2026 Legislative Report

INTRODUCTION

This year represented the second year of our legislative biennium with a so-called "Short Session" starting in April. While most work has been wrapped up, it is likely that our session will not conclude until after the November elections.

Much of this year's substantive legislation centered around our appropriations process. Our General Assembly did not adopt a full budget for the fiscal year July 1, 2025-June 30, 2026. However, unlike the federal government, when a budget is not enacted, North Carolina automatically continues to operate under the previous year's budget. While both the NC House and the NC Senate have strong Republican majorities, the two chambers had substantive disagreements on both tax cuts and spending priorities that led to an appropriations standstill. This ultimately led to substantive Medicaid rate cuts in late 2025 (later rescinded see more below).

THE MEDICAID BUDGET, RATE CUTS, AND A PROVIDER LAWSUIT

In late 2025 and early 2026, NCAFP remained extremely engaged with the ramifications of an incomplete appropriations process. In August 2025, the NC Department of Health and Human Services (NC DHHS), which is led by a family physician who was appointed by Governor Josh Stein (D), proposed substantive rate cuts (up to 10 percent) for all Medicaid providers, including an 8 percent cut for primary care. While the legislature had appropriated some additional funding for Medicaid in a "mini budget" bill, the Department's actuaries and Legislative Fiscal Research staff disagreed on how much funding was needed. The disagreement led to an approximately $319 million shortfall in state funding (close to $1 billion combined with the federal match), which culminated in the Medicaid program cutting rates effective October 1, 2025.

After advocating for additional funding from the legislature and urging the Governor to delay the cuts, we ended up with no other choice than to move to the court system. NCAFP joined a larger provider-backed lawsuit claiming the Department failed to follow the appropriate processes to implement rate cuts. Our lawsuit used the same legal theory proposed by autism service providers, who won a successful stay of their cuts just prior to our suit. Filing a lawsuit was an action we did not take lightly. However, NCAFP leaders believed we needed to take all steps possible to prevent such a large payment cut for our members and to mitigate the harm that would befall patients as well.

Last December, just as a judge was poised to act on our suit, the Governor announced he was reversing the cuts retroactively back to Oct. 1, averting a major cut to income for primary care practices. During the announcement press conference at the Governor's Executive Mansion, newly installed NCAFP President Dr. Benjamin "Frankie" Simmons spoke about the impact that the cuts would have had on family physicians and their patients. However, the shortfall still loomed later in the fiscal year.

As we moved into 2026, the NCAFP continued to advocate for the legislature to increase funding for Medicaid, which occurred during the very first week of the legislative session in late April, adding $319 million to the Medicaid budget. However, the legislation appropriating the funding also called for NC DHHS to take several significant steps, along with our state's Medicaid Managed Care Plans, to deal with the rising costs of Medicaid. That included narrowing networks for some services that had grown exponentially, including changes to ABA services for autism. The legislation also directed NC Medicaid to make recommendations to provide the Medicaid plans more flexibility and to lower spending with a report to the General Assembly by October 1, 2026. As a result, NCAFP, along with other provider groups, have been engaged with our state's Medicaid plans to develop flexibility and cost saving measures that would minimize harm to providers or patients. And all this is occurring prior to the implementation of the federal H.R. 1, which will begin in 2027, and likely lead to further scarcity of Medicaid funds.

2026-27 BUDGET PROVISIONS

The General Assembly enacted a full budget for the fiscal year July 1, 2026, to June 30, 2027, that included several key advocacy victories for family medicine. Each of those are outlined below.

Primary Care Payment Reform Task Force Extension

The budget extends the activities of the North Carolina Primary Care Payment Reform Task Force through 2028. The Task Force was initially established in 2023 to gain an understanding of current spending on primary care services and an assessment of the state of primary care in North Carolina. In addition to providing more time for the study, the appropriations bill includes language that requires health plans to comply with any Task Force request for data and other information related to health care investment in primary care services. It also clarifies that the data collected is not considered public information. The NCAFP has been working with legislative leadership to re-establish the Task Force for nearly two years. Several other states have undertaken similar efforts and increased primary care investment substantially. The Task Force is expected to renew its work later this year, which we hope will reward family physicians for the value they bring to the health care system.

At the same time this work is occurring, the Budget also included a study of ways to save cost in health care by a branch of the University of North Carolina system. In addition, the Governor established a Commission on Health Care Affordability through Executive Order. At the first meeting of this Commission, which includes four family physicians, there was significant focus on the benefit of primary care. During a presentation outlining some of the cost drivers of healthcare in our state, Barak Richman, Professor and Co-Director of the Health Law and Policy Program at George Washington University and Senior Scholar at the Clinical Excellence Research Center at the Stanford University School of Medicine, noted that the lack of primary care drives up costs, and a better supply of primary care provides significant cost savings. He quoted a 2022 study noting that each additional in-person visit to primary care was associated with a total cost reduction of $721 per patient per year. During Richman's review of what other states have done to lower costs, he noted that many states have prioritized primary care. We are hopeful that this work on affordability, combined with the Primary Care Payment Reform Task Force, will increase investments in primary care in North Carolina, particularly as part of our state's efforts around Rural Health Transformation move forward.

