North Carolina's Healthy Opportunities Pilots: Impacts and Budgetary Considerations

Executive Summary

North Carolina's Healthy Opportunities Pilots (Pilots) program is a promising model for continued bipartisan health care reform. The Pilots align with bipartisan state and federal priorities to make health care more prevention-oriented by improving health outcomes, chronic disease prevalence, and chronic disease complications by addressing their root causes. Addressing non-medical drivers of health can reduce longer-term Medicaid spending. In three years, the Pilots have generated evidence of cost savings (an estimated $1,020 per enrollee per year), with additional savings projected if the program were to continue to grow to additional populations and counties. Through the Pilots, North Carolina has the opportunity to leverage millions in federal support for advancing prevention to reduce its future Medicaid costs.

A core challenge is translating these prevention-oriented savings, which take time, into a short-term state budget cycle. Despite overall savings, the program's cost-neutrality in two years cannot be assured; additional time is likely needed to realize significant savings from better prevention and chronic disease management. Nonetheless, the Pilots present a critical opportunity for North Carolina to continue to improve health, shift Medicaid spending toward prevention, and achieve longer-term savings for the state. The Pilots also have demonstrated value for improving the health, infrastructure and economies of North Carolina's communities, including rural communities and those most impacted by Hurricane Helene. Funding to continue, refine, and expand the Pilots would enable the state to build on this evidence and learning to further improve health and increase savings.

Policy Context

North Carolina's Healthy Opportunities Pilots program is a national model for bipartisan health care reform, reflecting the goals of greater access to care that prevents disease complications, "Making America Healthy Again," and buying health by addressing non-medical drivers of health.

The Pilots were originally approved by the Centers for Medicare & Medicaid Services (CMS) under the first Trump administration in 2018. The Pilots remain aligned with federal goals and priorities, including focusing on evidence-based prevention, reducing chronic disease prevalence and complications by addressing their root causes, incentivizing high-value care and reductions in unnecessary utilization, and empowering people to achieve their health goals with sustained, effective lifestyle changes.

The Pilots shift Medicaid funding toward preventive care and health promotion to help people avoid illness and optimally manage chronic disease. Food and nutrition services make up the majority of Pilots services provided to date, including evidence-based group nutrition classes, Diabetes Prevention Program classes, healthy food boxes, produce prescriptions, and medically tailored meals. Studies have found that nutritional services that are well targeted to food-insecure and nutritionally vulnerable patients reduce health care expenditures and costly health care utilization.

The Pilots reforms provide a foundation for further evidence-based reforms in Medicaid to achieve key bipartisan goals: making health care in North Carolina more prevention-oriented, improving health, and reducing longer-term Medicaid spending.

HOP Impacts So Far: Savings and Spillover Effects

The Pilots have demonstrated cost savings impact. There is early, real-world evidence from the Cecil G. Sheps Center for Health Services Research, the Duke-Margolis Institute for Health Policy, and others that demonstrates how the foundational concepts of the Pilots are working.

In particular, the UNC Sheps interim evaluation shows the Pilots saved an average of $85 per enrollee per month, or $1,020 per year. NC Medicaid's actuary, Mercer, has also independently validated that savings from the Pilots have contributed to reductions in Medicaid capitation rates. The *Case Example* below provides a hypothetical illustration based on the Pilots experience for how such savings occur.

Case Example

A child is chronically absent from school due to frequent asthma flare-ups. He is frequently admitted to the emergency department for uncontrolled asthma and shortness of breath. His Medicaid care manager helps him enroll in the Healthy Opportunities Pilots and recommends that the family's home is inspected for potential triggers. A community-based organization organizes the inspection, which finds mold in their carpet. Another referral is placed for mold remediation and the delivery of air filters to be covered through the Pilots. After receiving these services, the child's asthma becomes better controlled and milder. He has been able to manage his asthma at home, and feels well enough to attend school consistently, significantly reducing the need for emergency visits.

