

FY 2019-21

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

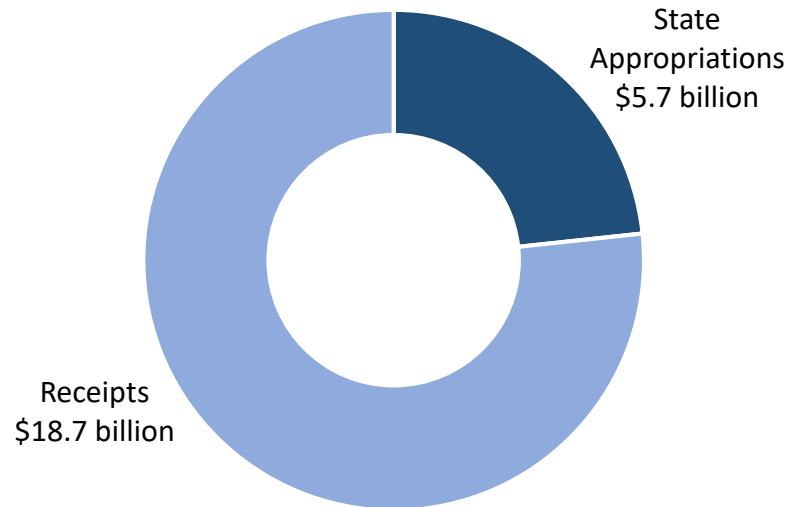
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Office of State Budget and Management
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**INVESTMENTS *for a*
Determined North Carolina**



DHHS: Budget Overview

DHHS Total Recommended Budget for FY 2019-20
\$24.4 billion



State appropriations of \$5.7 billion leverage federal and other receipts totaling \$18.7 billion, for a total DHHS budget of \$24.4 billion in FY 2019-20.

Presentation will focus on state appropriations funding.



Base Budget Adjustments: Major Drivers

	FY 2019-20	FY 2020-21
Adjustments for Non-Recurring Appropriations	\$108,374,732	\$108,374,732
Adjustments to Annualize Prior Year Appropriations, Intergovernmental Transfers and Other Technical Adjustments	\$15,460,582	\$24,871,838
Total Adjustments in Base Budget	\$123,835,314	\$133,246,570

Non-recurring appropriations made in the 2017-19 biennium are the biggest driver of change in the 2019-21 base budget.

- Net impact of removing one-time expansions and restoring one-time reductions: \$108M; \$94.5M is the restoration of enhanced federal medical assistance percentage (FMAP) funding for the Children's Health Insurance Program (CHIP)
- Net impact of adjustments to fully annualize previous appropriations, reconcile transfers, allow for documented lease adjustments and other technical adjustments: \$15.5M in 2019-20 and \$24.9M in 2020-21



Recommended General Fund Appropriations for DHHS FY 2019-21

	FY 2019-20	FY 2020-21
FY 2018-19 Authorized Budget	\$5,356,546,239	\$5,356,546,239
Base Budget Adjustments (Recurring, Nonrecurring, Technical)	\$123,835,314	\$133,246,570
Base Budget	\$5,480,381,553	\$5,489,792,809
Recommended Expansions/Reductions	\$206,962,401	\$532,281,716
Total Recommended Budget, Net General Fund Appropriations	\$5,687,343,954	\$6,022,074,525



Recommended General Fund Appropriations by DHHS Division

Division	Budget Code	FY 2019-20	FY 2019-20 FTE	FY 2020-21	FY 2020-21 FTE
Central Administration	14410	\$140,189,457	973.00	\$128,024,328	978.00
Aging & Adult Services	14411	\$46,090,696	77.00	\$45,188,109	77.00
Child Development & Early Education	14420	\$257,707,591	336.00	\$262,111,346	336.00
Public Health	14430	\$156,950,343	1,951.88	\$157,697,111	1,951.88
Social Services	14440	\$199,284,911	415.00	\$198,550,948	415.00
Health Benefits	14445	\$4,062,350,708	472.50	\$4,390,904,158	472.50
Blind, Deaf & Hard of Hearing	14450	\$8,845,968	334.51	\$8,943,448	334.51
Mental Health	14460	\$755,032,827	11,324.78	\$769,849,793	11,384.78
Health Services Regulation	14470	\$19,515,137	578.50	\$20,028,073	578.50
Vocational Rehabilitation	14480	\$41,376,316	991.25	\$40,777,211	991.25
TOTAL DHHS		\$5,687,343,954	17,454.42	\$6,022,074,525	17,519.42