Targeted Forgivable Loans for Medical Students Interested in Primary Care and Psychiatry

The 2023-24 budget established a Targeted Forgivable Loan Program (up-front scholarships) for existing medical students interested in practicing primary care or psychiatry in rural areas of the state, which as written would include 80 of the state's 100 counties. Unfortunately, this funding was only slightly more per year than a separate program that any medical student going into any specialty in any area of North Carolina could apply for. As part of this year's appropriations process, we were able to get these award amounts doubled so a student can now receive up to $200,000 for medical school ($50,000 per year), which will be forgiven if they work in primary care or psychiatry in a rural area for one year for every year they receive the scholarship. The original annual award cap was $25,000 per year. Increasing this cap was one of the NCAFP's key priority items.

Medicaid Funding

The budget also included a 13% increase in Medicaid funding which should adequately cover the 2026 Medicaid rebase including projected changes in enrollment, enrollment mix, and increases in costs. In total, the budget allocates over $1 billion in new state funding for Medicaid, while tightening rules for ABA autism therapy and some other high-growth behavioral services. The bill also appropriates $25 million in non-recurring funds to reinstate the Healthy Opportunities Pilot. This initiative utilizes Medicaid funding to address social determinants of health for rural populations by providing targeted interventions such as nutritional assistance, housing mold remediation, and non-emergency medical transportation, in certain pilot geographic regions of the state. While the immediate fiscal crisis in Medicaid was mitigated, the General Assembly has mandated long-term measures to control the growth of Medicaid spending, which increased by $1 billion of state funding (plus the federal match) in the new fiscal year.

Other Key Health Care Provisions in the 2026-27 Appropriations Bill:

- $208.5 million in funding for North Carolina Children's Hospital, a joint venture of the University of North Carolina (UNC) and Duke. The $3 billion project will begin in 2027 and take six years to complete.
- Establishment of an interest bearing non-reverting special fund, which is to be used to support rural residency programs and rural medical education.
- A requirement for public schools to provide parents with information about Type 1 and Type 2 diabetes at the beginning of every school year, including a recommendation that parents consult with a primary care physician if the student is displaying warning signs of diabetes or receives a diabetes diagnosis.
- A provision aligning re-procurement dates for both Medicaid Standard Plans and Medicaid Tailored plans with new contracts starting Dec. 1, 2029.
- A provision prohibiting individuals under 21 from entering a specialty retailer of vape products, with age verification using a third-party service.
- $9.2 million to help cover some of the new costs to the Supplemental Nutrition Assistance Program as a result of H.R. 1, including funding to upgrade technology systems to manage new eligibility rules, hiring over 30 employees to work on reducing payment errors, and implementing artificial intelligence guidance.

OTHER ISSUES IN THIS YEAR'S LEGISLATURE

Prior Authorization Reform

During the past two years, both Chambers of our legislature have passed a version of prior authorization reform. However, the two chambers remain far apart in their negotiations for a compromise with the House favoring more extensive reform and the Senate favoring minor reforms more to the liking of our state's insurance companies.

The House bill:

- Requires that a denial can only be made by a medical doctor in the same specialty as the provider managing the patient's condition;
- Requires insurers to maintain a public list of services for which prior authorization is required;
- Requires a 24-hour turnaround for urgent health care services and sets out timelines governing other services;
- Prevents an insurer from revoking, limiting, conditioning, or restricting services if care has been previously certified by the insurer;
- Requires payment to the provider with certain limited exceptions; and
- Notes that any failure of an insurer to comply with the deadlines and other requirements is automatically deemed to authorize the service.

The House Bill also extends the definition of the practice of medicine to include performing any part of utilization review, giving the NC Medical Board authority to subpoena the insurer for records and subjects physicians providing utilization review to the Board's disciplinary processes if the decision harms a patient. This provision has been one of the biggest roadblocks between agreement between the House and the Senate. Even though the NC General Assembly has not adjourned, it is very unlikely that the two chambers will come to an agreement during this year's legislative session.

Use of Artificial Intelligence

Another contentious debate has centered around the use of Artificial Intelligence in billing and coding. While neither Chamber has passed legislation, two Senate committees did hear a bill that would prohibit any physician from knowingly using Artificial Intelligence designed to promote, incentivize, or systematical result in upcoding. We have expressed significant concerns about this particular provision, due to the broad applicability of the prohibition and how it may hinder the use of ambient scribes that reduces administrative burden. There have also been ongoing discussions about how insurance companies are using AI around prior authorizations, etc. We expect this discussion to continue in 2027.

Scope of Practice
Fortunately, little scope of practice legislation has been considered in 2026. However, last year, pharmacists were given the right to test and treat for influenza (but only influenza). Also in 2025, the "Team-Based Physician Assistant Licensure Act", which NCAFP supported, passed. This bill eliminated some administrative paperwork for a supervising physician when a PA remains in a team-based setting (hospital/health system with a quality committee or a physician-owned practice) but only after the PA has completed 4,000 hours of post-graduate training, with at least 1,000 of those hours in the same specialty they are currently practicing. Otherwise, the PA must continue to have a written agreement with a supervising physician, etc.

While there was a bill to provide independent practice for APRNs proposed in this biennium, thus far it has failed to receive a hearing in committee.