One-time housing services provided through the Pilots like the ones discussed above can pay for themselves in a year or less by helping to control and lower the severity of chronic conditions and reducing the need for emergency department utilization.

There is potential for savings to increase if the Pilots are further scaled, both as more people enroll within existing counties and if the Pilots are expanded to new counties. Scaling can also bring down the costs per beneficiary of managing the program by spreading some of the costs associated with fixed infrastructure across a larger group. Further, scaling can provide more opportunities to refine the program to better target high-cost and high-needs Medicaid members (e.g., people with pre-diabetes and diabetes, high-risk pregnancies) for additional savings and improvements in health outcomes.

If the Pilots program is not continued, the state would forgo millions in federal support for advancing prevention to reduce its future Medicaid costs. $88 million in state appropriations to sustain the program draws down an additional $225 million in federal funds, enabling a total of $313 million for continued services in existing regions. Similarly, incrementally expanding the program to new parts of the state at a cost of around $175 million would enable more than $450 million in additional federal support for prevention-oriented investments. Given the potential for reductions in federal funding, it is even more imperative that North Carolina leverages opportunities to fund response and recovery efforts from Hurricane Helene, and to continue to leverage this infrastructure for preparedness for future hurricanes and other emergencies.

The impact of the Pilots goes beyond direct impacts to Medicaid members and savings for the Medicaid program. The Pilots also have had broader benefits in the communities where the

program is being implemented, including rural communities, as demonstrated by research from Duke-Margolis and others. The Pilots have created new jobs tied to improving community health with increased investments in local economies, including for small and medium-sized farmers and small businesses whose products support the program. As has been evident in the ongoing response to Hurricane Helene in Western North Carolina (one of the three Pilots regions), the Pilots have built infrastructure for community resilience.

Challenges of Translating Savings to the State Budget, and Where to Focus Next

A core budgeting challenge is translating savings emerging over time from the Pilots' impact on disease complications into a short-term state budget cycle; more significant savings accrue over longer time periods. In contrast to state budgets, federal programs are typically analyzed by Congressional and CMS actuarial programs over a 10-year budget period, and the federal government can run a deficit.

The upfront costs of continuing the Pilots would represent a relatively small, short-term investment in Medicaid spending. Such evidence-based shifts are foundational to achieving Medicaid spending reductions through advancing preventive care and early interventions to reduce the burden of chronic conditions.

Additional funding for the Pilots in additional North Carolina communities will provide further evidence on enrollee engagement and health benefits. Such evidence would be based on further data on program implementation, including potential early and intermediate indicators of cost savings and return on investment (e.g., successful enrollee engagement, near-term impacts on emergency department and hospital use). Implementing expansion with such ongoing assessment steps would provide further opportunities to learn from and refine the Pilots, including better targeting specific interventions to people who would benefit from them the most (e.g., people with highest costs, higher risk). These steps would help assure that impact and savings are realized more quickly and substantially.

Conclusion

Extending and expanding the Healthy Opportunities Pilots provides an important opportunity for North Carolina to shift Medicaid costs toward prevention while achieving longer-term savings on state health care spending, with better health outcomes and more resilient communities. The state can build on this evidence-based approach to achieve health care

transformation. While this would create limited short-term budgetary costs, federal matching funds and a strong assessment and evaluation component makes Pilots expansion a low-risk, highly leveraged approach to advancing health care that promotes health. By doing so, North Carolina and the Pilots will continue to provide national models for evidence-based health reform.

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Disclosure

Mark B. McClellan, MD, PhD, is an independent director on the boards of Johnson & Johnson, Cigna, Alignment Healthcare, and PrognomIQ; co-chairs the Guiding Committee for the Health Care Payment Learning and Action Network; and receives fees for serving as an advisor for Arsenal Capital Partners, Blackstone Life Sciences, and MITRE.