STATEWIDE INITIATIVES

Salary & Benefit Increases for all State Employees

- Provides greater of \$500 or 1.5% in both years
- Gives additional \$500 in FY 2019-20 to:
 - 1) Law Enforcement Officers
 - 2) DPS and DHHS employees working in state-facilities
- Fully-funds retirement systems
- Increase employer-paid health insurance premium by 4%
- Provides a 2% nonrecurring retiree cost of living adjustment (COLA)

Data Analytics Position within all Agencies

- Assist agencies in decision-making through cost benefit analysis, policy evaluation, performance monitoring



Recommended Budget: Key Investments

- Child Development and Well-Being
- Supporting Vulnerable Populations
- Investments in IT and Infrastructure
- Medicaid Transformation
- Medicaid Expansion

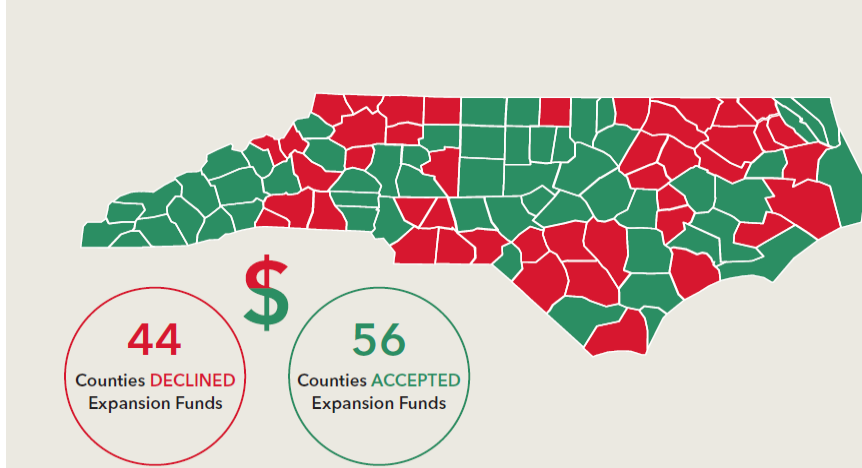


Child Development and Well-Being

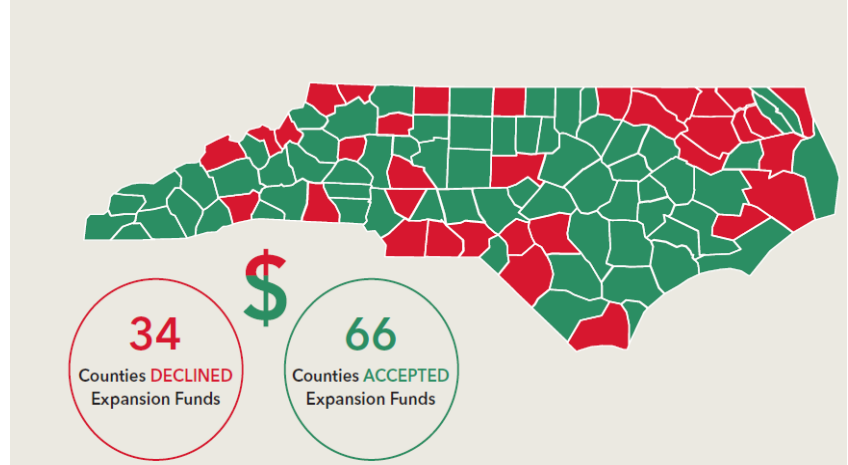
Child Development & Early Education

- Building NC Pre-K Capacity (Lottery Receipts)
 - Increases the average NC Pre-K reimbursement rate by 8%
 - Increases administrative support by 2%

