

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2017

**H.B. 858**  
**Apr 19, 2017**  
**HOUSE PRINCIPAL CLERK**

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**HOUSE BILL DRH30273-MRxa-103 (03/28)**

Short Title: Medicaid Expansion/Healthcare Jobs Initiative. (Public)

Sponsors: Representatives Farmer-Butterfield, Earle, Autry, and B. Richardson (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO EXPAND ELIGIBILITY FOR THE MEDICAID PROGRAM TO INCLUDE  
3 ALL PEOPLE UNDER AGE SIXTY-FIVE WHO HAVE INCOMES EQUAL TO OR  
4 BELOW ONE HUNDRED THIRTY-THREE PERCENT OF THE FEDERAL POVERTY  
5 LEVEL, TO APPROPRIATE FUNDS FOR COSTS ASSOCIATED WITH THE  
6 EXPANSION, TO ACCOUNT FOR THE SAVINGS TO OTHER STATE PROGRAMS  
7 AS A RESULT OF THE EXPANSION, AND TO HAVE THE STATE SHARE OF  
8 COSTS OF THE EXPANSION FUNDED BY HOSPITAL PROVIDERS.

9 Whereas, Medicaid expansion would serve an additional 468,000 North Carolinians  
10 in fiscal year 2017-2018 and an additional 630,000 North Carolinians in fiscal year 2018-2019;  
11 and

12 Whereas, Medicaid expansion would create positive economic benefits for the State  
13 of North Carolina through the influx of federal funds that would attend Medicaid expansion;  
14 and

15 Whereas, it is the intent of the General Assembly to utilize a hospital assessment, as  
16 well as savings to other State programs, to pay for the State share of costs associated with  
17 Medicaid expansion; and

18 Whereas, Medicaid expansion would increase demand for health care services  
19 provided by health care providers, such as physicians, hospitals, pharmacies, and home health  
20 agencies; and

21 Whereas, the increase in demand for health services under Medicaid expansion  
22 would also lead to an increase in demand for health care facilities, products, and staffing  
23 provided by an array of industries, such as construction and manufacturing, as well as various  
24 health care related businesses; and

25 Whereas, the economic benefits of Medicaid expansion would extend beyond health  
26 care and other associated industries, because these industries and their workers purchase goods  
27 and services in the broader economy; and

28 Whereas, an increase in employment and an increase in the purchase of goods and  
29 services would increase income taxes and sales and use taxes payable to the State; Now,  
30 therefore,

31 The General Assembly of North Carolina enacts:

32 **SECTION 1.** Repeal of Prohibition on Medicaid Expansion. – Section 3 of  
33 S.L. 2013-5 is repealed.

34 **SECTION 2.** Medicaid Expansion Required. – Beginning January 1, 2018, the  
35 Department of Health and Human Services, Division of Medical Assistance, shall provide



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1 Medicaid coverage to all people under age 65 who have incomes equal to or less than one  
2 hundred thirty-three percent (133%) of the federal poverty guidelines. The medical assistance  
3 provided to persons in this Affordable Care Act expansion group shall consist of the coverage  
4 described in 42 U.S.C. § 1396a(k)(1).

5 **SECTION 3.** State Share. – It is the intent of the General Assembly to utilize the  
6 Medicaid Expansion Assessment under G.S. 108A-131 as enacted by Section 7(b) of this act,  
7 as well as savings to other State programs as reflected in Section 6 of this act to pay for the  
8 State share of costs associated with Medicaid expansion.

9 **SECTION 4.** Appropriation to Pay for Administrative Costs. – Utilizing funds  
10 generated by the Medicaid Expansion Assessment, there is appropriated from the General Fund  
11 to the Department of Health and Human Services, Division of Medical Assistance, the sum of  
12 twenty-seven million four hundred eighty-one thousand one hundred ninety-nine dollars  
13 (\$27,481,199) in recurring funds for the 2017-2018 fiscal year and forty-one million  
14 twenty-three thousand five hundred twenty-one dollars (\$41,023,521) in recurring funds for the  
15 2018-2019 fiscal year to pay for administrative costs associated with Medicaid expansion.  
16 These funds shall provide a State match for an estimated twenty-nine million five hundred  
17 eighteen thousand eight hundred one dollars (\$29,518,801) in federal funds for the 2017-2018  
18 fiscal year and forty-two million nine hundred seventy-six thousand four hundred seventy-nine  
19 dollars (\$42,976,479) in federal funds for the 2018-2019 fiscal year, and those federal funds are  
20 hereby appropriated to pay for administrative costs associated with Medicaid expansion.

