

SENATE APPROPRIATIONS ON
HEALTH AND HUMAN SERVICES

SENATE BILL 402
NORTH CAROLINA GENERAL ASSEMBLY

MONEY REPORT

MAY 20, 2013

Health and Human Services

GENERAL FUND

	FY 13-14	FY 14-15
Recommended Continuation Budget	\$4,615,870,375	\$4,630,560,536

Legislative Changes

(1.0) Division of Central Management and Support

1 Office of Citizen Services Positions	(\$339,787)	R	(\$339,787)	R
Eliminates six positions associated with the elimination of the NC Care Line in S.L. 2011-145.	-6.00		-6.00	

60037847 Processing Assistant III
 60037849 Community Service Consultant
 60037850 Administrative Officer I
 60037854 Processing Assistant V
 60037855 Human Service Planner/Evaluator II
 60090103 Administrative Officer I

2 Adjustment Based on Historical Transfers	(\$1,982,830)	R	(\$1,982,830)	R
Reduces funds based on transfers from the Division of Central Management to the Division of Medical Assistance. In FY 2010-11 approximately \$3.7 million was transferred from lapsed salary, contracts and Division of Information and Resource Management (DIRM) administration accounts. In FY 2011-12 approximately \$2.7 million was transferred from lapsed salary and indirect cost accounts. These funds were transferred to the Division of Medical Assistance to cover Medicaid shortfalls in both years.				

3 North Carolina Families Accessing Services Through Technology (NC FAST)

Provides funds to match federal receipts and continue the development and implementation of NC FAST.			\$864,655	NR
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4 Department of Justice Settlement Agreement

Provides funds pursuant to the agreement between the State and the U.S. Department of Justice to develop and implement housing, support, and other services for people with mental illness. The funds will be used to provide services to an additional 150 people in FY 2013-14 and up to 708 people in FY 2014-15.	\$3,834,275	R	\$9,394,658	R
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5 Medicaid Management Information System (MMIS)

Directs the Department to use prior-year earned revenue to fund this system.

FY 2013-14: \$9,658,152 NR
 FY 2014-15: \$1,666,625 NR

6 DHHS Competitive Block Grant for Non-Profits

Creates a performance-based, competitive block grant process to fund services historically provided by the non-State entities specifically designated for direct appropriation in S.L. 2012-142, Section 10.19(a). In FY 2012-13, funds were provided in specific amounts to these non-profit entities on a nonrecurring basis. Funds appropriated in FY 12-13 (approximately \$9.2 million), funds provided to the High School Athletic Association (approximately \$300,000), and the federal block funding indicated below have been consolidated into a State block grant to be administered by the Office of the Secretary in the Department of Health and Human Services. The Department is directed to create a Request For Application (RFA) process that will allow non-State entities to receive State funds on a competitive basis.

\$9,529,134 NR

Additional federal block grant funds available for this purpose include:

Social Service Block Grant (SSBG) - \$3,852,500
 Maternal and Child Health Block Grant - \$89,374
 Preventive Health Services Block Grant - \$1,331,961

(2.0) Division of Child Development and Early Education**7 Regulatory Positions Shifted from State to Federal Funding**

(\$900,000) R

(\$900,000) R

Transfers \$604,541 in salaries and \$204,962 in benefits for 14 positions as well as \$90,497 in operating costs to receipt support by utilizing the Child Care Development Fund block grant. The Child Care Regulatory fund has \$1.5 million remaining in state appropriations. The following positions are affected:

-14.00

-14.00

60038736 Child Day Care Specialist
 60038746 Child Day Care Specialist
 60038747 Child Day Care Specialist
 60038610 Child Day Care Specialist
 60038743 Child Day Care Specialist
 60038742 Child Day Care Specialist
 60038735 Child Day Care Specialist
 60038741 Child Day Care Specialist
 60038745 Child Day Care Specialist
 60038734 Child Day Care Specialist
 60038739 Child Day Care Specialist
 60038749 Child Day Care Specialist
 60038730 Child Day Care Specialist
 60038835 Program Assistant V

8 Seat Management Funding Elimination

(\$38,125) R

(\$38,125) R

Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.