2017 NC PRE-K EXPANSION FUNDS



2018 NC PRE-K EXPANSION FUNDS



Source: Barnett, W. Steven, (2018). *Barriers to Expansion of NC Pre-K: Problems and Potential Solutions*. Rutgers Graduate School of Education, The National Institute for Early Education Research. http://nieer.org/wp-content/uploads/2019/01/NIEER_North_Carolina_2019.pdf



Child Development and Well-Being

Child Development & Early Education

- Includes \$15M recurring and \$5M non-recurring for the Smart Start program to expand services that prepare children for success
- Adds approximately 2,300 subsidized child care slots for children from low-income working families

Child Welfare

- Expands evidence-based family preservation services to prevent the unnecessary removal of children from their families
- Improves child welfare training and accountability by investing in 11 FTE to assist counties and a child welfare web-based training subscription for state and county use



Supporting Vulnerable Populations

Office of Healthy Opportunities

- Establishes the Office of Healthy Opportunities to improve the health and well-being of citizens by impacting both medical and non-medical drivers of health

Supporting Local Food Banks

- \$1M to assist food banks with the increased demand from recent hurricanes and other natural disasters that have impacted NC

Substance Abuse and Mental Health Treatment

- Funds 11 FTE to improve substance abuse and mental health treatment services across the state



Supporting Vulnerable Populations

Helping People with Disabilities Live and Work in their Communities

- Invests \$1M in state-of-the-art adaptive equipment and assistive technologies to help those with disabilities live, work and be educated in their communities
- Provides funds to assist individuals who are blind and/or have other disabilities to return to work

Supporting Aging and Adult Services

- Continues non-recurring funding for the Home and Community Care Block Grant
- Adds almost \$900,000 for Adult Protective Services from the Social Services Block Grant



Investments in IT and Infrastructure

NC FAST

- Modernizes and improves the security and integrity of NC FAST as well as continues the development of child services case management
- Also provides the necessary operations and maintenance for the continued support of NC FAST

Updating Critical Public Health Services

- Ensures the Office of the Chief Medical Examiner can manage growing investigation caseloads by providing additional investigators
- Improves the State Laboratory of Public Health by providing \$500,000 to replace and upgrade equipment
- Provides \$500,000 recurring to operate and maintain the Medical Examiner Information System

Investments in State-Operated Facilities

- Includes \$8.8M in FY 2020-21 for 60 new FTE and operational support at the New Broughton Hospital to serve additional patients
- Provides \$1M to upgrade and replace obsolete automated medication dispensing carts in eight state-operated healthcare facilities



Medicaid Transformation

The Governor's Recommended Budget funds the needs of Medicaid Transformation over the biennium.

- Includes the Department's timing of transition to Managed Care beginning November 1, 2019
- Covers both Medicaid and Health Choice

Changes to the forecasting process:

- Overhauled this year as we transition to Managed Care – transitioned from using traditional Program Aid Categories (e.g. Aged, Disabled) to Managed Care Categories (e.g. Adult, Children)
- The Department contracted with Mercer Consulting to determine capitation rates based on FY 2016-17 data and preliminary FY 2017-18 data
- Timing: Used preliminary draft capitation rates, Department is planning to finalize rates and submit to CMS at the end of May



