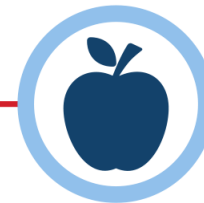


FY 2017-19

Presentation of Governor Roy Cooper's Recommended Budget for Health and Human Services

Pam Kilpatrick
Assistant State Budget Officer
Office of State Budget and Management
March 7, 2017

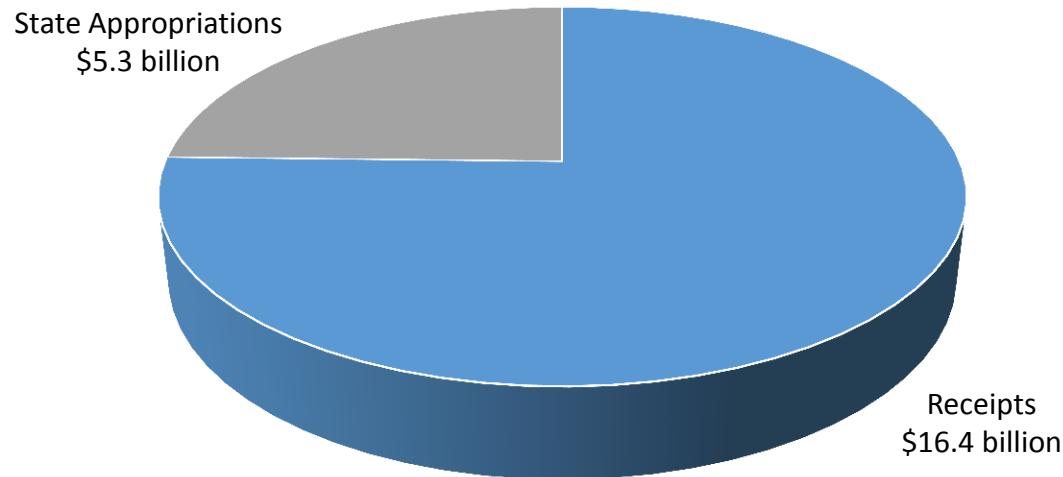
Common Ground Solutions
for **NORTH CAROLINA**





DHHS: Budget Overview

DHHS Total Recommended Budget for
FY 2017-18 is \$21.7 billion



State appropriations of \$5.3 billion leverage federal and other receipts totaling \$16.4 billion, for a total DHHS budget of \$21.7 billion in FY 2017-18.

Balance of presentation will focus on state appropriations funding.



DHHS: Budget Overview

	FY 2017-18			FY 2018-19		
	Base Budget	Change	Recommended	Base Budget	Change	Recommended
Health and Human Services						
Net Appropriation	\$ 5,273,912,402	\$ 73,095,546	\$ 5,347,007,948	\$ 5,273,936,338	\$ 211,389,824	\$ 5,485,326,162
FTEs	17,095.7	146.0	17,241.7	17,095.7	224.0	17,319.7

Supports funding for health and human services programs to protect the most vulnerable citizens and help people live healthy, productive lives.



Recommended General Fund Appropriations by DHHS Division

Division	Budget Code	FY 2017-18	FY 2017-18 FTE	FY 2018-19	FY 2018-19 FTE
Central Administration	14410	\$133,055,474	884.75	\$147,700,477	906.75
Aging Services	14411	\$50,085,295	76.00	\$50,085,295	76.00
Child Development	14420	\$286,443,810	327.00	\$292,643,810	327.00
Public Health	14430	\$153,598,499	1,955.26	\$157,681,288	1,997.26
Social Services	14440	\$197,195,172	428.00	\$199,836,617	428.00
Medicaid	14445	\$3,735,442,930	416.51	\$3,860,291,362	416.51
Health Choice	14446	\$458,280	2.00	\$394,925	2.00
Health Benefits	14447	\$9,671,582	28.00	\$9,671,582	28.00
Deaf/Blind Services	14450	\$8,333,453	332.09	\$8,333,453	332.09
Mental Health	14460	\$714,714,598	11,218.30	\$696,291,911	11,218.30
Health Services Regulation	14470	\$18,606,701	583.50	\$22,975,875	597.50
Vocational Rehabilitation	14480	\$39,402,154	990.25	\$39,419,567	990.25
TOTAL DHHS		\$5,347,007,948	17,241.66	\$5,485,326,162	17,319.66

Appropriations are provided to each division separately.



