



OVERVIEW OF HEALTH AND HUMAN SERVICES

The Governor's Recommended 2013-15 Budget Governor Pat McCrory

Presentation to the Joint Appropriations Subcommittee
on Health and Human Services, March 27, 2013

Prepared by
NC Office of State Budget and Management



Governor's Recommended Budget

TOTAL HEALTH AND HUMAN SERVICES GENERAL FUND BUDGETS

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	\$19,528,811,309	\$17,575,935,887	\$18,494,128,258	5.2%	\$19,051,739,102	8.4%
Receipts	\$14,944,812,786	\$12,875,232,484	\$13,735,202,590	6.7%	\$14,087,442,657	9.4%
GF Appropriation	\$4,583,998,523	\$4,700,703,403	\$4,758,925,668	1.2%	\$4,964,296,445	5.6%

Includes:

- *Medicaid and Health Choice*
- *Social Services*
- *Mental Health*
- *Public Health*
- *Child Development and Early Education*
- *Vocational Rehabilitation*
- *Central Administration*
- *Aging and Adult Services*
- *Services for the Blind, Deaf and Hard of Hearing*



Governor's Recommended Budget

Summary of Recommended General Fund Appropriations 2013-15 Department of Health and Human Services

Fiscal Year 2013-14

	2011-12	2012-13	Base Budget Recommended				Total	% Chg from
	Actual	Authorized	Adjustments	Base Budget	Reductions	Expansions	Appropriation	Authorized
<i>Central Management and Support</i>	54,771,774	51,237,988	2,790,366	54,028,354	(672,617)	5,538,308	58,894,045	14.9%
<i>Aging and Adult Services</i>	43,867,854	94,264,677	(39,821,481)	54,443,196	(855)	500,000	54,942,341	-41.7%
<i>Child Development and Early Education</i>	261,687,029	262,754,083	(3,500,000)	259,254,083	(3,562,314)	9,131,559	264,823,328	0.8%
<i>Public Health</i>	174,628,613	166,503,679	(9,719,177)	156,784,502	(16,000,000)	2,052,000	142,836,502	-14.2%
<i>Social Services</i>	185,200,809	176,601,099	(5,971,195)	170,629,904	(1,672,818)	7,920,836	176,877,922	0.2%
<i>Medical Assistance - Medicaid</i>	3,057,376,970	3,102,444,193	(32,867,383)	3,069,576,810	(99,325,154)	241,828,664	3,212,080,320	3.5%
<i>Medical Assistance - Health Choice</i>	77,855,203	80,131,026	0	80,131,026	(16,225,263)	6,176,522	70,082,285	-12.5%
<i>Services for the Blind and Deaf and Hard of Hearing</i>	7,174,928	8,178,618	0	8,178,618	0	0	8,178,618	0.0%
<i>Mental Health/DD/SAS</i>	669,003,343	703,648,211	3,149,536	706,797,747	(15,644,509)	23,020,934	714,174,172	1.5%
<i>Health Services Regulation</i>	15,946,188	17,723,614	(961,622)	16,761,992	0	0	16,761,992	-5.4%
<i>Vocational Rehabilitation</i>	36,485,812	37,216,215	2,067,928	39,284,143	(10,000)	0	39,274,143	5.5%
Total Health and Human Services	4,583,998,523	4,700,703,403	(84,833,028)	4,615,870,375	(153,113,530)	296,168,823	4,758,925,668	1.2%



Governor's Recommended Budget

Summary of Recommended General Fund Appropriations 2013-15 Department of Health and Human Services

Fiscal Year 2014-15

	2011-12	2012-13	Base Budget	Recommended			Total	% Chg from
	Actual	Authorized	Adjustments	Base Budget	Reductions	Expansions	Appropriation	Authorized
<i>Central Management and Support</i>	54,771,774	51,237,988	3,480,527	54,718,515	(672,617)	11,963,346	66,009,244	28.8%
<i>Aging and Adult Services</i>	43,867,854	94,264,677	(39,821,481)	54,443,196	(855)	700,000	55,142,341	-41.5%
<i>Child Development and Early Education</i>	261,687,029	262,754,083	(3,500,000)	259,254,083	(3,562,314)	9,131,559	264,823,328	0.8%
<i>Public Health</i>	174,628,613	166,503,679	(9,719,177)	156,784,502	(16,000,000)	2,052,000	142,836,502	-14.2%
<i>Social Services</i>	185,200,809	176,601,099	(5,971,195)	170,629,904	(1,672,818)	8,047,980	177,005,066	0.2%
<i>Medical Assistance - Medicaid</i>	3,057,376,970	3,102,444,193	(18,867,383)	3,083,576,810	(114,152,764)	467,000,000	3,436,424,046	10.8%
<i>Medical Assistance - Health Choice</i>	77,855,203	80,131,026	0	80,131,026	(30,126,415)	11,178,930	61,183,541	-23.6%
<i>Services for the Blind and Deaf and Hard of Hearing</i>	7,174,928	8,178,618	0	8,178,618	0	0	8,178,618	0.0%
<i>Mental Health/DD/SAS</i>	669,003,343	703,648,211	3,149,536	706,797,747	(15,228,245)	5,088,122	696,657,624	-1.0%
<i>Health Services Regulation</i>	15,946,188	17,723,614	(961,622)	16,761,992	0	0	16,761,992	-5.4%
<i>Vocational Rehabilitation</i>	36,485,812	37,216,215	2,067,928	39,284,143	(10,000)	0	39,274,143	5.5%
Total Health and Human Services	4,583,998,523	4,700,703,403	(70,142,867)	4,630,560,536	(181,426,028)	515,161,937	4,964,296,445	5.6%