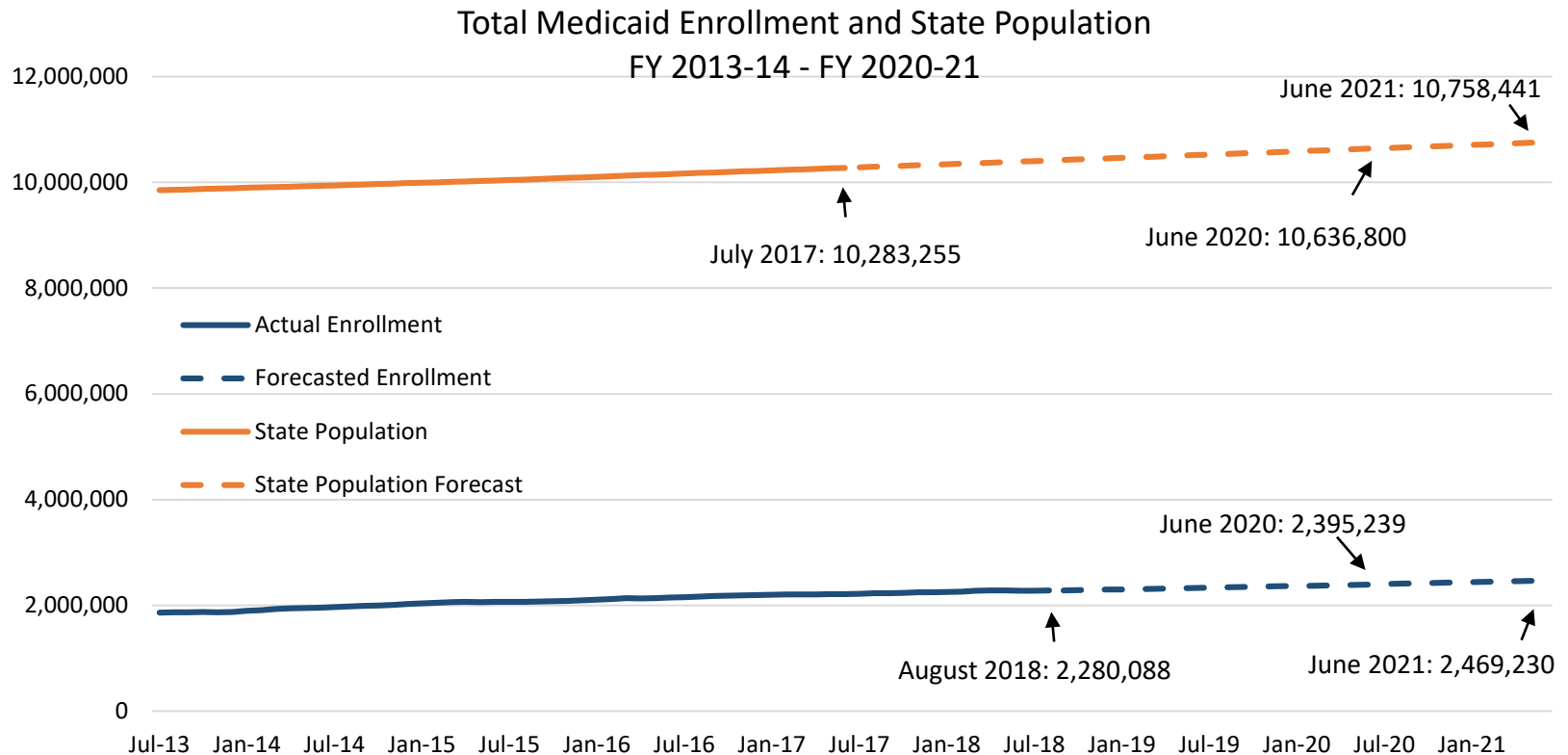
Medicaid Transformation

Forecast Highlights

- Assumes a 2.7% and 2.8% total enrollment growth for FY 2019-20 and FY 2020-21 respectively. However, Family Planning drives much of the growth; excluding this group produces 0.3% overall enrollment growth in FY 2019-20 and 0.5% enrollment growth in FY 2020-21
- Federal Medical Assistance Percentage (FMAP) decreased 0.13%, leading to the state needing \$11M and \$15M more in state appropriations in FY 2019-20 and FY 2020-21 respectively
- Enhanced FMAP for the Children's Health Insurance Program (CHIP) population is phased out
- Includes recommended rate increases to Physicians, Dental, and Non-Emergency Medical Transportation that help ensure critical services continue to be provided (\$63M in both years)



Medicaid Transformation



Source: DHB Enrollment data and forecasts; State population estimates through 2017 and projections from 2018-2021; OSBM added linear interpolations between July 1 point in time estimates.



