

North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

The Honorable Beverly M. Earle, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 634, Legislative Office Building
Raleigh, NC 27603

Dear Representative Earle:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

A handwritten signature in black ink, appearing to read "Dempsey Benton".

Dempsey Benton

DB:pj

Enclosure

cc: Dan Stewart
William W. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)





North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

The Honorable Bob England, M.D., Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 2219, Legislative Building
Raleigh, NC 27601

Dear Representative England:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Benton".

Dempsey Benton

DB:pj

Enclosure

cc: Dan Stewart
William W. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer





North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

The Honorable Verla Insko, Chairman
Appropriations Subcommittee on Health and Human Services
North Carolina General Assembly
Room 307-B1, Legislative Office Building
Raleigh, NC 27603

Dear Representative Insko:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Benton".

Dempsey Benton

DBL:pj

Enclosure

cc: Dan Stewart
William W. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer





North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

The Honorable William Purcell, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 625, Legislative Office Building
Raleigh, NC 27603

Dear Senator Purcell:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

Dempsey Benton

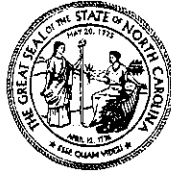
DB:pj

Enclosure

cc: Dan Stewart
William J. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer





North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

The Honorable Doug Berger, Co-Chair
Appropriations on Health and Human Services
North Carolina General Assembly
Room 622, Legislative Office Building
Raleigh, NC 27603

Dear Senator Berger:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

A handwritten signature in black ink, appearing to read "Dempsey Benton".

Dempsey Benton

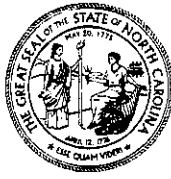
DB:pj

Enclosure

cc: Dan Stewart
William W. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer





North Carolina Department of Health and Human Services

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

April 23, 2007

Lynn Muchmore, Director
Fiscal Research Division
Room 619, Legislative Office Building
Raleigh, NC 27601

Dear Mr. Muchmore:

Section 10.37 of S.L. 2007-323 (House Bill 1473), "Medicaid Cost Containment," required DHHS to submit a report to the General Assembly on the amounts that the Division of Medical Assistance paid for cost containment activities in fiscal years 2003 – 2004 through 2006 – 2007 and the amount of savings realized from cost containment activities during this same time period along with a copy of all cost containment proposals. It is my pleasure to submit the report at this time.

Please direct all questions concerning this report to Pat Jeter, Assistant Director for Budget Management at the Division of Medical Assistance. She can be reached at (919) 855-4140 or via e-mail at Pat.Jeter@ncmail.net.

Sincerely,

A handwritten signature in black ink, appearing to read "Dempsey Benton".

Dempsey Benton

DB:pj

Enclosure

cc: Dan Stewart
William W. Lawrence, Jr., M.D.
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)



Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer

**N. C. DEPARTMENT OF HEALTH AND HUMAN SERVICES
*DIVISION OF MEDICAL ASSISTANCE***

**MEDICAID COST CONTAINMENT ACTUAL EXPENDITURES
AND ESTIMATED SAVINGS FOR
STATE FISCAL YEARS 2003-2004 THROUGH 2006-2007**

*HB 1473, SECTION 10.37 REPORTING REQUIREMENT
April 2008*

Actual Expenditures Incurred by Fiscal Year		
SFY	Maximum Amount Authorized	Actual General Fund Expenditures
2003-2004	\$5,000,000	\$304,449
2004-2005	\$3,000,000	\$632,989
2005-2006	\$3,000,000	\$55,278
2006-2007	\$3,000,000	\$255,081

Estimated Cost Savings

Cost savings reported includes the total savings as well as the state share. It must be emphasized that the cost savings reported are estimates for the most part. Activities in the state's Medicaid program are complex and it is not usually possible to link a single cause to a single effect. Medicaid activities are affected by a multitude of constantly shifting efforts and changes. Medicaid program expenditures are affected by a number of forces including but not limited to changes in the population served, caseload growth, federal and state policy changes as well as changes in best practices for administering medical care. Isolating one change to determine its effect on the program is impossible. However, based on historical experience, the division estimates that a staff member engaged in cost containment activities typically generates cost savings or recoupments of approximately \$350,000 annually. This bench mark frequently has been used to quantify cost savings which result from additional staffing except for activities for which a more precise estimate can be calculated.

