Option 1: Pay state cost share**
- **Option 2: Decrease SNAP enrollment to reduce state cost share**
- **Option 3: Withdraw from SNAP program completely**

Three Paths Forward If Signed Into Law

Option 1: Pay state cost share

- Could range from \$420M to as high as \$700M per year
- Find new state dollars or cut state services to make up the cost
- NC would have to pay cost share based on the error rate from 3 years prior

Option 2: Decrease SNAP enrollment to reduce state cost share

- States don't control most SNAP rules. Congress decides who can get benefits and how much they receive.
- States can't fully control how many people enroll in SNAP. During a recession or tough economic times, more people may need help, and states could end up having to pay more than expected.

Option 3: Withdraw from the SNAP program completely

- Over 1.4 million North Carolinians lose benefits
- NC would lose \$2.8B in annual federal funds (which generate \$4.2B in economic impact)
- Rural grocery stores that depend on SNAP revenue at risk of closure
- Over 7,000 jobs in NC across grocery, agriculture, manufacturing, transportation, and other industries created by SNAP at risk
- Over 500,000 children no longer automatically qualify for school meals because of SNAP

Withdraw from the SNAP program completely

- SNAP benefit amounts are set by federal law.
- States cannot increase or reduce them.
- Proposed federal changes could shift up to \$700 million in costs to NC.
- If NC can't cover the added benefit cost, we won't meet federal requirements.
- Failure to meet those requirements means we could lose the entire SNAP program.

EXAMPLE

Let's say John is eligible to receive \$100 in SNAP benefits per federal law. The reconciliation bill doesn't change the fact that John is owed \$100. However, to pay John \$100, the state must now contribute 15% (or \$15) and the federal government will pay the rest (\$85). Per federal statute, the state must still pay John the full \$100 benefit – the state can't pay John only \$85 from the federal government or even \$90 or \$95. If the state can't pay the full \$15, it will be in violation of federal statute and cannot give John the \$100 benefit.

Impact of Proposed Federal Medicaid Cuts in North Carolina

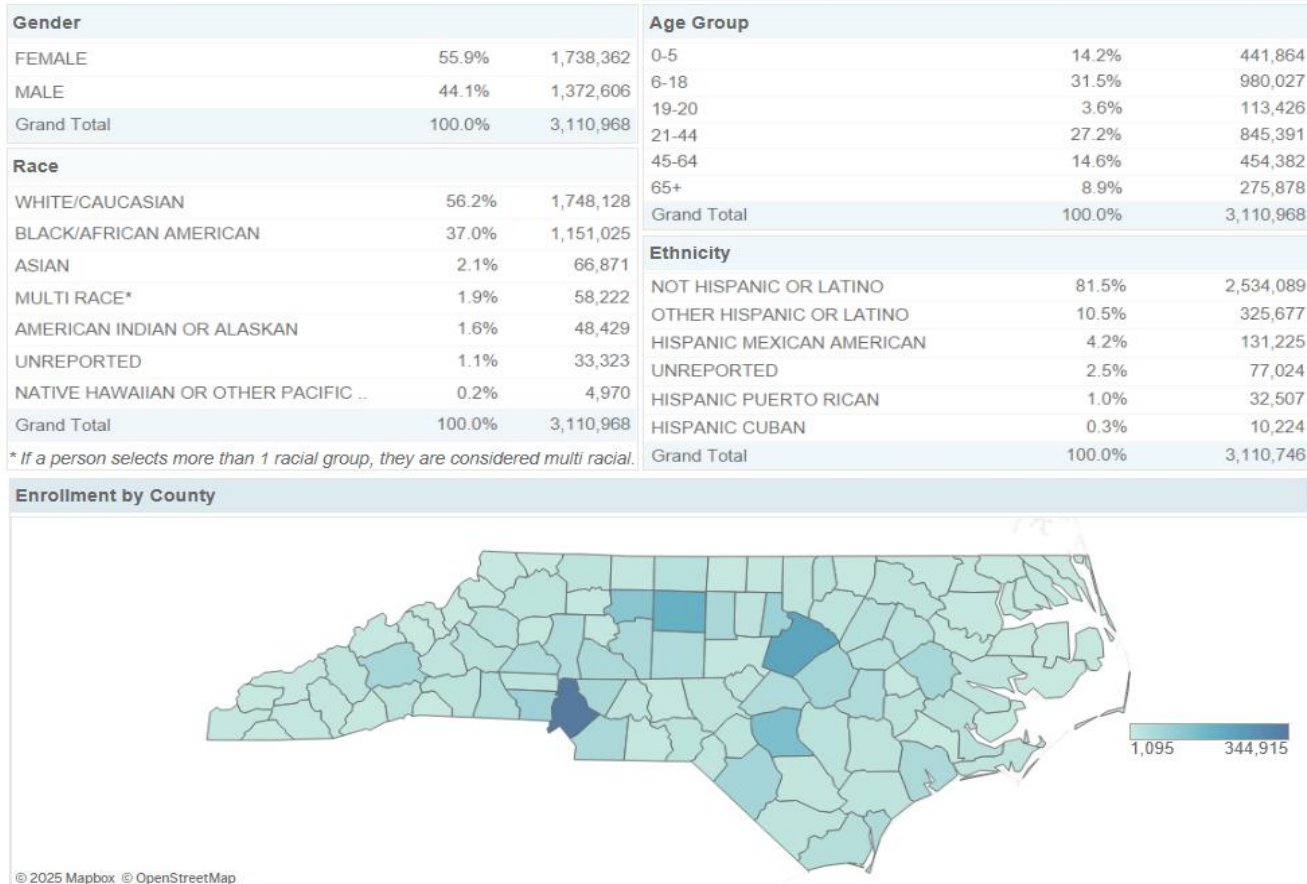
NC Medicaid Provides Affordable Health Coverage to 3.1 Million North Carolinians