9 Adjustments Based on Historical Transfers

(\$652,500)

R

(\$652,500)

R

Reduces funds based on transfers from the Division of Child Development and Early Education to the Division of Medical Assistance. In FY 2011-12 approximately \$870,000 was transferred from lapsed salary, contracts and administrative services to the Division of Medical Assistance to cover the Medicaid shortfall.

10 Pre-K Slot Transfers

(\$12,440,000)

R

(\$24,880,000)

R

Transfers 2,500 Pre-K slots in FY 2013-14 and 5,000 in FY 2014-15 along with the General Fund appropriation to Child Care Subsidy. \$52.6 million in General Fund appropriation is available for Pre-K in FY 2013-14, and \$40.1 million General Fund appropriation is available for Pre-K in FY 2014-15.

11 Child Care Subsidy Increase

\$12,440,000

R

\$24,880,000

R

Increases funding to address the waiting list for Child Care Subsidy. FY 2013-14 funding will serve approximately 2,600 additional children. FY 2014-15 funding will serve approximately 5,200 additional children.

12 State Funds for Child Care Subsidy Replacement

(\$2,624,189)

NR

(\$2,624,189)

NR

Replaces the General Fund appropriation for child care subsidy with block grant funds and a transfer from the Pre-K Program. There is an overall net increase to child care subsidy of \$9.8 million in FY 2013-14 and a net increase of \$22.2 million in FY 2014-15. Total funds from all sources will be \$360 million in FY 2013-14 and \$372 million in FY 2014-15.

(4.0) Division of Social Services**13 Seat Management Funding Elimination**

(\$606,695)

R

(\$606,695)

R

Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.

14 Adjustment Based on Historical Transfers

(\$1,875,000)

R

(\$1,875,000)

R

Reduces funds based on historical transfers from the Division of Social Services to the Division of Medical Assistance. In FY 2010-11 \$9.7 million was transferred from contracts, unused adoption and foster care services funding, and other administrative funds. In FY 2011-12 the division transferred approximately \$15.3 million. Of this amount approximately \$4.5 million was from unspent foster care and adoption services funding, \$600,000 from lapsed salary, \$1 million in contracts, and \$4 million from non-recurring revenue from prior year earned revenue, indirect costs and prior year audit and adjustments. The remaining funds came from administration, including seat management. Some of the historical transfers are reduced in the seat management and contract and administrative reduction items. Foster Care and Adoption services funding was reduced in the continuation budget.

15 Contract and Administrative Savings

(\$1,066,123) R (\$1,066,123) R

Eliminates funds for the Child Welfare Multiple Response System (MRS) Conference that trained county staff on MRS. The conference is no longer needed as MRS has been implemented statewide. Also eliminates funds for the forms and supply warehouse that is no longer needed as the warehouse has closed. The remaining reduction is from administration and internet billing costs.

16 Federal Funds for County Child Welfare Services Replacement

\$4,826,346 NR \$4,826,346 NR

Provides funds to partially replace federal funding for child welfare administration due to a change in the application of federal policy. The State supports county DSS agencies at an overall rate of 31% of the non-federal share of their county budgets for public assistance and service programs. This appropriation replaces 33% of the lost federal funding on a nonrecurring basis to support the counties while the North Carolina Families Accessing Services through Technology (NCFAST) information system is being developed and implemented. Once fully implemented, NCFAST is projected to save administrative costs for counties.

17 NC Reach - Child Welfare Postsecondary Education

\$547,245 R \$610,817 R

Provides funds to support an additional 100 former foster care youth and children adopted after age 12 who attend college within the UNC and Community College systems. NC Reach funding is the payer of last resort and covers items such as books, supplies, transportation, and room and board not covered by other funding sources.

(6.0) Division of Vocational Rehabilitation**18 Independent Living Program Administration Reduction**

(\$10,000) R (\$10,000) R

Reduces the administrative budget for the Independent Living Program.

19 Vocational Rehabilitation Services Administration Funding

(\$102,236) R (\$102,236) R

Replaces General Fund appropriations budgeted for administrative expenses in the Vocational Rehabilitation Basic Support program with program receipts.