Estimated Total and State Savings by Fiscal Year		
SFY	Total Savings	State Savings
2003-2004	\$10,922,662	\$3,822,932
2004-2005	\$16,998,923	\$5,949,623
2005-2006	\$7,389,543	\$2,586,340
2006-2007	\$18,080,285	\$6,328,100

Based on the estimated cost savings over the 2003-2004 through 2006-2007 state fiscal years, the savings have far exceeded the cost containment funds expended on this effort.

**Medicaid Cost Containment Pursuant to HB 397, Section 10.23
2003-05 Biennium**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 5,000,000 \$ 3,000,000

PROPOSED EXPENDITURE ITEM	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2003-2004	ESTIMATED STATE SAVINGS SFY 2003-2004	ESTIMATED TOTAL SAVINGS SFY 2004-2005	ESTIMATED STATE SAVINGS SFY 2004-2005	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005					
Establish 20 New Positions for Medical Policy The size and rate of growth of the Medicaid program make a strong and effective management infrastructure a necessity. Medicaid currently provides Health Care coverage for up to 1.4 million North Carolinians annually, the second largest health insurer in the state. While the program has more than quadrupled in size over the past 12 years, the management infrastructure has not been adjusted adequately. The DMA Medical Policy section has broad and deep responsibilities - which have been under developed and under supported for years. Issues that help define the necessity of expanding staff include, but are not limited to: lack of depth in existing program areas, critical need for collaboration with DMA rate setting staff, risk situations for compliance with state and federal regulations, absent and undeveloped program components. In addition, supplementary staff will allow present staff to devote time to DHHS priority initiatives such as the new Medical Management Information System (MMIS), improvements in community care programs (PCS and CAP) and implementation of mental health reform. The Division proposes to establish twenty (20) new positions in Medical Policy. The number and classification of the proposed new positions are as follows: 1.0 Dentist II, 1.0 Physician Director, 1.0 Dental Hygienist, 7.0 DMA Nurse II, 1.0 Office Assistant V, 1.0 Pharmacy Manager I, 2.0 Medicaid Program Service Chief, 1.0 PH Epidemiologist, 2.0 DMA Nurse I, 1.0 Optician, 1.0 Information and Communication Specialist and 1.0 DMA Nurse Supervisor.	\$ 242,544	\$ 432,709	\$ 103,001	\$ 343,490	\$ 1,071,000	\$ 374,850	\$ 5,950,000	\$ 2,082,500	The number of filled positions created by this cost containment proposal were 3.06 FTE in 2003-2004 and 17 FTE in 2004-2005. The estimated savings is \$350,000 per person.
Total Cost Containment	\$ 510,041	\$ 726,622	\$ 304,449	\$ 632,989	\$ 10,922,662	\$ 3,822,932	\$ 16,998,923	\$ 5,949,623	
Balance Available to Obligate for Cost Containment	\$ 4,489,959	\$ 2,273,378							

**Medicaid Cost Containment Pursuant to HB 397, Section 10.23
2003-05 Biennium**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 5,000,000 \$ 3,000,000

PROPOSED EXPENDITURE ITEM	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2003-2004	ESTIMATED STATE SAVINGS SFY 2003-2004	ESTIMATED TOTAL SAVINGS SFY 2004-2005	ESTIMATED STATE SAVINGS SFY 2004-2005	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005					

Establish 13.5 New Positions for Program Integrity	\$	263,098	\$	288,512	\$	198,698	\$	283,781	\$	9,415,748	\$	3,295,512	\$	10,840,453	\$	3,794,159
---	----	---------	----	---------	----	---------	----	---------	----	-----------	----	-----------	----	------------	----	-----------

Program Integrity reviews Medicaid claims, medical records and other data to determine if providers have billed services in error, either intentionally (e.g., fraud and abuse) or unintentionally (e.g., claims submitted twice in error or submitted with erroneous service coding). The program has benefited in recent years from investments in technology, including a data warehouse, computer network and fraud and abuse detection software which has enabled the unit to more rapidly detect suspected cases of fraud, abuse and error. However, additional staff is needed to conduct the manual reviews and investigations needed to pursue these cases and ultimately recover and return funds to the state.

Per the 2004 and 2005 annual reports, the Program integrity section recoveries were \$26,154,859 and \$12,508,218 respectively. There were 15 total positions at that time. This equates to \$1,743,657 for 2004 and \$833,881 for 2005 in dollars recovered per position. This was multiplied times the number of filled positions for the respective year to calculate the savings. Of the positions created in this cost containment activity, the actual number filled each year was 5.4 FTE in 2003-2004 and 13 FTE in 2004-2005.

