

North Carolina Department of Health and Human Services

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Beverly Eaves Perdue, Governor

July 10, 2009

Lanier M. Cansler, Secretary

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 10.14(c) of S.L. 2008-107 (House Bill 2436), "Health Choice Enrollment Growth Cap," requires the Department of Health and Human Services to submit a report indicating the number of children enrolled, the projected enrollment and program costs for the remaining six months of the year, and the status of current expenditures and available state and federal funds. The legislation requires the Department to submit a report upon the convening of the 2009 General Assembly. It is my pleasure to submit the report at this time.

Please direct all questions concerning this status report to Tara Larson, Chief Clinical Operating Officer for the Division of Medical Assistance at (919) 855-4100.

Sincerely,

A handwritten signature in black ink, appearing to read "Lanier", written over a horizontal line.

Lanier M. Cansler

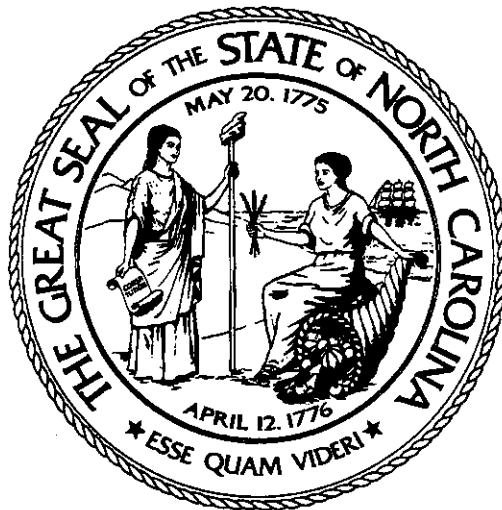
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Attachment

cc: Allen Feezor
Dan Stewart
Tara Larson
Sharnese Ransome
Jennifer Hoffmann
Legislative Library (2)



**Legislative Report
North Carolina Health Choice
Enrollment Growth Cap
S.L. 2008-107 Section 10.14(c)**



**State of North Carolina
Department of Health and Human Services
Division of Medical Assistance**



March 6, 2009

A. Legislative Mandate

Session Law 2008-107 Section 10.14(c) North Carolina Health Choice Enrollment Growth Cap directed the Department of Health and Human Services as follows:

“Section 10.14.(c) On January 15, 2009, or upon the convening of the 2009 General Assembly, whichever occurs later, the Department of Health and Human Services shall report to the 2009 General Assembly. The report shall provide the following information:

- (1) The number of children that were enrolled in NC Health Choice in the first week of January 2009, based on the January Pull-Night data; and*
- (2) Projected enrollment and program costs for each of the remaining six months of the 2008-2009 fiscal year. The projected enrollment shall be based on NC Health Choice enrollment data and program costs from the immediately preceding five fiscal years.*
- (3) The status of current expenditures and availability of State and federal funds for the 2008-2009 fiscal year.*

The Department shall submit the report to the Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.”

C. Findings

1. Number of Children in Enrolled

The number of children enrolled in North Carolina Health Choice for the month of January 2009, as determined by using December 2008 Pull-Night data, was 124,434.

2. Projected Enrollment and Program Cost for State Fiscal Year 2008-09

The projected enrollment and program costs for the remaining six months of state fiscal year 2008-2009, based on historical average enrollment growth trends for the past five years, is displayed in Attachment 1. The first six month of the year have actual member months which have been billed to the Division of Medical Assistance by the State Health Plan (SHP). Beginning in January, the Estimated Average Monthly Members is increased by .69% each month so as to be consistent with the 4.11% average growth for the last six month of the past 5 years. As for the total requirements, the figures for July through December are a reflection of the actual expenditures incurred. The total requirements figures for January through June represent the estimated average monthly members multiplied by the respective average cost per member month in the lower table.