20 State Funding in the Assistive Technology Program Replaced

(\$98,738) R (\$98,738) R

Replaces the General Fund appropriation in the Assistive Technology Program with program receipts.

21 Historical Transfers to Medicaid

(\$300,000) R (\$300,000) R

Reduces funding based on transfers from the Division of Vocational Rehabilitation to the Division of Medical Assistance. In FY 2011-12 approximately \$845,000 was transferred from indirect costs funds to the Division of Medical Assistance to cover the Medicaid shortfall.

(7.0) Division of Aging and Adult Services**22 Seat Management Funding Elimination**

(\$855) R

(\$855) R

Eliminates funding for seat management within the Division. The Department discontinued outsourcing management of its workstation capabilities including hardware and software.

23 Adjustment Based on Historical Transfers

(\$300,000) R

(\$300,000) R

Reduces funding based on transfers from the Division of Aging and Adult Services to the Division of Medical Assistance. In FY 2011-12 approximately \$470,000 was transferred from lapsed salary and administration accounts were transferred to the Division of Medical Assistance to cover the Medicaid shortfall.

24 Home and Community Care Block Grant (HCCBG)

(\$2,900,000) R

(\$2,900,000) R

Reduces the HCCBG and transfers the funds to expand Project C.A.R.E. statewide. \$24.6 million in General Fund appropriation remains in the HCCBG to provide home and community-based services to seniors and disabled adults.

25 Caregiver Alternatives to Running on Empty (Project C.A.R.E.)

\$2,900,000 R

\$2,900,000 R

Provides \$500,000 to replace an expiring federal grant and an additional \$2.4 million to expand Project C.A.R.E. statewide. The program provides respite and support services to families caring for a person with dementia at home.

26 Long-Term Care Ombudsman

\$200,000 R

Replaces lost federal receipts and maintains the current level of service. In the FY 2011-13 budget, General Fund support for the Long-Term Care Ombudsman was replaced with federal civil monetary penalties receipts. Since then, the Centers for Medicare and Medicaid Services (CMS) has restricted the use of those federal receipts for this purpose.

(8.0) Division of Public Health**27 Early Intervention - Children's Developmental Services Agencies**

(\$8,000,000) NR

(\$10,000,000) R

Reduces FY 2013-14 funding to the Division of Public Health based on historical transfers to the Division of Medical Assistance. In FY 2010-11, approximately \$17.1 million was transferred from lapsed salary, administration, and contract accounts to address the Medicaid shortfall. In FY 2011-12, approximately \$17.4 million was transferred. Of the amounts transferred, over half was lapsed salary and other unspent funds budgeted to the Early Intervention Branch. Also eliminates funding, effective July 1, 2014, for 4 of the 16 Children's Development Service Agencies (CDSAs). In determining which CDSAs to close, the Division shall make it a priority to maintain the CDSAs that have the highest caseloads of children who reside in rural or medically underserved areas of the State.

-160.00

28 AIDS Drug Assistance Program (ADAP) Drug Purchases

(\$8,000,000)	R	(\$8,000,000)	R
\$6,000,000	NR	\$6,000,000	NR

Reduces ADAP funding to more accurately reflect current spending levels. ADAP provides pharmaceuticals to financially-eligible persons with AIDS. There are currently two ADAP funding sources: federal Ryan White CARE Act and State appropriations. Nonrecurring funds are provided in each year of the biennium to address potential waiting lists for AIDS pharmaceutical assistance.

29 Food and Lodging Permit Fee

(\$750,000)	R	(\$750,000)	R
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Reduces the General Fund appropriation and budgets increased food and lodging permit fee receipts. Effective July 1, 2013, the annual food and lodging permit fee increases from \$75 to \$120; the State's portion increases from \$25 to \$50.

30 Oral Health Section

(\$2,865,762)	R	(\$3,583,681)	R
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Eliminates 39 dental hygienist, 2 dental technician, and 7 administrative positions effective October 1, 2013, and reduces funding for administration. A portion of the savings will be allocated to local health department dental clinics to increase the number of dental hygienists and dental assistants providing clinical dental treatment and services.