21 If the amount of federal funds available to pay for administrative costs associated  
22 with Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of  
23 State funds for this purpose shall be reduced by an amount equal to the amount of excess  
24 federal funds that are available, and these excess federal funds are hereby appropriated for the  
25 purposes described in this section.

26 **SECTION 5.** Appropriation to Pay for Medicaid Services Costs. – The expansion  
27 of Medicaid services under this act will affect only half of the 2017-2018 fiscal year. Utilizing  
28 funds generated by the Medicaid Expansion Assessment, there is appropriated from the General  
29 Fund to the Department of Health and Human Services, Division of Medical Assistance, the  
30 sum of one hundred fourteen million eight hundred forty-eight thousand thirteen dollars  
31 (\$114,848,013) in recurring funds for the 2017-2018 fiscal year to pay for service costs  
32 associated with Medicaid expansion. Utilizing funds generated from savings to other State  
33 programs, there is appropriated from the General Fund to the Department of Health and Human  
34 Services, Division of Medical Assistance, the sum of six million seven hundred thirty-one  
35 thousand eight hundred twenty-three dollars (\$6,731,823) in recurring funds for the 2017-2018  
36 fiscal year to pay for service costs associated with Medicaid expansion. These funds shall  
37 provide a State match for an estimated one billion two hundred forty-five million four hundred  
38 twenty thousand one hundred sixty-four dollars (\$1,245,420,164) in federal funds for the  
39 2017-2018 fiscal year, and those federal funds are hereby appropriated to the Division of  
40 Medical Assistance to pay for service costs associated with Medicaid expansion.

41 Utilizing funds generated by the Medicaid Expansion Assessment, there is  
42 appropriated from the General Fund to the Department of Health and Human Services, Division  
43 of Medical Assistance, the sum of two hundred seventy-three million three hundred  
44 ninety-seven thousand four hundred seventy-five dollars (\$273,397,475) in recurring funds for  
45 the 2018-2019 fiscal year to pay for service costs associated with Medicaid expansion.  
46 Utilizing funds generated from savings to other State programs, there is appropriated from the  
47 General Fund to the Department of Health and Human Services, Division of Medical  
48 Assistance, the sum of twenty-one million three hundred forty-seven thousand eight hundred  
49 twenty-five dollars (\$21,347,825) in recurring funds for the 2018-2019 fiscal year to pay for  
50 service costs associated with Medicaid expansion. These funds shall provide a State match for  
51 an estimated three billion four hundred sixty-eight million two hundred fifty-four thousand

1 seven hundred dollars (\$3,468,254,700) in federal funds for the 2018-2019 fiscal year, and  
2 those federal funds are hereby appropriated to the Division of Medical Assistance to pay for  
3 service costs associated with Medicaid expansion.

4 If the amount of federal funds available to pay for service costs associated with  
5 Medicaid expansion exceeds the amounts set forth in this section, then the expenditure of State  
6 funds for this purpose shall be reduced by an amount equal to the amount of excess federal  
7 funds that are available, and these excess federal funds are hereby appropriated for the purposes  
8 described in this section.

9 **SECTION 6.** Reductions to Reflect Savings in Other State Programs. – Because  
10 the Medicaid expansion required by this act will generate savings to other State programs that  
11 currently serve the population to be included in the Medicaid expansion, the following  
12 reductions are made:

13 (1) Because the expansion of Medicaid services under this act will affect only  
14 half of the 2017-2018 fiscal year, the appropriation to the Department of  
15 Health and Human Services, Division of Mental Health, Developmental  
16 Disabilities, and Substance Abuse Services, is hereby reduced by six million  
17 seven hundred thirty-one thousand eight hundred twenty-three dollars  
18 (\$6,731,823) in recurring funds for the 2017-2018 fiscal year. The  
19 appropriation to the Department of Health and Human Services, Division of  
20 Mental Health, Developmental Disabilities, and Substance Abuse Services,  
21 is hereby reduced by thirteen million four hundred sixty-three thousand six  
22 hundred forty-five dollars (\$13,463,645) in recurring funds for the  
23 2018-2019 fiscal year.

