NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Fair Wages in Health Care Act/Funds.
Bill Number: House Bill 1045 (First Edition)
Sponsor(s): Rep. G. Brown, Rep. Clark, Rep. Cervania, and Rep. Prather

SUMMARY TABLE

FISCAL IMPACT OF H.B. 7, V.1

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	6,562,526	6,062,526	6,062,526	6,062,526	6,062,526
General Fund Impact	**(6,562,526)**	**(6,062,526)**	**(6,062,526)**	**(6,062,526)**	**(6,062,526)**
NET STATE IMPACT	**(6,562,526)**	**(6,062,526)**	**(6,062,526)**	**(6,062,526)**	**(6,062,526)**

FISCAL IMPACT SUMMARY

Section 2 of House Bill 1045 sets a statewide minimum wage for five health care occupations, ranging from $18/hour to $24/hour. These changes affect State employees in such roles, with an estimated annual fiscal impact of $6.1 million.

Section 3 of H.B. 1045 directs the Department of Health and Human Services (DHHS) to implement the minimum wage within Medicaid and State-funded or federally authorized waiver programs and appropriates $500,000 in FY 2026-27 for implementation.

FISCAL ANALYSIS

Section 2

Section 2 of House Bill 1045 sets a statewide minimum wage for five health care occupations, ranging from $18/hour to $24/hour. The following occupations are impacted: home care aide ($18/hour), direct support professional ($18/hour), certified nursing assistant ($20/hour), psychiatric aide ($22/hour), and licensed practical nurse ($24/hour). These changes affect State employees in such roles.

Data from the State's personnel system indicates there are roughly 3,850 positions in State agencies currently budgeted at salaries below the respective minimum set by this bill. It is

assumed that there are a negligible number of State-supported positions not captured in the State's personnel system that would be impacted by this bill. It would cost approximately $6.1 million annually in net General Fund appropriations to meet the minimum wages (and associated benefits costs) for the positions impacted by this bill. House Bill 1045 does not appropriate funds for these costs.

This analysis includes only the portion of affected positions that are funded by net General Fund appropriations. Many affected positions at the Division of State Operated Healthcare Facilities (DSOHF) at DHHS provide Medicaid services and are funded partially or entirely with Medicaid reimbursement receipts. As discussed in the next paragraph (Section 3), without an additional State appropriation for Medicaid reimbursement rate increases, the employer (in this case, DSOHF) may not have sufficient revenue to pay employees the minimum wage required in the bill. If the State, in lieu of increasing Medicaid reimbursement rates, were to provide funds to DSOHF to cover the portion of affected positions that are funded with Medicaid reimbursement receipts, it would cost approximately $15 million annually in net General Fund appropriations.

Section 3

Section 3.(a)(2), of H.B. 1045 includes the qualifier "subject to the availability of appropriations" when describing the provider reimbursement and capitation rate adjustments DHHS will make to NC Medicaid as part of H.B. 1045's implementation. This analysis does not include an added cost to NC Medicaid because DHHS is not required to make these adjustments without available appropriations. However, the occupations affected by the bill provide numerous services to NC Medicaid beneficiaries, including (but not limited to) personal care services, private duty nursing, and care in a residential facility such as a nursing home or intermediate care facility for individuals with intellectual disabilities (ICF-IID). Increasing the wage that providers must pay these employees without similarly increasing the Medicaid reimbursement rates for the services they provide would make providers less able to afford to provide services to Medicaid beneficiaries at the Medicaid reimbursement rate and would be expected to result in a decrease in the number of providers that choose to serve the Medicaid population in North Carolina.

Because 42 C.F.R. 447.204 requires states' Medicaid reimbursement rates to be sufficient to enlist enough providers to ensure that Medicaid beneficiaries have adequate access to care, it is possible the State could be required to increase Medicaid reimbursement rates to comply with the federal regulation. Without current wage data on the affected occupations, there is no estimate available for what raising these Medicaid reimbursement rates could cost. However, given the significant number of North Carolina Medicaid services that are provided by occupations affected by the bill, the nonfederal cost could be in the tens or even hundreds of millions of dollars. The bill appropriates $500,000 in FY 2026-27 to implement this section, considerably less than the potential total indeterminate fiscal impact.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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