-48.00		-48.00	
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In addition to the 41 dental hygienist and dental equipment technician positions, the following administrative positions are eliminated:

60039581 Accounting Clerk V
 60039585 Dental Hygienist Regional Coordinator
 60039588 Public Health Regional Dentist Supervisor
 60039589 Dental Hygienist Regional Coordinator
 60039608 Public Health Regional Dentist Supervisor
 60039627 Public Health Regional Dentist Supervisor
 60039644 Education Media Specialist I

31 Local Health Department Dental Clinics

\$1,558,257	R	\$2,077,677	R
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Provides funding to local health departments that operate or sponsor dental clinics, effective October 1, 2013. The local health departments shall use the funds to hire dental hygienists to provide clinical dental treatment and services.

32 State Public Health Laboratory

\$1,052,000	R	\$1,052,000	R
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Provides funding for the State Public Health Laboratory to offset receipts lost due to FY 2010-11 Medicaid provider rate reductions.

33 NC Tobacco Use Quitline

\$1,400,000	R	\$1,400,000	R
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Provides funds to continue the operation of the North Carolina Tobacco Use Quitline (NC Quitline). NC Quitline provides free tobacco cessation services and treatment for NC residents.

(9.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

34 LME/MCO Administration	(\$15,228,245)	R	(\$15,228,245)	R
Reduces funds provided for Local Management Entities (LME)/Managed Care Organizations (MCO) administration funding formula. The LME/MCO transition phase will be fully implemented by July 1, 2013 resulting in savings to the General Fund.				
35 Gambling Fund Balance	(\$416,264)	NR		
Budgets accumulated lottery budget receipts transferred to the Division for gambling addiction education and treatment programs. This reduction is not anticipated to affect the level of services provided.				
36 Alcohol and Drug Abuse Treatment Centers (ADATC)	(\$37,951,761)	R	(\$50,602,349)	R
Closes the three State-operated ADATCs, effective July 1, 2013. Each ADATC has 80 beds, with average bed costs ranging from \$570 to \$670 per day. A portion of the resulting savings will be added to the single-stream funding and will be allocated to the Local Management Entities/Managed Care Organizations to be used for alcohol and substance abuse treatment services.				
	-548.88		-548.88	
37 Alcohol and Substance Abuse Treatment	\$10,000,000	R	\$20,000,000	R
Budgets a portion of the savings resulting from the closure of the three State-operated residential alcohol and drug abuse treatment facilities (ADATCs) to fund community-based and residential alcohol and substance abuse treatment services.				
38 NC High School Athletic Association (NCHSAA)	(\$332,491)	R	(\$332,491)	R
Eliminates the special appropriation for the NCHSAA and transfers the funding to the Division of Central Management and Support to be used for the performance-based, competitive block grant process, for which NCHSAA would be eligible to apply.				
39 Wright School	(\$2,709,912)	R	(\$2,709,912)	R
Closes the Wright School, a 24-bed residential school for children with mental health or behavioral disorders, effective July 1, 2013.				
	-40.15		-40.15	
40 Broughton Hospital Beds				
Realigns the Division's base budget to transfer \$3,513,000 recurring from Fund Code 1910 - Reserves and Transfers to Fund Code - 1561 Broughton Hospital to open 19 additional adult psychiatric care beds. These funds were originally appropriated by S.L. 2012-142 for this purpose but contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.				

41 Three-Way Contracts

Realigns the Division's base budget to transfer \$9 million recurring from Fund Code 1910 Reserves and Transfers to Fund Code 1464, Crisis Services to increase the number of three-way contract community hospital beds available to Local Management Entities/Managed Care Organizations from 141 to 186. These funds were originally appropriated by S.L. 2012-142 for this purpose but contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.

42 Statewide Telepsychiatry Program

\$2,000,000	R	\$2,000,000	R
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Provides funds to establish a statewide telepsychiatry program to provide consultant services as an alternative to alleviate hospital emergency department wait times, involuntary commitments, and local law enforcement involvement in the transport of patients who have been involuntarily committed, especially in rural and medically underserved areas. The funds shall be used to establish and administer the program and to purchase telepsychiatry equipment for the State-owned hospitals.