Medicaid Rebase

	State Appropriations	
	FY 2019-20	FY 2020-21
2018-19 Authorized Budget	\$3,829,406,274	\$3,829,406,274
<u>Budget Need (Based on Forecast)</u>	<u>\$4,006,395,737</u>	<u>\$4,208,422,134</u>
<i>Increment of Change</i>	\$176,989,463	\$379,015,860
Appropriations in Base Budget	\$95,169,925	\$95,177,108
Additional Appropriations Recommended in Expansion/Change Budget	\$81,819,538	\$283,838,752

Appropriations in Base Budget Include:

- Removal of Non-Recurring Decrease = \$47,505,417 in each year
- Fund Restructuring (Move Health Choice) = \$46,993,726 in each year

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



Medicaid Transformation

The Governor's Recommended Budget recommends leveraging the Medicaid Transformation Fund to fund both claims runout and some important needs of Medicaid Transformation over the biennium.

- General Assembly authorized up to \$60M from the Transformation Fund in FY 2018-19; DHHS anticipates using approximately \$34M
- Fee For Service Claims Runout: \$161.6M need over the biennium; total of \$271.8M needed through FY 2024-25
- Governor recommends authorizing \$107M over the biennium for recurring and non-recurring needs including an enrollment broker, ombudsman, centralized credentialing system, and other items to achieve CMS compliance



Prepaid Health Plan Premium Tax

The Governor's Recommended Budget recommends extending the 1.9% premium tax on commercial insurance to Prepaid Health Plans (PHPs).

	State Appropriations	
	FY 2019-20	FY 2020-21
PHP Insurance Tax Revenues	\$13,200,000	\$201,500,000
PHP Insurance Tax Revenues from Medicaid Expansion	\$3,300,000	\$74,900,000

The Governor recommends defining Prepaid Health Plans to include capitation paid as part of Tailored Plans. Utilization based payments (such as Maternity payments) would also be included when defining capitation payments.



Medicaid Expansion

Expands Medicaid eligibility to cover 626,000 additional individuals and secure North Carolina's share of federal resources. The non-federal share of expansion costs is provided through premium taxes on PHP's and hospital assessments.

Medicaid Expansion Costs	FY 2019-20	FY 2020-21
Total Requirements	\$2,130,667,375	\$4,170,592,840
Federal Receipts	\$1,911,626,921	\$3,739,283,734
<u>Nonfederal Receipts</u>	<u>\$215,740,453</u>	<u>\$356,409,107</u>
State Appropriation	\$3,300,000	\$74,900,000
New Net Revenue from 1.9% Premium Tax	\$3,300,000	\$74,900,000

	State Appropriations	
	<u>FY 2019-20</u>	<u>FY 2020-21</u>
Medicaid Existing Eligibility Increase	\$15,749,240	\$34,055,191
Medicaid Coverage Gap Savings	(\$30,700,000)	(\$69,300,000)



Other Items

The Governor's Recommended Budget also includes:

- Expanded Developmental Disability Innovations Waiver Slots
- Graduate Medical Education Payments fully covered by Hospital Assessments
- More Services to Fight the Opioid Crisis
- Several items to bring us into compliance with CMS, including the Consolidated Independent Assessment Entity, Electronic Vendor Verification System, and Medicaid Management Information System (MMIS) Multi-Factor Authentication



Review of the Governor's Recommended Budget Book

See Health and Human Services Tab
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Questions

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

Investments for a Determined North Carolina
Governor Roy Cooper's Recommended Budget 2019-21

and/or

www.osbm.nc.gov