Impact of Federal Medicaid & SNAP Changes in North Carolina

July 9, 2025

Briefing Agenda

- Impact of Federal Medicaid Changes and Key Decisions for NCGA
- Impact of Federal SNAP Changes and Key Decisions for NCGA
- Key State Budget Items
- Q&A

Impact of Federal Medicaid Changes in North Carolina

Key Decisions for the NC General Assembly from Federal Actions

Federal changes that both add work requirements and limit provider taxes threaten to end Medicaid expansion, unless the General Assembly acts.

Work requirements bring new administrative costs. Under current state law, the primary way to pay for increased costs for Medicaid expansion is through hospital provider taxes. While provider taxes are now restricted and reduced over time, current state law would need to change to fund the new costs.

The NC General Assembly must take one of the following actions to keep Medicaid expansion:

1. Enact technical correction to the hospital provider tax funding formula to cover the administrative costs needed for work requirements
2. Change the trigger law and appropriate state funds to support these administrative costs for work requirements
3. Change the trigger law and authorize some other financing mechanism to support administrative costs for work requirements

NC Medicaid Provides Affordable Health Coverage to 3.1 Million North Carolinians

NC Medicaid Snapshot

July 2025
total enrollment:
3,121,412

which includes

July 2025 Medicaid expansion enrollment:
671,476

Gender		
FEMALE	55.9%	1,738,362
MALE	44.1%	1,372,606
Grand Total	100.0%	3,110,968

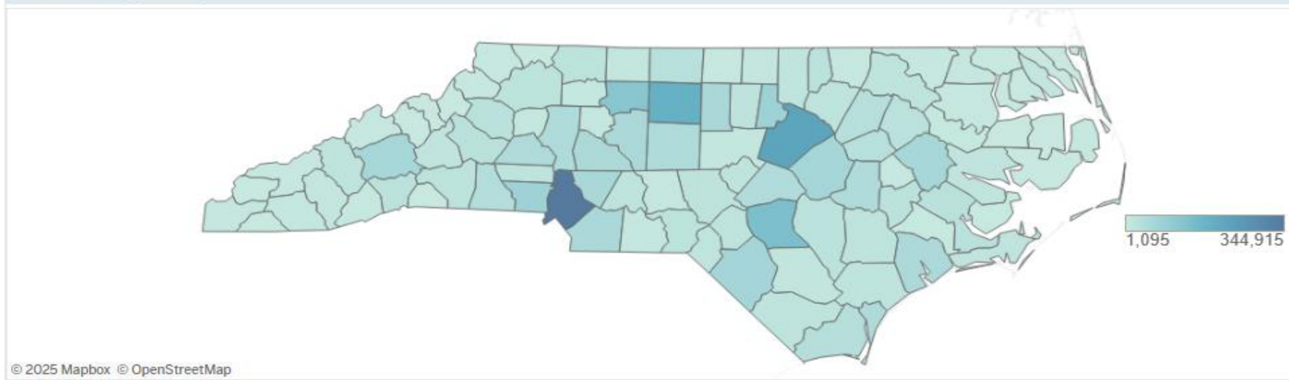
Race		
WHITE/CAUCASIAN	56.2%	1,748,128
BLACK/AFRICAN AMERICAN	37.0%	1,151,025
ASIAN	2.1%	66,871
MULTI RACE*	1.9%	58,222
AMERICAN INDIAN OR ALASKAN	1.6%	48,429
UNREPORTED	1.1%	33,323
NATIVE HAWAIIAN OR OTHER PACIFIC ..	0.2%	4,970
Grand Total	100.0%	3,110,968

** If a person selects more than 1 racial group, they are considered multi racial.*

Age Group		
0-5	14.2%	441,864
6-18	31.5%	980,027
19-20	3.6%	113,426
21-44	27.2%	845,391
45-64	14.6%	454,382
65+	8.9%	275,878
Grand Total	100.0%	3,110,968

Ethnicity		
NOT HISPANIC OR LATINO	81.5%	2,534,089
OTHER HISPANIC OR LATINO	10.5%	325,677
HISPANIC MEXICAN AMERICAN	4.2%	131,225
UNREPORTED	2.5%	77,024
HISPANIC PUERTO RICAN	1.0%	32,507
HISPANIC CUBAN	0.3%	10,224
Grand Total	100.0%	3,110,746

Enrollment by County



Federal Changes to Medicaid

The state is required to fund part of Medicaid costs, with a significant share coming from provider taxes paid by hospitals, long-term care facilities, and other healthcare providers. These taxes help sustain and enhance the Medicaid program without raising general taxes. The state uses this revenue to fund Medicaid expenditures, which the federal government partially matches based on a formula.