3. Status of Current Expenditures and Availability of State and Federal Funds

The current expenditures and availability of State and Federal funds for the 2008-2009 state fiscal year is shown on Attachment 2. The top table is a reflection of the state appropriation and its usage during the state fiscal year. It begins with the certified budget for the Health Choice population. The actual expenditures for July through December are indicated as well as the utilization of the state funds. The expenditures for July through December represented in the Total Computable column are the same figures seen on Attachment 1 on the line labeled Total Expenditures with Recoveries. The remaining six months (January through June) expenditures are projections and are the same figures as on Attachment 1. Additionally for the months of January through July 2009, the projected expenditures include one-twelfth of the appropriated program funds ($\$5,800,000/12 = \$483,333$) which were provided for the SHP to transition the processing of the Health Choice claims from the Blue Cross Blue Shield (BCBS) legacy system to their new Power MHS system. BCBS did not transition the Health Choice program to the new system until January; thus we did not begin making payments until this time. Although the chart indicates a projected balance in state funds of \$886,346 at the end of the year, six months of the appropriated funds will need to be carried forward to pay for the remaining six months of the transition to the new Power MHS system. This will amount to \$718,620 in state appropriations. Thus, the net remaining balance is \$167,726.

Federal funding, based on the federal fiscal year, is displayed in the lower of the two charts found on Attachment 2 and begins with the federal funds allocated to DMA. The actual expenditures indicated are only available for October through December and the remaining months expenditures are projected based on the .69% increase in average monthly members with the total members then being multiplied by the respective average cost per member month to get the total computable costs (Estimated Requirements). Since January through September are a part of the federal fiscal year, all of these months' expenditures have been increased by the one-twelfth of the appropriated program funds ($\$5,800,000/12 = \$483,333$) which were provided for the SHP to transition the processing of the Health Choice claims from the Blue Cross Blue Shield (BCBS) legacy system to their new Power MHS system. The current and projected expenditures indicate that as of May 2009 there will not be sufficient federal funding to support the projected enrollment. Based on the recently approved reauthorization, there will be sufficient funding for the current federal fiscal year, however the exact amount of DMA's additional allocation has not been determined at this time.

STATE FISCAL YEAR

HEALTH CHOICE FUNDS ANALYSIS

HEALTH CHOICE FUNDS ANALYSIS	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	Total
SFY 2009 (with actual thru Dec and growth of 4.11% in the last six months)													
Estimated Average Monthly Members	129,942	129,240	131,003	131,643	133,506	133,539	134,717	135,633	136,550	137,466	138,383	139,299	
Estimated Retro Members	8	2	29	-	-	-	-	-	-	-	-	-	
Estimated Member Months	129,950	129,242	131,032	131,643	133,506	133,539	134,717	135,633	136,550	137,466	138,383	139,299	
Estimated Requirements	\$ 20,756,914	\$ 20,643,825	\$ 20,929,741	\$ 21,027,336	\$ 21,324,913	\$ 23,480,162	\$ 23,687,207	\$ 23,848,361	\$ 24,009,514	\$ 24,170,668	\$ 24,331,821	\$ 24,492,975	\$ 272,703,439
Total Expenditures With Recoveries	\$ 22,475,534	\$ 18,696,971	\$ 20,380,293	\$ 24,460,076	\$ 19,842,346	\$ 22,144,331	\$ 23,687,207	\$ 23,848,361	\$ 24,009,514	\$ 24,170,668	\$ 24,331,821	\$ 24,492,975	\$ 272,640,098

	FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008	FFY 2009	FFY 2010	FFY 2011
	AON	AON	AON	AON	AON	DMA	DMA	DMA	DMA
AVERAGE COST PER MEMBER MONTH	\$147.91	\$157.28	\$178.84	\$196.74	\$146.84	\$159.73	\$175.83	\$193.41	\$212.91
		6.33%	13.71%	10.01%	10.00%	8.78%	10.08%	10.00%	10.08%