43 New Broughton Hospital

\$11,510,467	NR	\$16,598,589	NR
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Provides funds to purchase medical equipment, furniture, and information technology infrastructure for the new, expanded Broughton Hospital scheduled to open in December 2014.

44 NC Child Treatment Program

\$1,818,745	R	\$1,818,745	R
\$250,000	NR	\$250,000	NR

Provides funds for the statewide implementation of the NC Child Treatment Program. Funds will be used to provide clinical training to Medicaid-certified physicians, child trauma treatment services, and to develop an online database system.

(10.0) Division of Health Service Regulation**45 Adjustment Based on Historical Transfers**

(\$300,000)	R	(\$300,000)	R
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Establishes a recurring reduction in the Division of Health Service Regulation at the level of historical transfers made to cover Medicaid shortfalls. Approximately \$600,000 was transferred to the Division of Medical Assistance in FY 2010-11; approximately \$800,000 was transferred to the Division of Medical Assistance in FY 2011-12.

(11.0) Division of Medical Assistance**46 Health Homes for the Chronically Ill**

Reflects the last quarter of increased federal match under the Health Homes for the Chronically Ill program for qualified care management per member per month expenditures. Includes an enhanced federal match for all Medicaid care management payments for recipients with comorbid conditions including a chronic health condition and severe and persistent mental health conditions paid through September 30, 2013.

(\$3,757,682) NR

47 Mental Health Drug Management

Reduces funds for prescription drugs. Mental health drugs will be subject to prior authorization to ensure appropriate use and clinical outcomes effective January 1, 2014. A 72-hour emergency supply may be provided if a beneficiary is waiting for acknowledgement of the prior authorization request. This will put mental health drugs on parity with all other medications paid for by Medicaid.

(\$4,975,290) R (\$11,258,127) R

48 Hospital Provider Assessment

Effective July 1, 2013 the hospital provider assessment will be modified so the State's retention of hospital assessments will be 15.6% of the total assessment paid by hospitals instead of a stated amount of \$43 million.

(\$7,000,000) R (\$7,140,000) R

49 Report Separately Payments to CCNC and CCNC Providers

Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are

\$59,340,923 R \$62,046,013 R

FY 2013-14	Total Requirements	State Funds
Care Management	\$125,800,000	\$44,000,000
Provider Payments	\$ 43,800,000	\$15,300,000

FY 2014-15		
Care Management	\$131,600,000	\$46,100,000
Provider Payments	\$ 45,700,000	\$16,000,000

50 Physician Expenditures Adjustment to Appropriately Report CCNC Payments

(\$59,340,923) R (\$62,046,013) R

Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

FY 2013-14	Total Requirements	State Funds
Care Management	(\$125,800,000)	(\$44,000,000)
Provider Payments	(\$ 43,800,000)	(\$15,300,000)
FY 2014-15		
Care Management	(\$131,600,000)	(\$46,100,000)
Provider Payments	(\$ 45,700,000)	(\$16,000,000)

51 Hospital Base Rates

\$0 R \$0 R

Recalibrate the hospital inpatient payment system so that the base rates will be regionally set for all hospitals in that region to eliminate the disparity in rates for the same services between hospitals that exist in the current system. Hospital inpatient services are paid based on a diagnosis related group (DRG) system. There are 746 DRG's in the Medicaid program that represent classifications of services provided during an inpatient hospitalization. Each of the 746 DRG's has a weight that represents the relative resources required for services related to that diagnosis, recipient age, sex and the presence of complications or comorbidities. Hospital payment is determined by applying a base rate, unique to each hospital, to the DRG weight. The hospital base rates were developed using each hospital's costs in 1994. Changes to these base rates have only occurred when the General Assembly has approved an increase or decrease in rates. DHHS will work with hospitals to identify appropriate regional differences and define regional definitions.

52 Medicaid Co-payments

(\$3,308,100) R (\$4,962,150) R

Increases nominal copays for eligible Medicaid services to the maximum allowed by the Centers for Medicare and Medicaid Services (CMS) effective November 1, 2013. Services that are excluded from copays by CMS are medical emergency services, family planning services, "preventative" services for children and pregnancy-related services. DHHS will maintain all nominal copays at the maximum allowed by CMS.