Recommended General Fund Appropriations for DHHS FY 2017-19

	FY 2017-18	FY 2018-19
FY 2016-17 Authorized Budget	\$5,026,063,693	\$5,026,063,693
Base Budget Adjustments (Recurring, Nonrecurring, Technical)	\$247,848,709	\$247,872,645
Base Budget	\$5,273,912,402	\$5,273,936,338
Recommended Expansions/Reductions	\$73,095,546	\$211,389,824
Total Recommended Budget, Net General Fund Appropriations	\$5,347,007,948	\$5,485,326,162

The base budget is developed using the current year authorized budget with adjustments to address legislative appropriations that are non-recurring or less than fully funded on an annual basis, plus limited technical adjustments (payroll tax, leases, receipts, reconciling transfers, and statutory requirements).



Base Budget Adjustments: Major Drivers

	FY 2017-18	FY 2018-19
Adjustments for Non-Recurring Appropriations	\$233,116,788	\$233,116,788
Adjustments to Annualize Prior Year Appropriations, Intergovernmental Transfers and Other Technical Adjustments	\$14,731,921	\$14,755,857
Total Adjustments in Base Budget	\$247,848,709	\$247,872,645

Non-recurring appropriations made in the 2015-17 biennium are the biggest driver of change in the 2017-19 base budget.

- Net impact of removing one-time expansions and restoring one-time reductions: \$233M
- Net impact of adjustments to fully annualize previous appropriations, reconcile transfers, allow for documented lease adjustments and other technical adjustments: \$14.7M



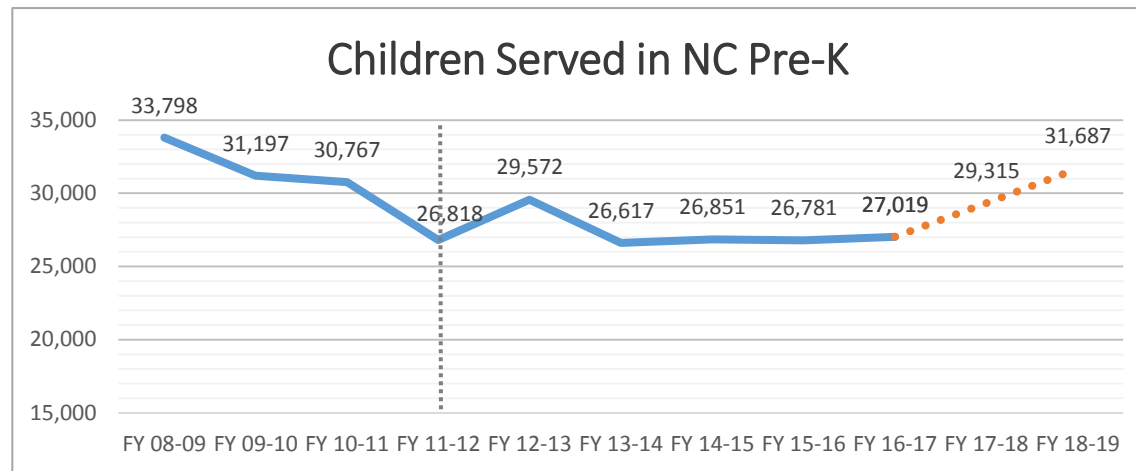
Recommended Budget: Key Investments

	FY 2017-18	FY 2018-19
Early Education and Care	\$23,541,482	\$33,597,430
Child Welfare	\$19,049,571	\$23,900,016
Elders and Other Vulnerable Citizens	\$9,490,097	\$10,204,671
Efficiency and Accountability	\$3,269,927	\$14,719,605
Medicaid	\$46,885,541	\$62,903,221
Medicaid Rebase Net of Base Budget	\$3,761,334	\$112,592,001
Mental Health	\$26,747,228	\$39,986,639
Opioid Crisis	\$12,729,898	\$11,508,898
Public Health	\$4,350,000	\$2,350,000
Salaries and Benefits	\$14,594,495	\$13,309,676
Total Increases	\$164,419,573	\$325,072,157



Investments in Education and Care

- Expands funding and eliminates the waitlist for NC Pre-K to serve an estimated additional 4,668 at-risk four-year olds



- Invests in Smart Start to support early childhood educational outcomes and better prepare children for school
- Adds 2,000 subsidized child care slots for children from low-income working families



