

**SENATE APPROPRIATIONS SUBCOMMITTEE**

**ON**

**HEALTH AND HUMAN SERVICES**

**HOUSE MONEY REPORT  
FY2011-13**

**May 10, 2011**

## Health and Human Services

## GENERAL FUND

		FY 11-12		FY 12-13	
Recommended Budget		\$4,927,739,648		\$4,928,125,764	
Legislative Changes					
( 1.0) Division of Child Development					
<b>1 Pre-kindergarten Funds Transfer</b>		\$65,011,651	R	\$65,011,651	R
Transfers \$65,011,651 from the Department of Public Instruction to Department of Health and Human Services to operate a pre-kindergarten program within the Division of Child Development. Additionally, lottery funds will be allocated in the amount of \$63,135,709 for the continued payment of a high quality pre-kindergarten program. Sec. 10.7					
<b>2 TANF Funding</b>					
G <sup>m</sup> Replaces State funds for child care subsidy with one time TANF funds. This reduction does not result in loss of services.		(\$6,352,644)	NR	(\$6,352,644)	NR
<b>3 Smart Start</b>		(\$37,600,000)	R	(\$37,600,000)	R
G <sup>m</sup> Reduces the Smart Start budget by 20%, leaving \$150M available to support activities. Sec. 10.5					
<b>4 TEACH Program</b>		(\$3,800,000)	R	(\$3,800,000)	R
Swaps federal Child Care Development Fund Block Grant with state funds for the program. Sec. 10.60 (a)					
<b>5 Social Services Administrative Support</b>		(\$3,195,581)	R	(\$3,195,581)	R
G <sup>m</sup> Reduces the allowance for County Departments of Social Services administrative allowance from 5% to 4%. This leaves \$16.4M County Departments of Social Services may use to support administrative costs. Sec. 10.60 (a)					
<b>6 Post-Secondary Education</b>		(\$7,052,797)	R	(\$7,052,797)	R
G Reduces child care subsidy funding available for post-secondary education. This reduction will change the existing policy from allowing individuals to receive subsidy for 24 months to 20 months. The combination of changing various policies (items 6-9) will result in a net reduction of \$9.7M, leaving approximately \$54M. Sec. 10.1 (c)(5)					

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**7 More At Four Match**

(\$1,305,008) R (\$1,305,008) R

Discontinues payment for the instructional day of More At Four students by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of \$9.7M, leaving approximately \$54M.

**8 Facility Registration Fees**

(\$360,570) R (\$360,570) R

Discontinues payment for child care centers' registration fees by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of \$9.7M, leaving approximately \$54M.

Sec. 10.1 (c)(4)

**9 Transportation Services**

(\$1,001,718) R (\$1,001,718) R

Discontinues payment for transportation services with subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of \$9.7M, leaving approximately \$54M.

Sec. 10.1 (c)(4)

**(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services****10 Management Funding Reduction**

(\$7,180,807) R (\$7,180,807) R

Reduces community service funds by 2%; this reduction continues a non-recurring reduction made in FY2010-11. These funds have not been used to pay for services. There is currently \$350M in state funding to pay for services managed through Local Management Entities.

**11 Advocacy Positions**

(\$158,045) R (\$158,045) R

Eliminates seven vacant advocacy positions located throughout facilities and/or community settings. There are 56 positions remaining after this reduction; this is an 11% reduction in number of positions for advocacy.

-7.00

-7.00

**12 Community Services Funds**

(\$20,000,000) NR

Reduces Community Services funds by \$20M for FY2011-12. This reduction combined with the Management Funding Reduction leaves \$323M of state funds available for purchase of services through Local Management Entities. This reduction is an 8% reduction in this budget.

Sec. 10.11(a)

**13 Child and Family Support Teams**

(\$523,638) R (\$523,638) R

Eliminates funding for coordinator positions located in 15 Local Management Entities. These positions have supported the Child and Family Team Pilot Program. Funds within Division of Social Services for this pilot is also being eliminated within this budget.

**14 North Carolina High School Athletic Association**

(\$369,435) R (\$369,435) R

Eliminates the grant-in-aid for the North Carolina High School Athletic Association.