53 Medicaid Contract Reductions

\$0 R (\$2,016,771) R

Adjusts contract expenditures in the second year of the biennium to reflect a reduced cost of operation and adjudication of claims related to the new Medicaid Management Information System that will be implemented July 1, 2013 .

54 Hospital Outpatient Payments at 70% of Costs

(\$20,294,954) R (\$42,132,325) R

Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70% of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80% of costs. This will result in \$17.1 million less spending for outpatient services in FY 2013-14 and \$35.6 million in FY 2014-15. The Hospital GAP plan allows hospitals to receive supplemental payments to increase the overall payments for hospital outpatient services to 100% of costs. The reduction in the outpatient patient percentage will result in an increase in the hospital assessment, of which the State will retain 15.6% of the increase assessment, totaling \$3.2 million in FY 2013-14 and \$6.6 million in FY 2014-15.

55 Shared Savings Payment Plan

(\$31,643,177) R (\$50,742,748) R

Establishes a 4% withhold on selective services effective July 1, 2013. Services subject to the withhold include inpatient hospital, physician (excluding primary care physicians until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes and drugs. DHHS will work with providers to develop a shared savings plan that will be implemented by January 1, 2015 that will include incentives to provide effective and efficient care that results in positive outcomes for Medicaid recipients. In FY 2013-14 the State share of the amount withheld will be \$24.8 million. This represents a total impact of \$70.9 million in provider payments, including both the State and federal shares. In FY 2014-15 the State share of the withhold will be \$49.5 million, providers will be eligible for shared savings that are projected to total \$14.9 million and the impact of the shared savings plan on expenditures is projected to be \$27.5 million.

56 Prescribed Drugs- Payment Based on Invoice Cost

(\$18,498,384) R (\$36,996,767) R

Implements a payment system for all medications based on an invoice cost that will be established through quarterly surveys to determine the actual cost of drugs to pharmacies effective January 1, 2014. Currently, brand drugs are paid a Wholesale Acquisition Cost (WAC) plus 6% and generic drugs are paid at 195% of the State Medicaid Average Costs (SMAC). The change to invoice pricing will reduce expenditures for drugs by \$27 million and \$55 million in FY 2014-15. Effective January 1, 2014, dispensing fees will be increased to an average payment of \$9.87 for all drugs. The payment system for dispensing fees will retain a \$2 incentive differential for generic drugs and those on the preferred drug list. This will increase expenditures by \$9 million in FY 2013-14 and \$18 million in FY 2014-15.

57 Private Duty Nursing Limitation

(\$5,001,351) R (\$5,001,351) R

Limits adult Private Duty Nursing (PDN) to a cost not to exceed \$432 per day, effective January 1, 2014.

58 Rehabilitation Services Limitation

(\$2,748,350) R (\$5,651,495) R

Limits adult rehabilitative services for set up and training to three visits per year, effective January 1, 2014 .

59 Exchange Premiums for Selected Medicaid Eligibles

(\$4,089,627) R (\$20,735,543) R

Reduces funds by purchasing insurance on the Health Benefits Exchange (HBE) for selected Medicaid recipients that are between 133% and 185% of the Federal Poverty Level effective January 1, 2014. Providers providing services to these recipients will be reimbursed through the insurance product the individual purchases and not from Medicaid funding.

60 Physician Office Visits Limitation

(\$3,676,525) R (\$7,560,122) R

Reduces the limit on office visits for adults from 22 visits a year to 10 visits a year effective January 1, 2014. Prior authorization will be required for medically necessary visits in excess of 10 per year. Recipients with chronic conditions will be exempted from this limitation.

61 Rate Freeze for Services Subject to Automatic Increases

(\$18,332,670) R (\$28,027,681) R

Freezes rates for hospital outpatient services, nursing home services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. The cost settlement will be limited to that percentage. Nursing direct care services will not receive case mix index increases after June 30, 2013 until reinstated. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Part B and D Premiums, third party and HMO premiums, drugs and MCO capitation payments are excluded.