The Division proposes establishing 13.5 new positions in the Program Integrity Unit. The number and classification of the proposed new positions are as follows: 7.0 Nurse positions; 1.0 Pharmacy Investigators; 0.5 Clinical Pharmacist; 1.0 Administrative Assistant I; 1.0 Administrative Officer II; 1.0 Accountant II; 1.0 Processing Assistant IV.

Additional Hours for Part Time Pharmacist	\$	4,399	\$	5,401	\$	2,750	\$	5,718	\$	435,914	\$	152,570	\$	208,470	\$	72,965
--	----	-------	----	-------	----	-------	----	-------	----	---------	----	---------	----	---------	----	--------

A Part Time Pharmacist was originally established in revision 11-0006, which was approved by State Budget on September 8, 2003. Plainly, the number of hours for a part time pharmacist was underestimated at 20 hours. Thirty hours (30) per week are needed for recruitment purposes and to enable the pursuit of recoveries in new areas and to manage an increase in the workload. These additional hours will increase the FTE of the Division of Medical Assistance by .25.

The FTE was increased by .25 FTE for 2003-2004 and 2004-2005. The estimated recoveries per person for 2004 is \$1,743,657 and \$833,881 for 2005.

**Medicaid Cost Containment Pursuant to HB 397, Section 10.23
2003-05 Biennium**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 5,000,000 \$ 3,000,000

PROPOSED EXPENDITURE ITEM	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2003-2004	ESTIMATED STATE SAVINGS SFY 2003-2004	ESTIMATED TOTAL SAVINGS SFY 2004-2005	ESTIMATED STATE SAVINGS SFY 2004-2005	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005	STATE \$ AMOUNT SFY 2003-2004	STATE \$ AMOUNT SFY 2004-2005					
Establish 20 New Positions for Medical Policy The size and rate of growth of the Medicaid program make a strong and effective management infrastructure a necessity. Medicaid currently provides Health Care coverage for up to 1.4 million North Carolinians annually, the second largest health insurer in the state. While the program has more than quadrupled in size over the past 12 years, the management infrastructure has not been adjusted adequately. The DMA Medical Policy section has broad and deep responsibilities - which have been under developed and under supported for years. Issues that help define the necessity of expanding staff include, but are not limited to: lack of depth in existing program areas, critical need for collaboration with DMA rate setting staff, risk situations for compliance with state and federal regulations, absent and undeveloped program components. In addition, supplementary staff will allow present staff to devote time to DHHS priority initiatives such as the new Medical Management Information System (MMIS), improvements in community care programs (PCS and CAP) and implementation of mental health reform. The Division proposes to establish twenty (20) new positions in Medical Policy. The number and classification of the proposed new positions are as follows: 1.0 Dentist II, 1.0 Physician Director, 1.0 Dental Hygienist, 7.0 DMA Nurse II, 1.0 Office Assistant V, 1.0 Pharmacy Manager I, 2.0 Medicaid Program Service Chief, 1.0 PH Epidemiologist, 2.0 DMA Nurse I, 1.0 Optician, 1.0 Information and Communication Specialist and 1.0 DMA Nurse Supervisor.	\$ 242,544	\$ 432,709	\$ 103,001	\$ 343,490	\$ 1,071,000	\$ 374,850	\$ 5,950,000	\$ 2,082,500	The number of filled positions created by this cost containment proposal were 3.06 FTE in 2003-2004 and 17 FTE in 2004-2005. The estimated savings is \$350,000 per person.
Total Cost Containment	\$ 510,041	\$ 726,622	\$ 304,449	\$ 632,989	\$ 10,922,662	\$ 3,822,932	\$ 18,998,923	\$ 5,949,623	
Balance Available to Obligate for Cost Containment	\$ 4,489,959	\$ 2,273,378							

The number of filled positions created by this cost containment proposal were 3.06 FTE in 2003-2004 and 17 FTE in 2004-2005. The estimated savings is \$350,000 per person.