Child Welfare

Provides permanent funds to implement the child welfare program improvement plan and increases investments to improve outcomes for children and families

- FY 2017-2018: \$8.7M net appropriation
- FY 2018-2019: \$9.5M net appropriation

Invests in the development of a Child Services Case Management system (NC FAST) to be completed over the course of the biennium

- FY 2017-2018: \$8.9M net appropriation
- FY 2018-2019: \$11.1M net appropriation

Provides nonrecurring funds to support counties in adapting their business processes in response to the planned implementation of the Child Services Case Management system

- FY 2017-2018: \$1.1M net appropriation
- FY 2018-2019: \$862K net appropriation



Support for Elders and Vulnerable Citizens

Home and Community Care Block Grant Expansion

- \$4M state investment maintains and triples current investment, reducing the 10,000 person waiting list by 15% or an estimated 1,500 people
- Funding will provide transportation, meals and in-home aide

Special Assistance

- \$1.7M state investment in the state/county assistance program, which provides a cash supplement to elderly, disabled individuals enabling them to remain in their homes or live in a licensed adult care home

Assistive Technology

- \$1M state investment makes a robust supply of state of the art adaptive equipment and assistive technologies available to disabled citizens to enable them to live, work and be educated in their communities



Mental Health

Base budget increases state-funded community mental health services by \$152.8 million, a portion of which is reinvested to targeted mental health needs.

Priorities Supported from Reinvestment of Community Mental Health Funds		
	FY 2017-18	FY 2018-19
Invest in Key Rental Assistance	\$2,000,000	\$2,000,000
Extend Innovations Waiver Program: Lower-Acuity Individuals with Developmental Disabilities	\$5,000,000	\$10,000,000
Expand Innovations Waiver Program: Additional slots to serve individuals with Developmental Disabilities	\$10,333,440	\$20,666,880
Disability Rights of North Carolina Settlements: Specialty Treatment and Assessments	\$6,247,128	\$6,283,492
Local, In-Patient Three-Way Crisis Beds	\$2,500,000	\$2,500,000
US DOJ Settlement/Transition to Community Living	\$8,889,875	\$17,036,022
Opioid Package: Mental Health Services	\$12,090,498	\$10,869,498
Total Reinvestments	\$47,060,941	\$69,355,892



Investments in Public Health

Nurse-Family Partnership

- \$600K state investment restores and increases funding that would allow the program to reach as many as 150 families

Children's Developmental Services Agencies

- \$2.5M state investment in FY 2017-18 and \$6.4M in FY 2018-19 would enable the program to hire clinical personnel and service coordinators to improve services to children with developmental disabilities



Medicaid Forecast

Medicaid is an entitlement program that serves approximately 2,000,000 needy North Carolinians every year.

DMA uses multiple types of forecasting models to forecast Medicaid need

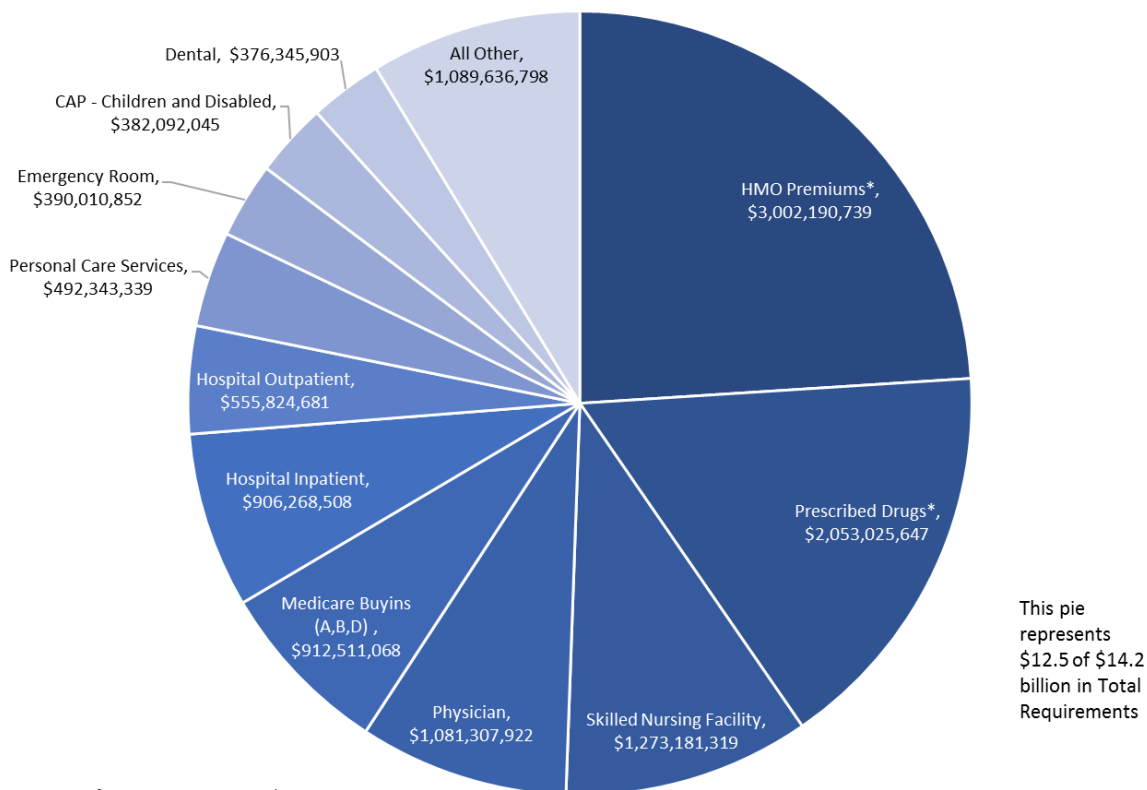
- Involves individual forecasts for over 1,800 Account/Type/Program Aid Category combination
- Why?
 - Allows us to more accurately forecast need
 - For example, Children use hospitals differently than Disabled