Governor's Recommended Budget

2013-14 and 2014-15 General Fund Appropriation Base Budget Summary

	<i>2013-14 Adjustment</i>	<i>2014-15 Adjustment</i>
<i>Central Administration</i>		
1 NC FAST (Families Accessing Services through Technology) Operations and Maintenance	3,005,366	3,695,527
2 Budget Digital Transaction Fees	(215,000)	(215,000)
Total	2,790,366	3,480,527
<i>Aging and Adult Services</i>		
1 Eliminate One-Time Legislative Funding for Short Term Support of Adult Care Homes	(39,700,000)	(39,700,000)
2 Eliminate One-Time Legislative Funding for Non-Profit (Senior Games)	(121,481)	(121,481)
Total	(39,821,481)	(39,821,481)
<i>Child Development/Early Education</i>		
1 Eliminate One-Time Legislative Funding (Smart Start Literacy Pilot)	(3,500,000)	(3,500,000)
2 Eliminate One-Time Legislative Use of TANF grant for child care subsidies	6,352,644	6,352,644
3 Continue use of TANF grant for child care subsidies	(6,352,644)	(6,352,644)
4 Eliminate One-Time Legislative Use of CCDF grant for Smart Start	7,000,000	7,000,000
5 Continue use of CCDF grant for Smart Start	(7,000,000)	(7,000,000)
Total	(3,500,000)	(3,500,000)



Governor's Recommended Budget

Public Health

1 State Lab and Office of Chief Medical Examiner	130,237	130,237
2 Eliminate One-Time Legislative Funding for Non-Profit (Prevent Blindness)	(308,163)	(308,163)
3 Eliminate One-Time Legislative Funding for Check Meds	(1,695,379)	(1,695,379)
4 Eliminate One-Time Legislative Funding for Medication Assistance Program	(1,704,033)	(1,704,033)
5 Eliminate One-Time Legislative Funding for Roanoke Chowan Telehealth Network	(300,000)	(300,000)
6 Eliminate One-Time Legislative Funding for County Health Dept. Wellness Initiatives	(4,894,727)	(4,894,727)
7 Eliminate One-Time Legislative Funding for Maternity Homes	(375,000)	(375,000)
8 Eliminate One-Time Legislative Funding for Services for Rape Victims	(197,112)	(197,112)
9 Eliminate One-Time Legislative Funding for High Risk Maternity Clinics	(375,000)	(375,000)
Total	(9,719,177)	(9,719,177)

Social Services

1 Adjustments for Foster Care and Adoption Assistance Caseload Mix and Federal Participation (No service reduction)	(3,971,195)	(3,971,195)
2 Eliminate One-Time Legislative Non-Profit Funding (Food Banks)	(2,000,000)	(2,000,000)
Total	(5,971,195)	(5,971,195)



Governor's Recommended Budget

Medicaid

1 Eliminate One-Time Legislative Funding for Repayment of 2009 Federal Overdraw	(31,300,776)	(31,300,776)
2 Eliminate One-Time Legislative Funding for Federal Drug Rebate Repayment	(24,606,148)	(24,606,148)
3 Eliminate One-Time Legislative Funding for Managed Care Organization Delays	(1,700,000)	(1,700,000)
4 Eliminate One-Time Legislative Funding for Health Homes for Chronically Ill Enhanced FMAP	24,739,541	24,739,541
5 Eliminate One-Time Legislative Funding for CHIPRA Bonus Payment	14,000,000	14,000,000
4 Continue CHIPRA Bonus Payment (2013-14 only)	(14,000,000)	0
Total	(32,867,383)	(18,867,383)

Health Choice

NONE

Total	0	0
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Mental Health, DD, Substance Abuse Services