NOTE: The blue items are estimated figures as of this reporting

ATTACHMENT 2

STATE FISCAL YEAR

Estimated Expenditures	Total Computable	Federal Share	State Share	Running State Dollar Utilization	State Dollar Balance \$69,337,977	Fund 1310 only
July 2008*	\$ 22,475,534	\$ 16,826,141	\$ 5,649,393	\$ 5,649,393	\$ 63,688,584	
August 2008*	\$ 18,696,971	\$ 13,995,203	\$ 4,701,768	\$ 10,351,161	\$ 58,986,816	
September 2008*	\$ 20,380,293	\$ 15,259,164	\$ 5,121,129	\$ 15,472,290	\$ 53,865,687	
October 2008*	\$ 24,460,076	\$ 18,404,365	\$ 6,055,711	\$ 21,528,001	\$ 47,809,976	
November 2008*	\$ 19,842,346	\$ 14,937,410	\$ 4,904,936	\$ 26,432,937	\$ 42,905,040	
December 2008*	\$ 22,144,331	\$ 16,661,405	\$ 5,482,926	\$ 31,915,863	\$ 37,422,114	
January 2009^	\$ 24,170,541	\$ 18,181,081	\$ 5,989,460	\$ 37,905,323	\$ 31,432,654	
February 2009^	\$ 24,331,694	\$ 18,302,300	\$ 6,029,394	\$ 43,934,717	\$ 25,403,260	
March 2009^	\$ 24,492,848	\$ 18,423,520	\$ 6,069,328	\$ 50,004,045	\$ 19,333,932	
April 2009^	\$ 24,654,001	\$ 18,544,740	\$ 6,109,262	\$ 56,113,306	\$ 13,224,671	
May 2009^	\$ 24,815,155	\$ 18,665,959	\$ 6,149,195	\$ 62,262,501	\$ 7,075,476	
June 2009^	\$ 24,976,308	\$ 18,787,179	\$ 6,189,129	\$ 68,451,631	\$ 886,346	Need to carryforward \$ 718,620
	\$ 275,440,098	\$ 206,988,468	\$ 68,451,631			
				Real surplus \$	167,726	

*Actual expenditures. State share was taken from the BD701 to account for reclasses and recoveries.

^Costs associated with the Power MHS Transition (\$5,800,000) have been added to the Jan-Dec 09 estimates = MONTHLY \$ 483,333

FEDERAL FISCAL YEAR

Estimated Expenditures	Total Computable	Federal Share	State Share	Running Federal Dollar Utilization	Federal Dollar Balance \$136,117,313
October 2008*	\$ 24,460,076	\$ 18,825,116	\$ 6,201,627	\$ 18,825,116	\$ 117,292,197
November 2008*	\$ 19,842,346	\$ 15,351,659	\$ 5,057,353	\$ 34,176,775	\$ 101,940,538
December 2008*	\$ 22,144,331	\$ 17,083,212	\$ 5,627,785	\$ 51,259,988	\$ 84,857,325
January 2009^	\$ 24,170,541	\$ 18,181,081	\$ 5,989,460	\$ 69,441,068	\$ 66,676,245
February 2009^	\$ 24,331,694	\$ 18,302,300	\$ 6,029,394	\$ 87,743,369	\$ 48,373,944
March 2009^	\$ 24,492,848	\$ 18,423,520	\$ 6,069,328	\$ 106,166,889	\$ 29,950,424
April 2009^	\$ 24,654,001	\$ 18,544,740	\$ 6,109,262	\$ 124,711,629	\$ 11,405,684
May 2009^	\$ 24,815,155	\$ 18,665,959	\$ 6,149,195	\$ 143,377,588	\$ (7,260,275)
June 2009^	\$ 24,976,308	\$ 18,787,179	\$ 6,189,129	\$ 162,164,767	\$ (26,047,454)
July 2009^	\$ 25,137,462	\$ 18,908,399	\$ 6,229,063	\$ 181,073,166	\$ (44,955,853)
August 2009^	\$ 25,298,615	\$ 19,029,618	\$ 6,268,997	\$ 200,102,784	\$ (63,985,471)
September 2009^	\$ 25,459,769	\$ 19,150,838	\$ 6,308,931	\$ 219,253,622	\$ (83,136,309)
	\$ 289,783,145	\$ 219,253,622	\$ 72,229,523		

*Actual expenditures.