Highlights of the forecast:

- Assumes a 5.6% total enrollment growth for FY 2017-18. However, Family Planning drives much of the growth; excluding this group produces 2.9% overall enrollment growth.
- FMAP increased almost 0.8%, leading to the state needing \$63 million less in state appropriations in FY 2017-18
- Includes recommended rate increases that help ensure critical services continue to be provided



Who We Pay: Medicaid Claims (“Fund 1310”)



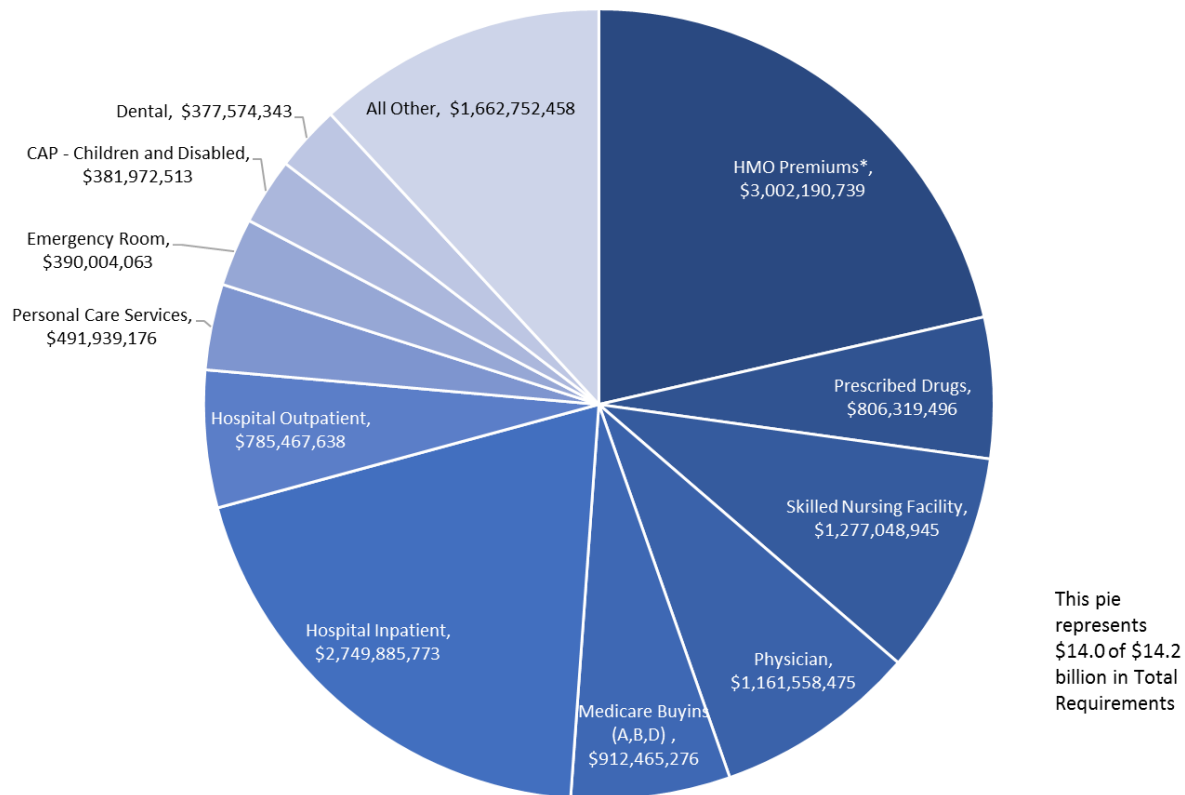
This pie represents \$12.5 of \$14.2 billion in Total Requirements