**15 Community Services Funds - Swap**

Replaces Community Services Funds with Local Management Entities' Fund Balance for FY2011-12. There was approximately \$210M in fund balances among 17 Local Management Entities, of which \$65M was defined as undesignated and unreserved. This reduction is to come from the undesignated/unreserved funding and not further reduce community services.

Sec. 10.11 (d)

(\$25,000,000) NR

**16 Information Technology Reserve**

Eliminates the funding for the information technology account that is used to fund the facilities' information technology systems upgrade.

(\$5,100,390) R (\$5,100,390) R

**( 3.0) Division of Central Management and Support****17 Division of Information Resource Management - Contracts**

Eliminates recurring funding for the DIRM Contracts. Funding for FY2012-13 is pending the findings and recommendations of a Continuation Review.

(\$5,599,390) R (\$5,599,390) R  
\$5,599,390 NR

**18 Community Health Centers**

Reduces funding available for grants to community health centers. Grants are awarded on a multi-year basis; this reduction represents the new grants to be awarded in FY2011-12. There will be \$5M remaining for grants.

(\$1,452,527) R (\$1,452,527) R

**19 Loan Repayment Program - Federal Receipts**

Replaces state funds with increased federal funds available for the loan repayment program. The total program has approximately \$1.4M in funds.

(\$458,395) R (\$458,395) R

**20 Information Resource Management - Operating Budget**

Reduces excess operating funds within the Division of Resource Management.

(\$550,556) R (\$550,556) R

**21 Position Eliminations - Office of the Controller**

Eliminates two positions, one due to transfer of the Residential Schools to Department of Public Instruction and one within Purchase of Medical Care Section.

(\$76,215) R (\$76,215) R

-2.00 -2.00

**22 Department Wide Administrative Efficiencies**

Reduces funds and positions available within the Department of Health and Human Services.

(\$1,000,000) R (\$1,000,000) R

-25.00 -25.00

**23 Non-profit Reductions**

Reduces grants-in-aid and contract funding for non-profits by \$5M. There is currently \$75M in state funds for non-profits and this reduction represents 6.6% of state funding.

(\$5,000,000) R (\$5,000,000) R

**24 Migrant Fee for Service Program**

Reduces the program funds for the Migrant Purchase of Medical Care Program; the federal funds will continue. There remains approximately \$2.8M in this program.

(\$736,145) R (\$736,145) R

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**25 NC Care Line**

(\$380,478) R (\$380,478) R

Eliminates funding and positions for the NC Care Line.

-11.00

-11.00

**26 Information Resource Management - Conversion of Contracts to Employees**

(\$1,360,982) R (\$1,360,982) R

Reduces the contractual services line item within Division of Resource Management. This reduction represents cost-savings realized from converting 78 Information Technology Contractors to state employees.

**27 Vacant Positions**

(\$6,500,000) R (\$6,500,000) R

Eliminates vacant positions and reduces divisions' budgets throughout the Department of Health and Human Services for a savings of \$6.5M. There are over 1,600 positions vacant.

**28 Budgeting Receipts - Information Resource Management**

(\$561,225) R (\$561,225) R

Replaces state appropriations within Division of Resource Management (\$410,225) and throughout Central Management and Support (\$151,000) with over-realized receipts.

**( 4.0) Division of Public Health****29 Division of Environmental Health Transfer**

Transfers \$13,485,365 from the Department of Environment and Natural Resources to the Department of Health and Human Services to operate various programs and activities that comprised the Division of Environmental Health. In effecting this transfer, the following activities are being eliminated: 1) Public Health Pest Management Section, and 2) the Private Well Program, WaDE Program, and Quality Assurance of the On-Site Water Protection Section.

**30 Early Intervention**

(\$3,118,046) R (\$3,118,046) R

Requires the Division of Public Health to implement several administrative efficiencies, including: 1) elimination of 10 vacant positions; 2) reducing the contract to the Charlotte-Child Development Service Agency (a reduction that can be made up by its implementing Medicaid cost-settlement); and 3) other administrative efficiencies. The program will continue to be funded at nearly \$80 million annually, with a combination of federal and state funds.

-11.00

-11.00

**31 Office of Minority Health**

(\$302,262) R (\$302,262) R

Reduces the administrative staff within the Office of Minority Health with little or no impact on the Division's ability to direct this program or provide technical assistance to Local Health Departments in striving to eliminate health disparities.