	Federal Reconciliation Bill
Provider Taxes	No new provider taxes and reduces the 6% cap down to 3.5% for expansion states only. Includes $50 Billion Rural Healthcare Provider Fund **$22.5 billion will be taken out of the NC economy over 10 years**

Federal Changes to Medicaid

Work requirements are rules some states put in place that say certain adults must work, look for a job, go to school, or do other activities like job training to keep their coverage. Currently, North Carolina does not have work requirements for Medicaid.

	Federal Reconciliation Bill
Work Requirements	Adds a Medicaid expansion Work Requirement (Ages 19–64). Must work or do approved activities (Paid work, job training, community service, or school) for 80+ hours/month 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 Verification: Required within 1 month of enrollment and at each renewal (now every 6 months) **Expect as many as 255,000 North Carolinians to lose coverage**

Federal Changes to Medicaid

Medicaid State Directed Payments are a way for states to direct funds to healthcare providers. This helps fix problems like low payments, gaps in care, and making sure important health services can keep running. In NC, our largest SDPs is the Healthcare Access and Stabilization Program for acute care hospitals, which was authorized by NCGA along side expanding Medicaid. NC also has some smaller SDPs. By 2026, HASP will be a $6 billion+ program.

	Federal Reconciliation Bill
State Directed Payments (SDPs) *Healthcare Access and Stabilization Program (HASP)*	New SDP payments are capped at Medicare rates: 100% for expansion states, 110% for non-expansion. Starting in 2028, existing SDPs payments will be cut by 10 percentage points each year, until they equal 100% of Medicare rates in expansion states. **Eliminates the $6 billion HASP program**

Federal Changes to Medicaid

An eligibility check is the process used to determine whether an individual still qualifies to receive Medicaid benefits. Currently, North Carolina checks eligibility every year.

	Federal Reconciliation Bill
6-Month Eligibility Determinations	States must check if people still qualify for Medicaid every 6 months This policy 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**

Federal Changes to Medicaid

Total Loss of Funding	**$49.9 billion over 10 years**

- More than 70% of the Medicaid cuts will come from cuts to North Carolina's hospital expenditures
- NC rural hospitals alone will see a $3.7 billion Medicaid cut (up to half could be offset by the Rural Healthcare Provider Fund temporarily)
- Hundreds of thousands of North Carolinians are expected to lose health coverage
- In addition, without a statutory change, the new administrative costs for work requirements will likely trigger the NC law that ends Medicaid expansion, resulting in coverage loss for 671,476 people

Impact of Federal SNAP Changes in North Carolina

Key Decisions for the NC General Assembly from Federal Actions

Federal changes shift benefit costs to the state for the SNAP program. These shifts would make the state responsible for an extra $420 million (based on error rates) a year. If the state can not pay that, we will not meet federal rules and that could cause us to lose the entire SNAP program.

The NC General Assembly must take one of the following actions:

1. Starting in 2027-28, appropriate up to $420 million in the state budget to fund the full benefit cost share.
   - There are limited levers to reduce enrollment, which is the primary driver of the total program costs.
   - NCDHHS will continue to work with county partners to drive down error rates, which determine the state cost share amount. However, there are significant barriers in a decentralized system largely based on county workforce challenges.
2. In 2027-28, withdraw from SNAP program completely.

Over 1.4 Million North Carolinians Rely on SNAP

- **More than a million North Carolinians are food insecure**, including 1 in 6 children
- **600,000+ children** under 18 and 159,000+ older adults over 65 benefit from SNAP
- **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
- Between 2019-2023, an average of **80% of SNAP households** in NC included someone who was working
- **46,000+ NC veterans** benefit from SNAP

Federal Changes to SNAP

Payment error rate is the percentage of SNAP benefit payments that were made incorrectly – either too much (overpayment) or too little (underpayment). National error rate in 2024 is 10.93%. NC's 2024 error rate is 10.21%. Any overpayments are already required to be recouped and repaid to the federal government.

Currently, the federal government pays 100% of benefits costs.

	Federal Reconciliation Bill
Benefit Cost Share	Starting October 2027, states are required to pay portion of benefit costs each year based on SNAP payment error rates, as follows: • No cost share if error rate <6% *(8 states met this in 2024)* • 5% if error rates between 6 to 8% • 10% if error rates between 8 to 10% • 15% if error rates over 10% Cost share based on error rates from 3 years prior. States with error rates over 13.33% would have a delay in paying cost share for 2 years. **NC cost share would be $420 million per year based on current error rate**

Federal Changes to SNAP

Administrative costs in SNAP are those costs incurred by the state and by counties to run the SNAP program.

Currently, the federal government pays 50% of administrative cost, and states/counties pay the other 50%.

	Federal Reconciliation Bill
Administrative Cost Share	Federal government pays 25% of administrative costs of SNAP State and counties will pay 75% of administrative costs for SNAP Starts October 2026 **NC state administrative costs likely to increase by $14M.** **NC county administrative costs likely to increase by $65M.**

Federal Changes to SNAP

Work requirements for SNAP are rules that say certain adults must work or participate in job training or similar activities to keep getting SNAP benefits. These are already in place for able-bodied adults without dependents ages 18-54.