Source: DMA Forecast for 2017-18 Gov. Rec. Budget

*HMO Premiums can be subdivided into \$89 million for PACE, \$121 million for Imaging, and \$2.8 billion for LME/MCOs. Prescribed Drugs is associated with \$1.2 billion in rebates in Fund 1331, which would lead to a net Prescribed Drug Forecast of \$806 million.



Medicaid Claims and Supplemental Payments

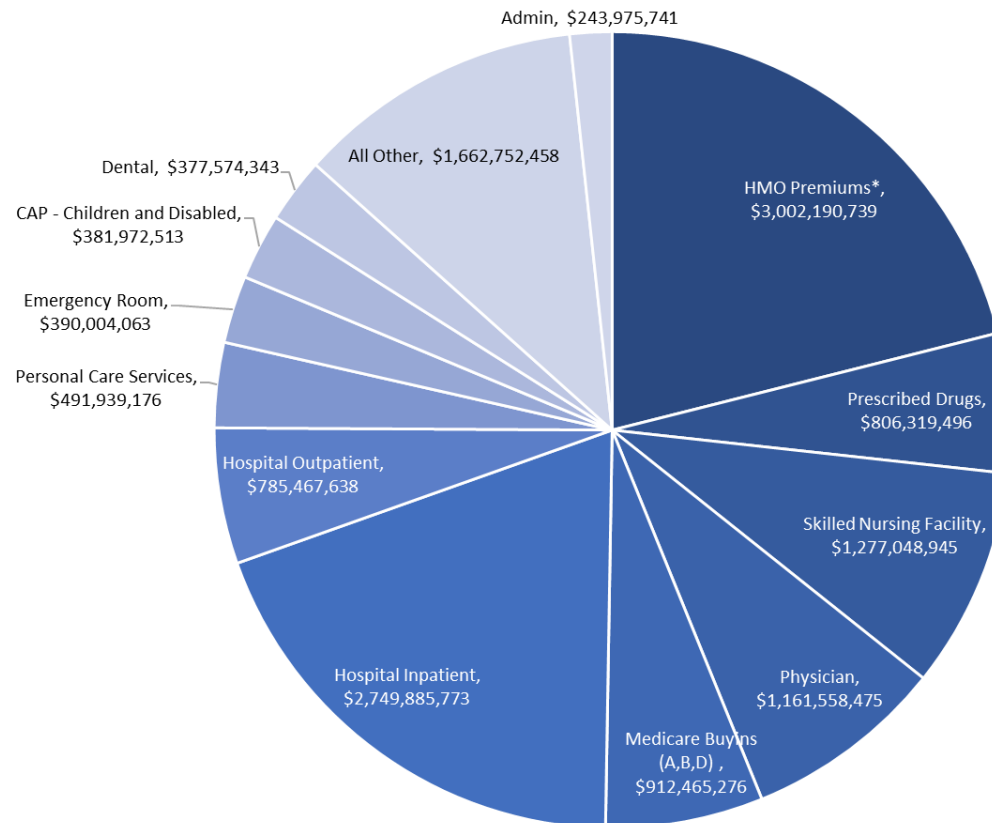


Source: DMA Forecast for 2017-18 Gov. Rec. Budget

*HMO Premiums can be subdivided into \$89 million for PACE, \$121 million for Imaging, and \$2.8 billion for LME/MCOs.