-4.00

-4.00



**32 Consolidate Healthy Carolinians and Health Education**

(\$571,447)

R

(\$571,447)

R

Integrates the activities of the Office of Healthy Carolinians and Health Education into the duties of other personnel in the Division of Public Health. The Division will continue to provide technical assistance to local communities in support of the Governor's Task Force on Healthy Carolinians.

-10.00

-10.00

**33 Local Health Department Accreditation**

(\$400,000)

R

(\$400,000)

R

Continues funding for the Accreditation program at a level comparable to FY 2010-11 (\$375,000). This allows the program to be funded at a maintenance level.

**( 5.0) NC Health Choice****34 Modify Health Choice Services**

(\$650,000)

R

(\$900,000)

R

Modifies and ensures the clinical appropriateness of several Health Choice Services, including: 1) Elimination of long-term care, hearing services, and non-emergency transportation; 2) Reduction of dental benefits; and 3) Assurance of evidence-based treatment.

**35 Benchmark Health Choice to Medicaid**

(\$125,000)

R

(\$350,000)

R

Benchmarks Health Choice services to Medicaid including the amounts, types, and reimbursement rates. The exception is that Health Choice will not be benchmarked to Medicaid's Early Periodic Screening, Diagnosis, and Treatment Program.

**36 Targeted Rate Adjustments**

(\$225,000)

R

(\$250,000)

R

Adjusts Medicaid provider reimbursement rates. The Division of Medical Assistance will adjust provider reimbursement rates that are above regional rates, or where analysis indicates an adjustment is warranted and appropriate.

**37 Strengthen and Restructure Program Integrity**

(\$500,000)

R

(\$666,667)

R

Budgets savings to be realized by the Division of Medical Assistance as a result of restructuring and modernizing its program integrity and fraud and abuse operations to enhance recoveries and avoid overpayments. Complementary savings are expected in the Health Choice program.

**38 Care Coordination through CCNC**

(\$4,255,235)

R

(\$4,489,274)

R

Reduces State costs in the Division of Medical Assistance by re-establishing the care and utilization management services of the Community Care of North Carolina program-both Networks and Physician of Health Choice recipients. A per member per month payment will be made to physicians and networks. The cost will be offset by better management of services and improved clinical outcomes which lead to reduced state costs.

G <sup>M</sup>	<b>39 Health Choice Adjustment</b>	(\$3,166,254)	R	\$2,000,000	R
	Adjusts funding for Health Choice to reflect the changes in the consumption and mix of services, and payment to cost-settled health care providers. The policy of open enrollment will continue in FY 2011-12 and is projected to increase enrollment to approximately 148,203 children. Open enrollment will continue in FY 2012-13, but at a moderated rate.				
	(6.0) Division of Medical Assistance				
G	<b>40 Medicaid Provider Assessments</b>	(\$60,183,120)	R	(\$62,798,614)	R
	Levies an assessment of up to 5.5%, consistent with Federal Regulations, on willing Medicaid healthcare providers. Currently, the list of providers includes: Hospitals, Critical Access Behavioral Health Agencies (CABHA), and Community Alternative Programs for Mentally Retarded (CAP/MR). A portion of the assessment will be retained by the State. The current 5.5% assessment on Nursing Homes is not affected.				
	<b>41 Adjust Assessment on Nursing Facilities to 6%</b>	(\$7,926,122)	R	(\$10,568,163)	R
	Adjusts the assessment rate on Nursing Facilities upward to 6.0%, as allowed by Federal regulations, effective October 1, 2011, by adjusting the appropriate totals accordingly.				
G	<b>42 Implement Pregnancy Home Model</b>	(\$528,960)	R	(\$3,457,596)	R
	Budgets savings to be achieved from the March 2011 implementation of a collaborative effort between Community Care of North Carolina Networks and Local Health Departments to improve the quality of perinatal care and ensure that high-risk pregnant women receive the care and case management required. The improved birth outcomes, especially the prevention premature births will reduce state expenditures incurred by the Division of Medical Assistance.				
G	<b>43 Health Homes for Chronically Ill</b>	(\$16,146,384)	NR	(\$24,739,541)	NR
	Budgets revenue from the increased federal matching rate for the Health Homes for Chronically Ill Program. The Division of Medical Assistance is taking advantage of the two-year Federal program to enhance comprehensive care management for Medicaid recipients with co-occurring illnesses, including a chronic health condition and severe and persistent mental health condition. The Federal matching rate for this program, during the two-years, is 90%, versus the current rate of approximately 65%.				
G	<b>44 Strengthen and Restructure Program Integrity</b>	(\$16,000,000)	R	(\$23,000,000)	R
	Budgets anticipated savings from the Division of Medical Assistance efforts to reduce, if not eliminate, fraud and abuse in the Medicaid program by restructuring and modernizing current policies and efforts. Through policy and staffing changes and technology improvements state administrative costs will be reduced, while avoiding over payments and improving the recovery of funds.	-30.00		-40.00	



