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**Proposed N.C. State Budget Moves Behavioral Health Forward,  
But Hits Hospitals Hard with Increased Taxes**

*North Carolina Healthcare Association thanks legislators for improving behavioral health funding, but is deeply disappointed in the lack of Medicaid expansion*

Cary, NC – November 18, 2021 – The North Carolina Healthcare Association ([NCHA](http://NCHA)) is thankful that the proposed state budget requires Medicaid and the Local Management Entities to better reimburse hospitals for behavioral health patients, but our hospitals and health systems are severely disappointed in the General Assembly’s failure to expand Medicaid coverage to hundreds of thousands of hard-working North Carolinians and veterans.

“Improved behavioral health funding is sorely needed in our state, given that we remain in a behavioral health state of emergency,” NCHA President and Chief Executive Officer Steve Lawler said. “It is past time for us to take a hard look at the broader issues behind North Carolina’s fragmented, insufficiently funded behavioral health systems to pursue true system reform. NCHA looks forward to continued partnership with our elected officials to improve whole-person, equitable care for patients living with a behavioral health diagnosis.”

The proposed budget includes language requiring Medicaid and Local Management Entities to reimburse hospitals beyond the first 30 hours of a behavioral health patient being admitted to a hospital emergency department (ED). Behavioral health patients often stay in EDs longer than 30 hours due to a lack of available community-based services and inpatient beds. This update is one of the most significant changes in the behavioral health space in years and is an important step towards aligning reimbursement policies to encourage insurers to develop accessible community-based provider networks while appropriately reimbursing hospitals for expenses they incur caring for these patients.

But while the budget includes significant progress with behavioral health, hundreds of thousands of North Carolinians will continue to lack healthcare coverage – all while the General Assembly has access to millions in federal funding to expand Medicaid.

“We have long said that closing the healthcare coverage gap is essential to make high quality healthcare and coverage accessible and equitable to fellow residents of our state, especially in our rural communities,” Lawler said. “Doing so also would ease a portion of the burden of uncompensated care provided by North Carolina hospitals, which amounts to more than \$2.8 billion a year.”



Medicaid expansion would also return North Carolina taxpayers dollars to North Carolina to care for our own. Instead, the proposed budget will hit hospitals with \$211 million in additional taxes per year to cover the cost of 12 months of postpartum care for low-income mothers and expanding home and community-based services. This is a 38% tax increase in the same budget that slashes taxes on non-healthcare corporations. All told, hospitals will expect to pay an additional \$1.53 billion in taxes over the next eight years.

Coincidentally, this is approximately the same amount North Carolina would have received from the federal government under a clean Medicaid expansion.

“This tax assessment on hospitals means less money for medical research, community investment, and emergency preparedness, all of which were extremely critical during the pandemic,” Lawler said. “Hospitals are seeing sicker patients, and expenses for wages and labor costs, prescription drugs and medical supplies have all increased due to the lingering effects of the pandemic. Regardless of political preferences, our goal should be a healthy North Carolina. Expanding Medicaid would help our state reach that goal, but it should not come at the expense of hospitals’ financial security. NCHA looks forward to working with legislators to close the coverage gap sooner rather than later.”

#### **About NCHA**

Founded in 1918, North Carolina Healthcare Association (NCHA) is the united voice of the North Carolina healthcare community. Representing more than 130 hospitals, health systems, physician groups and other healthcare organizations, NCHA works with our members to improve the health of North Carolina communities by advocating for sound public policies and collaborative partnerships and by providing insights, services, support and education to expand access to high quality, efficient, affordable and integrated health care for all North Carolinians.