NC Medicaid Snapshot

June 2025
total enrollment:
3,139,215

which includes

June 2025 Medicaid
expansion enrollment:
673,478



House & Senate Medicaid - Side by Side Comparison

	House	Senate
Provider Taxes <i>Used to help fund the state's share of Medicaid and can help with expenses like improving provider rates and maintaining services</i>	No new providers taxes and a freeze on all existing provider taxes. Limited flexibility to adjust as health care costs rise.	No new provider taxes and reduces the 6% cap down to 3.5% for expansion states only. Includes \$25 Billion Rural Healthcare Provider Fund Eliminates the \$6.5 billion HASP program.
State Directed Payments (SDPs) <i>Healthcare Access and Stabilization Program (HASP)</i> <i>Payments that states can make to Medicaid providers. These can help support rural hospitals and encourage accepting Medicaid</i>	New SDP payments are capped at Medicare rates: 100% for expansion states, 110% for non-expansion. Existing SDP models are grandfathered but not permitted to grow. No flexibility to adjust as health care costs rise.	New SDP payments are capped at Medicare rates: 100% for expansion states, 110% for non-expansion. Starting in 2028, existing SDPs will be cut by 10 percentage points each year, until they equal 100% of Medicare in expansion states Eliminates the \$6.5 billion HASP program.

House & Senate Medicaid - Side by Side Comparison

	House	Senate
Work Requirements	Medicaid Expansion Work Requirement (Ages 19–64): Must work or do approved activities (Paid work, job training, community service, or school) 80+ hours/month Exemptions: Medically frail, pregnant, caregivers of dependent children Start date: No later than Dec. 31, 2026 Verification: Required within 1 month of enrollment and at each renewal Expect as many as 255,000 North Carolinians to lose coverage	Same as House, except: Exemptions: Parents/guardians/caretakers with kids 14 or younger are exempt. States may allow self-attestation for some exemptions Start date: By Dec. 31, 2026, but States can request up to 2-year delay (through Dec. 31, 2028) if making a good faith effort Expect as many as 255,000 North Carolinians to lose coverage

House & Senate Medicaid - Side by Side Comparison

	House	Senate
6-month Eligibility Determinations <i>Currently NC checks eligibility every year</i>	States must check if people still qualify for Medicaid at least every 6 months This starts for renewals happening on or after December 31, 2026 Will lead to more work and delays at local DSS offices, and more people losing coverage	Same as House Will lead to more work and delays at local DSS offices, and more people losing coverage

House & Senate Medicaid - Side by Side Comparison

	House	Senate
Total Loss of Funding	\$37.5 billion over 10 years	\$39.9 billion over 10 years

- More than 70% of the proposed Medicaid cuts will come from cuts to North Carolina's hospital expenditures
- NC Rural hospitals alone would see a \$3 billion Medicaid cut (only a third of this would be offset by the Rural Healthcare Provider Fund)
- The combination of work requirements and freezes on provider taxes will trigger NC law that ends Medicaid expansion
- Coverage loss for 673,478 expansion enrollees in Senate proposal
- Hundreds of thousands of North Carolinians would lose Medicaid coverage under all versions of the legislation

Questions