24 (2) The appropriation for the Inmate Health Care program within the  
25 Department of Public Safety, Division of Adult Correction, is hereby  
26 reduced by seven million eight hundred eighty-four thousand one hundred  
27 eighty dollars (\$7,884,180) in recurring funds for the 2018-2019 fiscal year.

28 **SECTION 7.(a)** The statutory sections of Article 7 of Chapter 108A of the General  
29 Statutes, which are known as the "Hospital Provider Assessment Act," are hereby reorganized  
30 into the following parts:

31 (1) "Part 1. Title, Purpose, Definitions," which shall include G.S. 108A-120 and  
32 G.S. 108A-121.

33 (2) "Part 2. UPL and Equity Assessments," which shall include G.S. 108A-122,  
34 108A-123, 108A-124, and 108A-125. The Revisor of Statutes shall change  
35 references within these statutory sections to "this Article" to instead be "this  
36 Part" whenever appropriate.

37 (3) "Part 3. General Provisions," which shall include G.S. 108A-126, 108A-127,  
38 and 108A-128.

39 (4) "Part 4. Medicaid Expansion Assessment," which shall include  
40 G.S. 108A-131, which is enacted by subsection (b) of this section.

41 **SECTION 7.(b)** Article 7 of Chapter 108A of the General Statutes is amended by  
42 adding the following new section:

43 **"§ 108A-131. Medicaid Expansion Assessment.**

44 (a) Assessment Imposed. – In order for the hospital providers of this State to pay for the  
45 State share of the service and administrative costs of Medicaid expansion, each hospital that is  
46 not fully exempt from both the equity assessment and UPL assessment under G.S. 108A-122(c)  
47 is subject to an additional assessment under this section.

48 (b) Calculation and Notice. – The Secretary shall annually calculate the assessment  
49 amount for a hospital by multiplying the total State share of service and administrative costs,  
50 net of savings to other State programs, of Medicaid expansion by the hospital provider's

1 percentage of all Medicaid services billed by all hospitals subject to this section. The Secretary  
2 shall notify each hospital that is assessed of the following:

3 (1) The total State share of service and administrative costs of Medicaid  
4 expansion for the applicable time period.

5 (2) The hospital's share of all Medicaid services billed.

6 (3) The amount assessed to the hospital.

7 (c) Priority of Assessment. – The assessment collected under this section is in addition  
8 to and has greater priority than any assessment that might be collected from a hospital provider  
9 under Part 2 of this Article. As such, if federal limitations on the total amount of Medicaid  
10 assessments that may be collected require the State to reduce the amount of assessments  
11 collected, then the assessment amounts for the equity and UPL assessments shall be reduced  
12 prior to reducing the amount collected under this section.

13 (d) Appeal. – A hospital may appeal an assessment determination through a  
14 reconsideration review. The pendency of an appeal does not relieve a hospital from its  
15 obligation to pay an assessment amount when due.

16 (e) Definition. – As used in this section, the phrase "Medicaid expansion" means the  
17 Medicaid expansion provided in the Affordable Care Act, P.L. 111-148, as amended, for which  
18 the enforcement was ruled unconstitutional by the U.S. Supreme Court in *National Federation*  
19 *of Independent Business, et al. v. Sebelius, Secretary of Health and Human Services, et al.*, 132  
20 S. Ct. 2566 (2012)."

21 **SECTION 7.(c)** G.S. 108A-124 is amended by adding a new subsection to read:

22 "(e) Reduced Payments. – Notwithstanding subsection (d) of this section, if all or any  
23 part of a payment required to be made under this section cannot be made because the  
24 assessment amounts are reduced pursuant to G.S. 108A-131(c), then the Secretary shall not  
25 refund the assessment proceeds and instead shall reduce the payments as follows:

26 (1) Equity payments shall not be reduced until UPL payments have been  
27 reduced to zero.

28 (2) Reductions to the UPL and equity payments shall be applied to each  
29 hospital's payment on a pro rata basis."

30 **SECTION 8.** Effective Date. – This act becomes effective July 1, 2017.