**Medicaid Cost Containment Pursuant to S.L. 2005-276, Section 10.14
SFY 2005-06**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 3,000,000 \$ 3,000,000

PROPOSED SPENDING	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2005-2006	ESTIMATED STATE SAVINGS SFY 2005-2006	ESTIMATED TOTAL SAVINGS SFY 2006-2007	ESTIMATED STATE SAVINGS SFY 2006-2007	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007					

Reallocate Position to a Pharmacist	\$ 9,850	\$ 9,850	\$ 6,646	\$ 9,454	\$ 174,504	\$ 61,076	\$ 217,849	\$ 76,247	
<p>This pharmacist position is utilized to perform desk audits of large, closed shop long-term care pharmacies and compounding pharmacies; review of early refill overrides, particularly therapy change. The addition of this position will enhance recoupments particularly in the area of early refill overrides.</p>									

This position was increased by .25 FTE for SFY 2006 and 2007. The estimated recoveries per person for 2006 is \$698,015 and \$871,397 for 2007.

Part Time to Full Time Investigative Pharmacist	\$ 2,940	\$ 5,879	\$ 2,924	\$ 5,896	\$ 174,504	\$ 61,076	\$ 217,849	\$ 76,247	
--	----------	----------	----------	----------	------------	-----------	------------	-----------	--

This position was originally established in Sept 2003 as a 20 hour per week position. It was subsequently increased to 30 hours a week in Dec 2003. Cost containment funds were approved for both. At 30 hours a week this position has recovered approximately \$400,000 over a 6 month period. The additional 10 hours a week will allow this position to conduct more audits, resulting in additional recoupments for the State.

This position was increased by .25 FTE for SFY 2006 and 2007. The estimated recoveries per person for 2006 is \$698,015 and \$871,397 for 2007.

**Medicaid Cost Containment Pursuant to S.L. 2005-276, Section 10.14
SFY 2005-06**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 3,000,000 \$ 3,000,000

PROPOSED SPENDING	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2005-2006	ESTIMATED STATE SAVINGS SFY 2005-2006	ESTIMATED TOTAL SAVINGS SFY 2006-2007	ESTIMATED STATE SAVINGS SFY 2006-2007	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007					
Reallocate Position to a Pharmacist This pharmacist position is utilized to perform desk audits of large, closed shop long-term care pharmacies and compounding pharmacies; review of early refill overrides, particularly therapy change. The addition of this position will enhance recoupments particularly in the area of early refill overrides.	\$ 9,850	\$ 9,850	\$ 6,646	\$ 9,454	\$ 174,504	\$ 61,076	\$ 217,849	\$ 76,247	This position was increased by .25 FTE for SFY 2006 and 2007. The estimated recoveries per person for 2006 is \$698,015 and \$871,397 for 2007.
Part Time to Full Time Investigative Pharmacist This position was originally established in Sept. 2003 as a 20 hour per week position. It was subsequently increased to 30 hours a week in Dec 2003. Cost containment funds were approved for both. At 30 hours a week this position has recovered approximately \$400,000 over a 6 month period. The additional 10 hours a week will allow this position to conduct more audits, resulting in additional recoupments for the State.	\$ 2,940	\$ 5,879	\$ 2,924	\$ 5,896	\$ 174,504	\$ 61,076	\$ 217,849	\$ 76,247	This position was increased by .25 FTE for SFY 2006 and 2007. The estimated recoveries per person for 2006 is \$698,015 and \$871,397 for 2007.

**Medicaid Cost Containment Pursuant to S.L. 2005-276, Section 10.14
SFY 2005-06**

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 3,000,000 \$ 3,000,000

PROPOSED SPENDING	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2005-2006	ESTIMATED STATE SAVINGS SFY 2005-2006	ESTIMATED TOTAL SAVINGS SFY 2006-2007	ESTIMATED STATE SAVINGS SFY 2006-2007	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007					
Family Planning Waiver The Family Planning waiver is an on-going project with the Division of Public Health. This program is designed to reduce unintended pregnancies and improve the well-being of children and families in North Carolina by extending eligibility for family planning services to eligible men and women whose income is at or below 185% of the federal poverty level. The reduction in unintended pregnancies is expected to save the state and federal government approximately \$17 million dollars over the 5 years of the demonstration project.	\$ 45,708	\$ 166,677	\$ 45,708	\$ 12,502	\$ 7,040,535	\$ 2,464,187	\$ 13,060,689	\$ 4,571,241	Information to estimate the savings is taken from the report to the federal government on the 1st year of the waiver (October 2005-September 2006). The average cost of a pregnancy is \$12,914 for care for a year and 874 births were averted; thus the savings is \$7,040,535 for SFY 2006. This is derived from the \$9,387,381 savings for the Federal Fiscal year (FFY) x .75 to get the SFY 2006 estimate. For FFY 2007 the savings was \$14,285,125; thus for SFY 2007 the savings is \$13,060,689. This is calculated as follows: (\$9,387,381*.25) + (\$14,285,125 *.75). This savings is included in the numbers above.
Budget Funds for Family Plng Wvr Contract Evaluation of the Family Planning waiver is a federal requirement. See Family Planning Waiver above for information on cost savings.		\$ 29,726		\$ 29,726					