**45 Generic Substitution for Off-Patent Drugs**

(\$7,000,000) R

Budgets anticipated savings in FY 2012-13. In the next 12 months several brand-name drugs are scheduled to go off patent, leading to generic drug substitution savings in FY 2012-13.

**46 Modify Pharmacy Services**

(\$10,845,441) R (\$14,436,600) R

Budgets savings to be realized by the Division of Medical Assistance through several actions, including: 1) Better management of drug rebates, 2) Ensuring Medicare Part D correctly reimburses Medicaid, 3) Elimination of automatic refills, and 4) For flexibility to modify dispensing fees.

**47 Modify Generic Prescription Dispensing Rates**

(\$18,200,000) R (\$29,000,000) R

Revises generic drug dispensing rates to increase the rate of generic drugs within the Medicaid Program.

**48 Behavioral Health Medicaid 1915 b/c Waiver**

(\$10,537,931) R (\$52,551,082) R

Expands the capitated behavioral health program to additional Local Management Entities (LMEs).

**49 DHHS Savings Through Community Care of North Carolina (CCNC)**

(\$90,000,000) R (\$90,000,000) R

Budgets savings to be achieved by DHHS, in conjunction with CCNC Networks and North Carolina Community Care, Inc., through the cooperation of Medicaid health care providers. To the extent these savings are not achieved, DHHS is to undertake whatever actions necessary to affect the savings, including: 1) Reducing provider rates, and 2) Eliminating or reducing the level or duration of optional Medicaid services.

**50 Modify Optional and Mandatory Services**

(\$16,508,903) R (\$22,072,343) R

Budgets savings to be achieved by the Division of Medical Assistance through adjustments to mandatory and optional Medicaid services. These changes include the following services: Optical, Durable Medical Equipment, Specialized Therapies, Home Health, Dental, and a variety of other services. In the event, these savings are not fully achieved, the elimination of optional service requirements may be required.

**51 Eliminate Inflationary Increases**

(\$62,853,775) R (\$130,874,505) R

Eliminates automatic inflation increases for Medicaid providers. The Division of Medical Assistance is not to authorize any inflationary increases to Medicaid provider rates during the 2011-13 biennium, except as provided for in Section 10.43.

**52 Adjust Provider Rates**

(\$46,420,718) R (\$46,458,260) R

Reduces Medicaid provider reimbursement rates. The Division of Medical Assistance is to reduce Medicaid provider rates by 2%, except as provided for in Section 10.46.



**53 Medicaid Rebase**

\$109,693,468 R

Rebases the Medicaid budget to adjust for changes in the number of Medicaid recipients, utilization or consumption of services, mix of services being consumed, inflation for cost-settled providers, and changes to the Federal Medical Assistance Percentage (FMAP).

**( 7.0) Division of Health Service Regulation****54 Nursing Home Licensure and Certification Funds**

Replaces State funds with federal receipts in the Nursing Home Licensure and Certification Section on a non-recurring basis. The receipts come from civil monetary penalties assessed against nursing homes.

(\$1,792,559) NR (\$1,792,559) NR

**( 8.0) Division of Social Services****55 Child and Family Team Pilot Elimination**

(\$420,804) R (\$420,804) R

Eliminates pilot funding for local departments of social services that partially supports Child and Family Team positions. Child and Family Teams will continue to work in schools and DSS will continue to provide training and technical assistance to local departments of social services in order for the initiative to continue.