All Medicaid



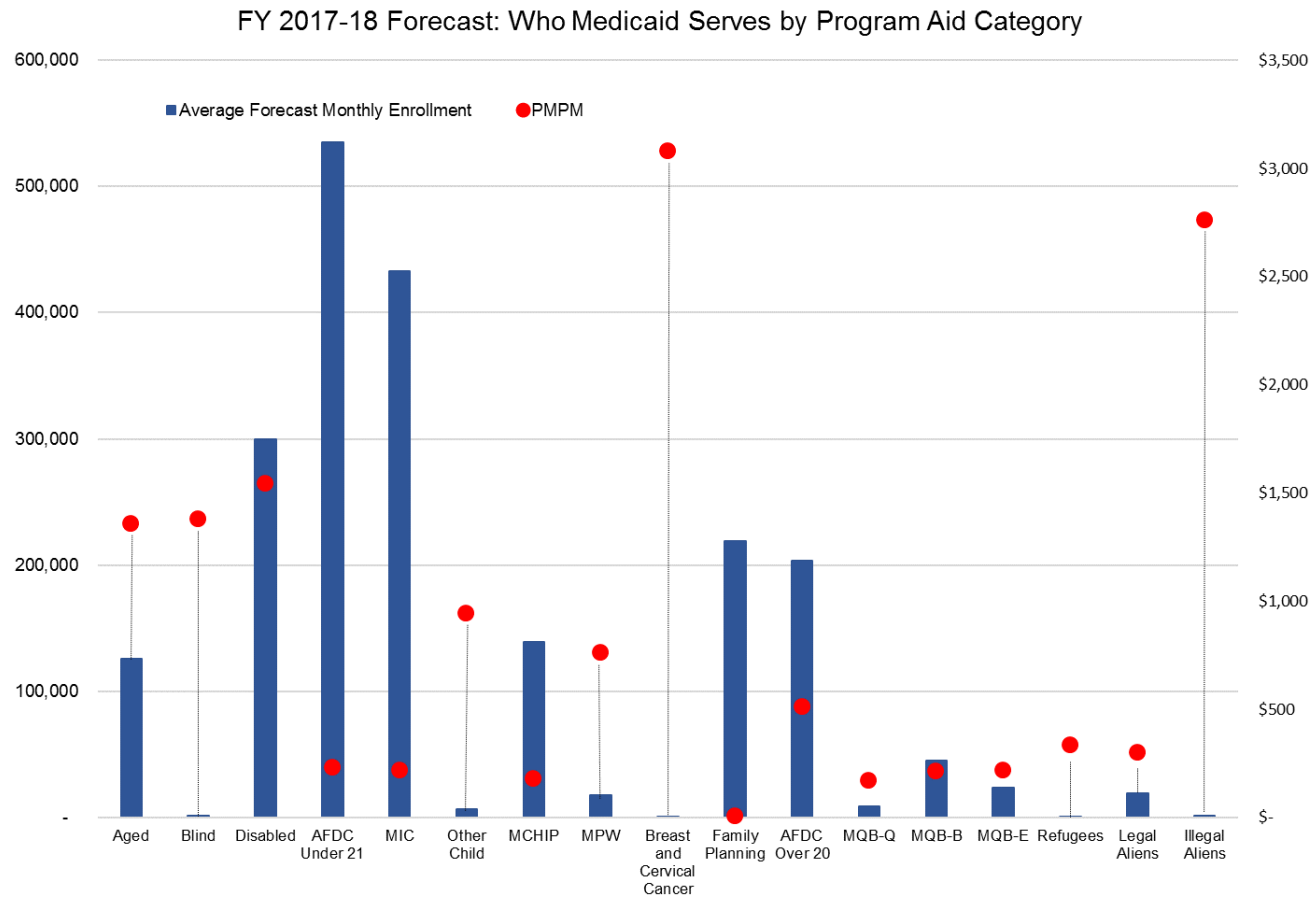
This pie
represents
\$14.2 billion in
Total
Requirements

Source: DMA Forecast for 2017-18 Gov. Rec. Budget

*HMO Premiums can be subdivided into \$89 million for PACE, \$121 million for Imaging, and \$2.8 billion for LME/MCOs.