Medicaid Cost Containment Pursuant to S.L. 2005-276, Section 10.14
SFY 2005-06

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

\$ 3,000,000 \$ 3,000,000

PROPOSED SPENDING	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2005-2006	ESTIMATED STATE SAVINGS SFY 2005-2006	ESTIMATED TOTAL SAVINGS SFY 2006-2007	ESTIMATED STATE SAVINGS SFY 2006-2007	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007					
New Pharmacist Positions (2)	\$ 3,383	\$ 40,648	\$ -	\$ 31,339	\$ -	\$ -	\$ 871,397	\$ 304,989	

The pharmacist position is added to the program integrity unit in order to increase monitoring including reviewing audits for accuracy prior to recoupment letters being sent to pharmacies, reviewing all documentation submitted for hearings, performing on-site-specialty audit and performing desk audits due to over-billing. In calendar year 2005, a staff pharmacist position was responsible for \$561,896 recouped. The additional position should have the same type of results.

The pharmacy technician investigator performs duties previously done by pharmacists, thereby increasing time for pharmacist to perform clinical reviews and large file audits, which in turn increases recoupments by the pharmacist, estimated at approximately \$140,000 a year. This pharmacy technician investigator also performs on-site field studies. It is estimated that this position will recoup approximately \$250,000 a year from these audits.

There was 1 FTE in 2006-2007 and the estimated recoveries per person for 2007 is \$871,397.

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

PROPOSED SPENDING	PROPOSED EXPENDITURE		ACTUAL EXPENDITURE		ESTIMATED TOTAL SAVINGS SFY 2005-2006	ESTIMATED STATE SAVINGS SFY 2005-2006	ESTIMATED TOTAL SAVINGS SFY 2006-2007	ESTIMATED STATE SAVINGS SFY 2006-2007	Explanation of cost savings estimate calculation
	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007	STATE \$ AMOUNT SFY 2005-2006	STATE \$ AMOUNT SFY 2006-2007					
Request for Dept of Justice FTE Increase		\$ 32,013		\$ 32,013			\$ 1,000,000	\$ 350,000	This attorney has supported DMA through litigation with two providers which resulted in their termination and one being referred for Fraud Investigation. She also provided guidance to the Division with regard to Pitt County Memorial Hospital and assisted with the Special Needs Trust which result in revenues to the division. This resulted in approximately \$1M in savings.
Establishes a full-time Attorney III position at the Department of Justice. This position will provide legal representation and guidance on the Medicaid Program. Successful defense by DOJ attorneys of decisions to control utilization results in significant savings to the Medicaid program by preventing the expenditure of State funds for unnecessary services.									
New Positions Cost Containment		\$ 433,208		\$ 104,874			\$ 2,450,000	\$ 857,500	Positions were effective 1/1/07. Only 14 positions were filled during SFY 2007; thus the estimated savings for the filled positions is \$2,450,000 (\$350,000x.5x14)
Establishes 29 full-time positions to implement and continue various efforts to contain the cost of the Medicaid Program									
Est Bus Officer IV Pos Cost Containment		\$ 42,184		\$ 29,277			\$ 262,500	\$ 91,875	Position was effective 10/1/06. Estimated annual savings is \$350,000; thus only \$262,500 in savings for SFY 2007.
Establishes a full-time position to manage and oversee the various efforts to contain the cost of the Medicaid Program									
Total Cost Containment	\$ 61,881	\$ 760,185	\$ 55,278	\$ 255,081	\$ 7,389,543	\$ 2,586,340	\$ 18,080,285	\$ 6,328,100	
Balance Available to Obligate for Cost Containment	\$ 2,938,119	\$ 2,239,815							

MAXIMUM ALLOWABLE FOR COST CONTAINMENT

[illegible]

1

There was 1 FTE in 2006-2007 and the estimated recoveries per person for 2007 is \$871,397.