80% of SNAP households in North Carolina include someone who was working.

	Federal Reconciliation Bill
Work Requirements	SNAP work requirements will apply to able-bodied adults without dependents **ages 18-64** and **parents of children over age 14** Some exemptions have been eliminated **Estimated 90,000 adults could lose SNAP benefits because of work requirements**

Two Paths Forward

- Option 1: North Carolina pays the increased state benefit cost share. NC has limited options to reduce enrollment and reduce the state share amount.

- Option 2: If North Carolina cannot pay for increased state benefit cost share, we will not meet federal requirements and will have to stop offering the SNAP program completely.

Two Paths Forward

Option 1: NC pays the increased state benefit cost share

- Cost share could be up to $420M per year based on current enrollment
- NC would have to pay cost share based on the error rate from 3 years prior
- States don't control most SNAP rules. Congress decides who can get benefits and how much they receive.
- States can't control how many people enroll in SNAP. During a recession or tough economy, more people may need help, and states could have to pay more than expected.

Option 2: If NC cannot pay for increased state benefit cost share, NC will have to stop offering 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

Key State Budget Items

Timeline for Key Decisions for the NC General Assembly

July – Sept 2025	Oct – Dec 2025	Jan – March 2026	April – June 2026	July – Sept 2026 *(SFY 26-27)*	Oct – Dec 2026 *(SFY 26-27)*
SNAP work req. changes take effect Provider taxes frozen	NCGA to finance Medicaid work requirement program SNAP-Education program eliminated.	**26-27 NCGA Budget Planning**	**26-27 NCGA Budget Decisions** CMS issues Medicaid work req. rules		Medicaid work requirements in place Ready for 6-mo eligibility checks SNAP admin cost increase take effect

Jan – March 2027 *(SFY 26-27)*	April – June 2027 *(SFY 26-27)*	July – Sept 2027 *(SFY 27-28)*	Oct – Dec 2027 *(SFY 27-28)*	Jan – March 2028 *(SFY 27-28)*	April – June 2028 *(SFY 27-28)*
2027-29 NCGA Budget Planning	**2027-29 NCGA Budget Decisions**		SNAP benefit cost share take effect Gradual reduction in provider tax begins	Medicaid State Directed Payments dropped 10 percentage points	

Key Decisions for the NC General Assembly for State Funding

Priority / Item	Governor's Budget	Senate Proposal	House Proposal
Staffing / Funding Reductions		Eliminates approx. 439 Vacant Positions across DHHS, totaling $33,986,530	Directs DHHS to eliminate $10M worth of vacant positions (excluding certain Divisions), moves $23M worth of vacant salaries reserves to LMAR Funds of respective division budgets
Mental Health Task Force	Currently receives $10M R Reserve currently sits at approx. $31M NR	Eliminates reserve fund ($31M) and recurring appropriation ($10M)	Eliminates reserve fund ($31M) and recurring appropriation ($10M)
Medicaid Rebase	$700M R	Underfunded in Year 1 Funded in Year 2	Underfunded in Year 1 Funded in Year 2
Medicaid Managed Care Oversight Fund	$115.2M (R/NR) in Year 1 $100.7M (R/NR) in Year 2	Underfunded	Underfunded
Medicaid Tech Investments	$13.3M R in Year 1 $16M R in Year 2	Underfunded	Underfunded
Medicaid Contingency Reserve	Reserve currently sits at approx. $976,512,736	Reduced by Half	Zeroed Out

Key Decisions for the NC General Assembly for State Funding

Priority / Item	Governor's Budget	Senate Proposal	House Proposal
Sustain Existing Healthy Opportunities	$87.6M R	Not Funded	Not Funded
Begin Healthy Opportunity Expansion	$3.2M R in Year 1 $11.3M R in Year 2	Not Funded	Not Funded
Increased Child Care Subsidy	$87.9M R	Funded	Funded
TCL Program	$18.2M R in Year 1 $28.2M R in Year 2	Funded in Year 1 Underfunded in Year 2	Underfunded in Both Years
Statewide Child Welfare IT System (PATH NC)	$4.9M (R/NR) in Year 1 $9.6M R in Year 2	Underfunded	Funded
Electronic Health Records at State Facilities	$3M R in Year 1 $7.3M R in Year 2	Funded for Launch	Funded for Launch

Questions

Follow up questions:

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Appendix

Why Would NC Lose SNAP?

- SNAP benefit amounts are set by federal law.
- States cannot increase or reduce them.
- Proposed federal changes will shift up to $420 million in costs to NC per year.
- If NC can’t cover the added benefit cost, and we can't reduce the benefit amounts per federal law, we won’t meet federal requirements.
- Failure to meet those requirements means we will be required to withdraw from the SNAP program entirely.

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.