Who We Serve



Source: DMA enrollment data and forecast; PMPM calculated by OSBM using Program Expenditure Report and Buyin data and actual enrollment from Jul 2016 - Jan 2017



Medicaid Rebase

	State Appropriations		
	FY 2016-17	FY 2017-18	FY 2018-19
2016-17 Authorized Budget	\$3,600,949,467	\$3,600,949,467	\$3,600,949,467
Budget Need (Based on Forecast)	\$3,504,450,095	\$3,688,557,389	\$3,797,388,141
<i>Increment of Change</i>	(\$96,499,372)	\$87,607,922	\$196,438,674
Appropriations in Base Budget		\$83,846,588	\$83,846,673
Additional Appropriations Recommended in Expansion/Change Budget		\$3,761,334	\$112,592,001

Appropriations in Base Budget Include:

- Annualize Programs = \$4,095,840 in each year
- Removal of Non-Recurring Decrease = \$79,627,737 in each year
- Other Adjustments = \$123,011 in FY 2017-18 and \$123,096 in FY 2018-19

Provides funds for changes to enrollment, utilization, costs, rates and services associated with Medicaid program.



Medicaid Rebase Major Drivers (in State Appropriations)

	FY 2015-16 Actuals	FY 2016-17 Forecast	FY 2017-18 Governor's Recommended Budget	FY 2018-19 Governor's Recommended Budget
1310 – Claims	\$3,941,667,110	\$3,847,760,238	\$4,083,696,457	\$4,216,031,331
1311 – CCNC	\$67,668,201	\$63,391,207	\$63,798,460	\$65,162,319
1320 – Cost Settlements	(\$14,039,480)	\$29,845,193	\$23,908,152	\$23,021,248
1330 – Current Year Adjustments	(\$48,917,976)	(\$17,453,915)	(\$28,426,080)	(\$27,977,500)
1331 – Rebates	(\$326,312,973)	(\$422,317,898)	(\$394,330,716)	(\$419,862,695)
1337 – Consol. Suppl. Hosp. Payments	(\$117,467,804)	(\$126,771,408)	(\$115,753,919)	(\$114,651,683)
All Other	(\$9,814,265)	\$129,996,677	\$55,665,036	\$55,665,121
TOTAL State Appropriations	\$3,492,782,813	\$3,504,450,094	\$3,688,557,390	\$3,797,388,141
TOTAL YoY Growth		0.33%	5.25%	2.95%



Health Choice Rebase

	State Appropriations		
	FY 2016-17	FY 2017-18	FY 2018-19
2016-17 Authorized Budget	\$1,051,137	\$1,051,137	\$1,051,137
Budget Need (Based on Forecast)	\$986,938	\$458,280	\$394,925
<i>Increment of change</i>	(\$64,199)	\$592,858	\$656,292
Appropriations in Base Budget		\$43,446,936	\$43,446,936
Additional Appropriations Recommended in Expansion/Change Budget		(\$42,988,656)	(\$43,052,011)

- Enrollment is the primary driver of budget need in the NC Health Choice program. Enrollment growth is estimated at 4.2% in SFY2017-18 and 6.1% in SFY2018-19. Continues nearly 100% federal matching funds for NC Health Choice over the 2017-19 biennium.



Medicaid Expansion

Expands Medicaid eligibility to cover 624,000 additional individuals and secure North Carolina's share of federal resources. The non-federal share of expansion costs is provided through savings to other state agencies and non-General Fund contributions.

Medicaid Expansion Costs	FY 2017-18	FY 2018-19
Claims (Expansion Population)	\$1,273,000,000	\$4,099,000,000
Claims (Woodwork Population)	\$45,000,000	\$151,000,000
Cost Settlements/Adjustments		\$28,000,000
DSH Impact	\$49,000,000	\$65,000,000
NC Tracks/NC FAST	\$4,000,000	\$4,000,000
Contracts Related to Enrollment	\$3,000,000	\$6,000,000
County Administrative Costs	\$50,000,000	\$74,000,000
Gross Expansion Costs	\$1,424,000,000	\$4,427,000,000
Cost Offsets		
Drug Rebates - Cost Offset		-\$580,000,000
Receipts		
Federal and Provider Match	\$1,271,000,000	\$3,492,000,000
Non-Federal Share Needed for Expansion	\$153,000,000	\$355,000,000
Sources of Non-Federal Share for Medicaid Expansion		
Savings from other state agencies and Medicaid	\$11,000,000	\$40,000,000
Provider contributions	\$143,000,000	\$314,000,000
State Appropriations Need for Medicaid Expansion	\$0	\$0



Review of the Governor's Recommended Budget Book

See Health and Human Services Tab
Page 93



Questions

For additional information and
a complete inventory of all budget recommendations, please refer to:

Common Ground Solutions for North Carolina
Governor Roy Cooper's Recommended Budget 2017-19

and/or

www.osbm.nc.gov