



The One Big Beautiful Bill Act & North Carolina's Medicaid Program

The One Big Beautiful Bill Act (OBBBA) makes significant changes to Medicaid eligibility, financing, and provider payments. Expansion states, such as North Carolina, will face some of the steepest effects, especially around work requirements and stricter limits on provider taxes and hospital payment structures.

Work Requirements

OBBBA creates a new community engagement (work) requirement for most adults. People enrolled in North Carolina's Medicaid expansion group must complete at least 80 hours per month of work, education, job training, or qualifying community service to enroll and remain eligible.

Several groups are excluded from new work requirements, including adults with disabilities, pregnant people, parents and caretakers of children under 14, individuals with certain medical conditions, and American Indian and Alaska Native members.

Cost-Sharing

Beginning October 1, 2028, North Carolina must charge cost-sharing of up to \$35 per service for certain Medicaid expansion enrollees with incomes between 100% and 138% of the federal poverty level. Primary care, mental health, and substance use disorder services, and services received at Federally Qualified Health Centers (FQHCs), rural health clinics, and community behavioral health providers are exempt.

Retroactive Coverage

Currently, NC Medicaid allows coverage for unpaid medical expenses incurred within the 3 months before the application date for applicants who were eligible during those months. For most Medicaid programs going forward, OBBBA shortens retroactive coverage from up to 3 months before application to 2 months before the month of application, and to 1 month for Medicaid expansion enrollees, effective January 1, 2027.

Eligibility Review

Starting January 1, 2027, Medicaid expansion enrollees must complete eligibility renewals every 6 months, rather than every 12 months. American Indian and Alaska Native members are exempt from this requirement.

Qualified Immigrants

Under OBBBA, only lawful permanent residents, certain Cuban and Haitian immigrants, and migrants from the Compact of Free Association (COFA) remain in the "qualified immigrant" category. In states that choose to use this option, federal funds can also continue for lawfully residing children and pregnant people under the Legal Immigrant Children's Health Improvement Act (ICHIA) option. Beginning October 1, 2026, certain abused spouses and children, asylees, refugees, trafficking survivors, and humanitarian parolees will no longer qualify for Medicaid or CHIP.



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Provider Taxes and State-Directed Payments

The OBBBA makes significant changes to Medicaid funding with provider taxes and state-directed payment (SDP) programs. The changes begin in FY 2028 and will be phased in over a 10-year period.

Provider tax rate: OBBBA limits how North Carolina can use provider taxes, such as hospital, nursing facility, and intermediate-care facility assessments. Beginning in FY 2028, expansion states must gradually lower their maximum allowable provider tax rate each year until the cap reaches 3.5 percent in FY 2032.

Hospital state-directed payments: Under OBBBA, expansion states like North Carolina will begin phasing down their commercial rate-based payment structure in FY 2028, reducing allowable payment ceilings by 10 percentage points of the commercial rate each year until they meet Medicare rate limits.

Emergency Medicaid Match Reduction

Starting October 1, 2026, the federal match rate for Emergency Medicaid services provided to non-citizens who would otherwise qualify for the expansion group will drop to the regular Medicaid Federal Medical Assistance Percentage (FMAP).

Federal Payments to “Prohibited Entities”

For one year following enactment (July 4, 2025 – July 4, 2026), federal Medicaid funds may not be paid to certain nonprofit family planning providers that offer abortion services and deliver family planning or reproductive health services to Medicaid members.

Rural Health Funding

OBBBA creates a **\$50 billion Rural Health Transformation Program** to support rural healthcare access, infrastructure, and workforce. Competitive grants will be awarded annually to states by the Centers for Medicare and Medicaid Services (CMS) over 5 years, \$10 billion per year from 2026 through 2030.

CMS awarded North Carolina more than \$213 million in federal funding for FY 2026. States will be eligible for more funding each year for the next four years. North Carolina plans to invest in the rural health workforce, locally governed medical hubs, transitions to value-based care, advanced technology and AI, prevention and chronic disease management, maternal health and nutrition, and expanded access to mental health services.