^Costs associated with the Power MHS Transition (\$5,800,000) have been added to the Jan-Dec 09 estimates.

DMA Budget Management					
Health Choice Member Months Invoiced					
February-09					
Month	Health Choice Member Months Invoiced	monthly growth	6 month growth	annual growth	
SFY 2004					
July 2003	106,725	-0.73%			
August 2003	105,941	2.70%			
September 2003	108,799	0.47%			
October 2003	109,309	4.19%			
November 2003	113,892	0.70%			
December 2003	114,687	-1.07%	7.46%		
January 2004	113,465	2.13%			
February 2004	115,880	2.27%			
March 2004	118,508	0.55%			
April 2004	119,156	1.40%			
May 2004	120,821	1.84%			
June 2004	123,040		8.44%	15.29%	
			1.31%		
SFY 2005					
July 2004	122,801	-0.16%			
August 2004	122,605	1.35%			
September 2004	124,262	2.06%			
October 2004	126,825	3.49%			
November 2004	131,249	-1.25%			
December 2004	129,606	1.30%	5.54%		
January 2005	131,295	1.03%			
February 2005	132,644	1.33%			
March 2005	134,407	1.58%			
April 2005	136,525	2.05%			
May 2005	139,322	-0.90%			
June 2005	138,070		5.16%	12.43%	
			1.08%		
SFY 2006					
July 2005	138,895	-1.03%			
August 2005	137,464	0.70%			
September 2005	138,427	-0.68%			
October 2005	137,482	4.15%			
November 2005	143,187	1.11%			
December 2005	144,779	-20.38%	4.24%		
January 2006	115,274	-3.28%			
February 2006	111,489	2.72%			
March 2006	114,520	0.52%			
April 2006	115,112	0.90%			
May 2006	116,147	-0.41%			
June 2006	115,673		0.35%	-16.72%	
			-1.43%		
SFY 2007					
July 2006	119,616	-7.20%			
August 2006	110,999	3.78%			
September 2006	115,196	0.28%			
October 2006	115,521	0.99%			
November 2006	116,661	1.60%			
December 2006	118,527	-0.88%	-0.91%		
January 2007	117,481	-0.94%			
February 2007	116,374	2.57%			
March 2007	119,359	1.04%			
April 2007	120,596	-0.26%			
May 2007	120,279	0.88%			
June 2007	121,337		3.28%	1.44%	
			0.17%		
SFY 2008					
July 2007	122,526	-2.71%			
August 2007	119,204	2.34%			
September 2007	121,997	0.88%			
October 2007	123,071	1.47%			
November 2007	124,882	1.26%			
December 2007	126,451	-0.76%	3.20%		
January 2008	125,493	-0.03%			
February 2008	125,456	2.69%			
March 2008	128,827	-0.27%			
April 2008	128,482	-1.11%			
May 2008	127,055	2.07%			
June 2008	129,681		3.34%	5.84%	
			0.53%		
			4.11%	3.66%	average annual growth - 5 years
SFY 2009			3.66%		
July 2008	129,950	129,950			
August 2008	129,242	129,242			
September 2008	131,032	131,032			
October 2008	131,643	131,643			
November 2008	133,506	133,506			
December 2008	133,800	133,800	2.96%		
			134,717		
			135,633		
			136,550		
			137,466		
			138,383		
			139,299	4.11%	3.66% = (X-129950)/123950=134706
			DIFFERENCE	5,499	.916.53
				6 MO	MONTHLY
					MONTHLY PERCENT INCREASE
Jul-09		140,216			
Aug-09		141,132			
Sep-09		142,049			