1 Budget Mixed Beverage Receipts to Actual Collections	(180,627)	(180,627)
2 Annualize Legislative Expansion of Cherry Hospital Staff	9,626,295	9,626,295
3 Eliminate One-Time Legislative funding for Non-Profits (ARC, Autism Society, The Mariposa School, Easter Seals, Residential Services, Inc., Oxford House and Brain Injury Association)	(6,296,132)	(6,296,132)
4 Restore 2 Year Legislative Non-Recurring Reduction of Community Services Funding	20,000,000	20,000,000
5 Continue Current Community Services Funding Level	(20,000,000)	(20,000,000)
6 Eliminate One-Time Legislative Use of SAPTBG grant for division administration	227,000	227,000
7 Continue SAPTBG for division administration	(227,000)	(227,000)
Total	3,149,536	3,149,536



Governor's Recommended Budget

Blind, Deaf and Hard of Hearing

NONE

Total	0	0
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Health Services Regulation

1 Budget Medicaid and Licensure Receipts to Actual Collections

(361,622)	(361,622)
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2 Budget Medicare Receipts to Actual Collections

(600,000)	(600,000)
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Total	(961,622)	(961,622)
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Vocational Rehabilitation (VR)

1 Restore One-Time Legislative Reduction to VR Program

2,067,928	2,067,928
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Total	2,067,928	2,067,928
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Grand Total DHHS	(84,833,028)	(70,142,867)
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Acronyms:

TANF - Temporary Assistance for Needy Families

CCDF - Child Care Development Block Grant

FMAP - Federal Medical Assistance Percentage

CHIPRA - Child Health Insurance Program Reauthorization Act

SAPTBG - Substance Abuse Prevention and Treatment Block Grant



Governor's Recommended Budget

REVIEW OF GOVERNOR'S RECOMMENDED BUDGET DOCUMENT



Governor's Recommended Budget

Medicaid

- Governor's recommended budget funds changes in enrollment, consumption, mix of services, mandatory cost increases and "woodwork" effect of the Affordable Care Act
- The Medicaid rebase assumes a current year shortfall of \$100M in state funds.
- Outside of the Medicaid budget, the Governor recommends a \$180 million for a Medicaid Risk Reserve over the biennium.

Medicaid Claims Payment Rebase - \$185M/\$390M

- The Medicaid program is evaluated every year to determine the funds required to continue the program at the current level without any state policy changes.

Rebase	2014	2015
Requirements	928,722,433	1,489,135,558
Receipts	743,722,433	1,099,135,558
Appropriation	185,000,000	390,000,000



Governor's Recommended Budget

- The rebase forecasts claims expenditures based on 5 factors: enrollment, consumption, federal mandates and cost, budget changes and new services. The rebase also adjusts federal receipts for the impact of changes in the federal medical assistance percentage (FMAP).
- **Enrollment** - is the single largest impact on the forecast. Enrollment includes the 'woodwork' effect from the Affordable Care Act. (ACA) Projected growth over the biennium:

	Without ACA	With ACA
SFY 2014	42,000	111,000
SFY 2015	51,000	54,000
Total Additional over the Biennium	93,000	165,000



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- **Consumption** – is the amount of services an individual receives.
- **Federal Mandates/Cost** - Examples include federally set rates for Medicare Part A, B, and D, that Federally Qualified Health Centers be paid cost and that is hospice paid at Medicare rates. This category also includes increases due to way rates are set. Examples include nursing home case mix, hospital outpatient and prescription drugs.
- **Budget Changes** – This is the annualization of changes, positive or negative due to actions taken in the budget. MCO expansion and estimated savings achievement are included in the rebase
- **New Service** - Estimates cost for new services. When FDA approves a new drug, federal regulations require Medicaid to cover it and there is no generic version of a new drug. This also includes clinical policy changes and new technology



Cost Settlements Rebase - \$18M/\$18M

- Medicaid cost settles with certain providers such as hospitals, and Federally Qualified Health Care Centers.
- At the end of a facilities fiscal year they submit a cost report to the Division of Medical Assistance. The facility is then cost settled based on the payment policies in the state plan.
- Cost settlements are affected by the number of Medicaid recipients a facility serves and the facilities cost of doing business.
- This rebase projects current year expenditures forward and adjusts the federal matching percentage to produce the rebase.



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Contracts Rebase - \$11M/ \$11M

- Funds are provided for Medicaid contracts that are connected to the number of Medicaid recipients. As enrollment grows contracts that ensure for proper provision of medical services, such as prior authorizations, utilization reviews and assessments increase in cost as vendors are paid by the number of services they provide.
- Medicaid contracts are currently projected to be over budget by 6%. This rebase funds this shortfall and then provides additional funds for the growth in the Medicaid eligible population.
- Funding is also provided for the Asset Verification contract which implements electronic verification of assets for the Aged, Blind and Disabled population and is required by federal law.



QUESTIONS