**56 Replace State Funding for Child Protective Services**

(\$5,040,000) R (\$5,040,000) R

Replaces state funds with federal block grant funds to support Child Protective Services. County departments of social services will receive Social Services Block Grant (SSBG) funds in lieu of state general funds.

Sec. 10.60 (a)

**57 Eliminate Special Assistance Intervention Team**

(\$103,997) R (\$103,997) R

Eliminates the Special Assistance Intervention team, whose purpose was to provide special assistance and intervention services for low performing counties around child welfare services. The model has not been effective and positions are vacant.

-2.00

-2.00

**58 Eliminate State General Funds to Local Departments of Social Services**

(\$5,473,985) R (\$5,473,985) R

Continues the reduction in general funds to county departments of social services from the previous biennium. This action eliminates the State general fund contribution to county social services departments to offset the cost of administering public assistance programs. The administrative cost of these programs is shared evenly by the federal and county governments.

**59 Prioritize Adult Day Care Funding for Ages 18 to 59**

(\$1,106,000) R (\$1,106,000) R

Reduces the State Adult Day Care Fund. Revises the policy regarding the age of persons eligible to receive Fund-supported day care services, with priority given to adults ages 18 - 59. Services will remain available to individuals 60 and older through the Home and Community Block Care Block Grant.

**60 Use Social Services Block Grant (SSBG) to Support Adult Protective Services**

(\$2,000,000) R (\$2,000,000) R

Replaces State funds with federal funds by requiring all counties to use federal SSBG funds to provide adult protective services. This will require 52 counties to begin using their SSBG allocations to provide this mandated service. Sec. 10.60 (a)

**61 Eliminate State Abortion Fund**

(\$50,000) R (\$50,000) R

Eliminates funding for the State Abortion Fund.

Sec. 10.53

**62 Reduce NC Reach Scholarship Funds**

(\$1,584,125) R (\$1,584,125) R

Reduces the budget for the NC Reach post-secondary education program by 50%, \$1,584,125, maintaining the program at the FY 2010-11 funding level.

Sec. 10.54 (a)

**63 Replace Division Admin Funds with Federal Block Grant**

(\$1,389,084) R (\$1,389,084) R

Replaces State funding for the Division of Social Services administrative costs with federal TANF Block Grant funds.

Sec. 10.60 (a)

**( 9.0) Division of Aging and Adult Services****64 Replace Funding for Long-Term Care Constituent Advocate Program**

(\$200,000) R (\$200,000) R

Replaces State funds with federal Civil Monetary Penalty proceeds to support the Long-Term Care Ombudsman Program, which advocates for the elderly.

**65 Eliminate Volunteer Program Development**

(\$200,000) R (\$200,000) R

Eliminates funds for the Volunteer Development Program, one of 18 services funded through the Home and Community Care Block Grant. Currently, only 11 counties elect to provide this service.

**(10.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing**

<b>66 Division Consolidation</b>	(\$500,000)	R	(\$500,000)	R
Consolidates the Divisions of Services for the Blind, Services for the Deaf and Hard of Hearing, and Vocational Rehabilitation Services to create the Division of Blind, Deaf/Hard of Hearing, and Rehabilitation Services, effective January 1, 2012. Savings will be achieved through reductions in staff, leased space, and other administrative/overhead costs associated with the three divisions.	-15.00		-15.00	
Sec. 10.57				

**(11.0) Division of Vocational Rehabilitation**

<b>67 Eliminate Recreational Therapists Services</b>	(\$284,501)	R	(\$284,501)	R
Eliminates recreational therapist services available in only five cities across the state. Four of the five positions to be eliminated are vacant.	-5.00		-5.00	
<b>68 Reduce Independent Living Program</b>	(\$1,774,021)	R	(\$1,774,021)	R
Reduces State funding for independent living services by 13%. Services will continue to be prioritized so as to avoid institutional care.				
<b>69 Reduce Basic Support Program</b>	(\$2,067,928)	NR	(\$2,067,928)	NR
Replaces a portion of the State funds for the Basic Support Program with unspent federal funds.				

<b>Total Legislative Changes</b>	(\$399,756,982)	R	(\$438,010,159)	R
	(\$65,760,125)	NR	(\$34,952,672)	NR
<b>Total Position Changes</b>	-122.00		-132.00	
<b>Revised Budget</b>	\$4,462,222,541		\$4,455,162,933	