62 Medicaid Rate Methodologies Modification for Acquired Providers

Modifies Medicaid rate methodologies to ensure that rates paid to hospital or physician providers that were acquired, merged, leased or managed after December 31, 2011 will not exceed rates that would have been paid if the provider had not been acquired, merged, leased or managed.

63 Non-emergency Fee for Emergency Services

(\$1,198,401) R (\$2,464,298) R

Establishes a triage fee for non-emergency services provided in a hospital-owned and operated emergency department on parity with similar services provided in a physician's office. The fee will be effective January 1, 2014.

64 Additional Personal Care Services for Qualified Individuals

\$0 R \$0 R

Establishes an increased limit of up to 130 hours per month for qualified recipients with Alzheimer's Disease and other memory disorders in Special Care Units in Adult Care Homes (ACH). DHHS will implement an additional savings component that addresses the higher acuity level for Alzheimer's/memory care recipients in Adult Care Homes. The unit rate for all Personal Care Services will be reduced to \$14.12.

65 Medicaid Rebase

\$434,000,000 R \$607,000,000 R

Provides Medicaid funding for the continuation of the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new service and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP), annualization of reductions not fully implemented during FY 2012-13, the extension of Medicaid to the former foster care children until age 26 beginning January 1, 2014, contracts and settlements.

66 Provider Cost Settlements

\$18,000,000 R \$18,000,000 R

Increases funding for Medicaid cost settlements to provide for the growth in Medicaid recipients and the cost of serving Medicaid recipients for those providers whose payments are cost settled after the providers fiscal year. Providers that are cost settled include hospitals, skilled nursing facilities, and Intermediate Care for the Mentally Retarded facilities (ICF-MRs).

67 Contracts

\$11,000,000 R \$11,000,000 R

Provides funding for Medicaid contracts that ensure the appropriate level of medical service is provided, including contracts that provide prior authorization, utilization reviews and assessments of individuals receiving medical care. This increase is due to estimated increases in the Medicaid population being served. Funding is also provided for the asset verification contract which will ensure Medicaid recipients are within the asset limit for eligibility determination purposes.

68 "Woodwork" and Affordable Care Act

\$49,684,791 R \$114,119,120 R

Provides funding for expenditures for new Medicaid recipients. Even though North Carolina has decided not to expand Medicaid eligibility under the Affordable Care Act (ACA) effective January 1, 2014, 69,683 new enrollees are expected to join Medicaid in FY 2013-14 and 72,426 are expected to join in FY 2014-15 as a result of provisions contained in the ACA related to penalties for non-coverage and outreach efforts.

69 Transfer of Health Choice Children

\$22,080,000 R \$46,080,000 R

Transfers all children under 133% of the Federal Poverty Level beginning January 1, 2014 in accordance with the Affordable Care Act which requires they be covered under Medicaid instead of Health Choice. Provides funding for the increase in costs that will be incurred as a result of these recipients being eligible for broader benefits under Medicaid than they had when covered under Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted. The State will retain the State Children's Health Insurance Program federal match instead of the traditional Medicaid federal match. There is a partial offset in Health Choice for this amount.

70 MMIS Implementation Costs

\$4,828,664 NR

Provides funding to implement manual processes to ensure the appropriate payment of claims by hiring temporary staff or through external contracts. The new Medicaid Management Information System (MMIS) for the adjudication of claims is scheduled to be implemented July 1, 2013. The new system will not contain all of the functionality of the current MMIS.

71 Community Care Of North Carolina Study

Provides funding for a study to determine whether the Community Care of North Carolina model saves money and improves health outcomes. This was recommended by the State Auditor in the January 2013 performance audit of the Medicaid Program. Total funding available for the study is \$200,000 as the State funds may be used to match federal Medicaid administrative funds.

\$100,000 NR

(12.0) NC Health Choice**72 Mental Health Drug Management**

Reduces funds for prescription drugs. Mental health drugs will subject to prior authorization to ensure appropriate use and clinical outcomes, effective January 1, 2014. This will put mental health drugs on parity with all other medications paid for by Health Choice.

(\$254,504) R (\$356,861) R

73 Transfer of Health Choice Children

Reduces funds by transferring children to Medicaid. Beginning January 1, 2014 the Affordable Care Act requires all children under 133% of the Federal Poverty Level be covered under Medicaid instead of Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted and the State will retain the State Children's Health Insurance Plan federal match instead of the traditional Medicaid federal match.

(\$12,348,000) R (\$25,480,000) R

74 Contract Budget Adjustment

Reduces Health Choice contract expenditures to actual amounts.

(\$2,800,000) R (\$2,800,000) R

75 Rates Freeze for Services Subject to Automatic Increases

Freezes rates for hospital outpatient services, nursing home services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. Cost settlement will be limited to that percentage. Nursing direct care services will not receive case mix index increases after June 30, 2013 until reinstated. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Part B and D Premiums, third party and HMO premiums, drugs and MCO capitation payments are excluded.

(\$1,265,912) R (\$1,405,614) R

76 Shared Savings Payment Plan

Establishes a 4% withhold on selective services effective January 1, 2014. Services subject to the withhold include inpatient hospital, physician services (excluding primary care until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes and drugs. DHHS will collaborate with providers to develop and implement a shared savings plan that will be implemented by January 1, 2015 to provide incentives for effective and efficient care that results in positive outcomes for Medicaid recipients.

(\$1,175,520) R (\$2,383,942) R

77 Non-emergency Fee for Emergency Services

(\$88,796)

R

(\$183,809)

R

Establishes a triage fee for non-emergency services provided in a hospital-owned and operated emergency department on parity with similar services provided in a physician's office. The fee will be effective January 1, 2014.

78 Prescribed Drugs- Payment Based on Invoice Costs

(\$832,236)

R

(\$1,664,473)

R

Implements a payment system for all medications based on an invoice cost that will be established through quarterly surveys to determine the actual cost of drugs to pharmacies effective January 1, 2014. Currently, brand drugs are paid a Wholesale Acquisition Cost (WAC) plus 6% and generic drugs are paid at 195% of the State Medicaid Average Costs (SMAC). The change to invoice pricing will reduce expenditures for drugs by \$1.2 million and \$2.5 million in FY 2014-15. Effective January 1, 2014, dispensing fees will be increased to an average payment of \$9.87 for all drugs. The payment system for dispensing fees will retain a \$2 incentive differential for generic drugs and those on the preferred drug list. This will increase expenditures by \$401,633 in FY 2013-14 and \$803,265 in FY 2014-15.

79 Physician Expenditures Adjusted to Appropriately Report CCNC Payments

\$2,557,144

R

\$2,699,001

R

Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are

	Total Requirements	State Funds
FY2013-14		
CCNC Care Management	\$5,800,000	\$1,400,000
Provider Payments	\$4,500,000	\$1,100,000
FY 2014-15		
CCNC Care Management	\$6,100,000	\$1,500,000
Provider Payments	\$4,700,000	\$1,200,000

80 Physician Expenditures Adjustment to Appropriately Report CCNC Payments

(\$2,557,144)

R

(\$2,699,001)

R

Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are

	Total Requirements	State Funds
FY2013-14		
CCNC Care Management	(\$5,800,000)	(\$1,400,000)
Provider Payments	(\$4,500,000)	(\$1,100,000)
FY 2014-15		
CCNC Care Management	(\$6,100,000)	(\$1,500,000)
Provider Payments	(\$4,700,000)	(\$1,200,000)

Senate Subcommittee on Health and Human Services

FY 13-14**FY 14-15****81 Health Choice Rebase**

\$6,176,522

R

\$11,178,930

R

Provides Health Choice funding to continue of the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new services and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP), annualization of reductions not fully implemented during FY 2012-13.

82 Cost Settle Hospital Outpatient Services to 70% of Cost

(\$365,239)

R

(\$753,852)

R

Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70% of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80% of costs.

Total Legislative Changes**\$346,843,739**

R

\$486,434,451

R

\$22,246,476

NR

\$25,915,401

NR

Total Position Changes

-657.03

-817.03

Revised Budget**\$4,984,960,590****\$5,142,910,388**