



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

PAT MCCRORY
GOVERNOR

ART POPE
STATE BUDGET DIRECTOR

October 1, 2013

MEMORANDUM

To: Senator Phil Berger, Co-Chairman, Joint Legislative Commission on Governmental Operations
Representative Thom Tillis, Co-Chairman, Joint Legislative Commission on Governmental Operations
Senator Harry Brown, Co-Chairman, Senate Appropriations Base Budget Committee
Senator Peter S. Brunstetter, Co-Chairman, Senate Appropriations Base Budget Committee
Senator Neal Hunt, Co-Chairman, Senate Appropriations Base Budget Committee
Representative Nelson Dollar, Senior Chairman, House Appropriations Committee
Representative Justin P. Burr, Chairman, House Appropriations Committee
Representative Bryan R. Holloway, Chairman, House Appropriations Committee
Representative Linda P. Johnson, Chairman, House Appropriations Committee
Representative Pat McElraft, Chairman, House Appropriations Committee

From: Art Pope, State Budget Director *Art Pope*

Re: **Report on Measures Taken to Ensure Adequate Funding of the State Medicaid Program in SFY 2012-13**

The General Assembly enacted legislation during the 2013 legislative session to ensure adequate funding to pay Medicaid providers for services through the end of state fiscal year 2012-13. The extraordinary funding measures were enacted in House Bill 980 (codified as S.L. 2013-56) and House Bill 336 (codified as S.L. 2013-184).

Provisions in House Bill 980, Section 6 require the Office of State Budget and Management, the Department of Health and Human Services and the Office of State Controller to report to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations on measures taken pursuant to this legislation.

To fulfill this provision of law, I respectfully submit this report to the General Assembly on behalf of the Office of State Budget and Management, Dr. Aldona Wos, Secretary of the Department of Health and Human Services, and Mr. David McCoy, State Controller. If you have questions, please direct them to Pam Kilpatrick, Assistant State Budget Officer, at 919-807-4722 or pam.kilpatrick@osbm.nc.gov.

cc: Dr. Aldona Wos, Secretary, Department of Health and Human Services
David McCoy, State Controller
Mark Trogden, General Assembly Fiscal Research Division
Pam Kilpatrick, Office of State Budget and Management

Attachments

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**MEASURES TAKEN TO ENSURE ADEQUATE FUNDING FOR
THE STATE MEDICAID PROGRAM IN FISCAL YEAR 2012-13**

Report to the General Assembly

Prepared by

N.C. Office of State Budget and Management, N.C. Department of
Health and Human Services and Office of State Controller

Pursuant to Session Law 2013-56, Section 6

October 2013

INTRODUCTION

The General Assembly passed legislation during the 2013 legislative session to ensure adequate funding in fiscal 2012-13 to enable timely payment of Medicaid service providers. The State Medicaid program is administered by the Department of Health and Human Services, Division of Medical Assistance. The General Assembly directed the Director of the Budget, in conjunction with the State Controller and other necessary state officials, to carry out legislative funding measures.

Extraordinary measures were enacted in House Bill 980 (codified as S.L. 2013-56) which authorized budget adjustments of \$451,000,000. House Bill 980 was amended by House Bill 336 (codified as S.L. 2013-184) which authorized additional budget adjustments of \$45,000,000. Both measures were enacted to ensure Medicaid service payments through the end of state fiscal year 2012-13.

The General Assembly required the Office of State Budget and Management, the Department of Health and Human Services and the Office of State Controller to report on measures taken pursuant to the enacted legislation to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations on or before October 1, 2013. This report is submitted to fulfill the reporting provisions of Section 6 in Session Law 2013-56

HOUSE BILL 980 (S.L. 2013-56)

The General Assembly authorized in HB 980 extraordinary budget adjustments of \$451,000,000 for fiscal 2012-13 to address the Medicaid shortfall. Five measures were authorized, set forth in priority order, and each was to be completely exhausted in the permissible amount before the ensuing action was taken. Consistent with this direction, the following actions were taken to fund Medicaid expenditures in fiscal year 2013, in the order and amounts outlined below.

Section 2 (1)	Use funds within the Division of Medical Assistance from drug rebate refunds	\$ 74,000,000
Section 2 (2)	Transfer contingent appropriations pursuant to Section 10.9G of S.L. 2012-142	\$ 20,900,000
Section 2 (3)	Transfer funds available within the Department of Health and Human Services	\$ 48,000,000
Section 2 (4)	Use funds from the June 30, 2012, unreserved fund balance	\$ 213,432,878
Section 2 (5)	Appropriate and transfer revenue overcollections	\$ 94,667,122
Total		\$ 451,000,000

HOUSE BILL 336 (S.L. 2013-184)

The General Assembly in HB 336 amended HB 980 to increase the budget adjustments in HB 980 by \$45,000,000 from \$451,000,000 to \$496,000,000. The General Assembly in HB 336 enacted three specific amendments to HB 980 to effectuate the increased revenue availability.

First, the General Assembly limited the amount of budget adjustments that could be made to cover a Medicaid shortfall to \$496,000,000. Second, The General Assembly amended HB 980, Section 2 (3) to increase the transfer of funds available within the Department of Health and Human Services from \$48,000,000 to \$84,539,900. Third, the General Assembly added Section 2 (6) to HB 980 authorizing the use of \$8,460,100 in unbudgeted federal block grant funds for Temporary Assistance for Needy Families

IMPLEMENTATION

During fiscal year 2013, the Department of Health and Human Services, Division of Medical Assistance implemented measures one through five in Section 2 of HB 980 as amended by HB 336. Item six as added by HB 336 related to block grant funds was not required and therefore was not implemented.

At the close of the fiscal year, excess unobligated funds remaining in the Division of Medical Assistance totaled \$3,488,147. Those funds reverted to the unreserved fund balance from which they came as noted in Section 2, (5) of HB 980.

COMPLIANCE

The Office of the State Controller reviewed the Cash Management Control System and the North Carolina Accounting System and based on this review certifies compliance with Section 3 of HB 980 as amended by HB 336. At close out, \$3,267,411.28 was reverted by DHHS to the 2013 General Fund unreserved fund balance.

The Office of the State Controller reviewed invoices entered in the North Carolina Accounting System in July 2013 with an invoice date prior to June 2013. Since approximately \$2 million was outstanding for the 2013 fiscal year, OSC cannot certify compliance with Section 4 of HB 980 as amended by HB 336. OSBM concurs with OSC in regard to the failure to comply on this specific item.

DHHS RESPONSE

The Department of Health and Human Services did comply with the provisions of Section 4 of HB 980 as amended by HB 336. No payments were held for the purpose of funding the Medicaid shortfall. All invoices were paid in accordance with normal business practices. Unpaid invoices dated prior to June 1, 2013 were not paid due to issues beyond DHHS control, i.e. problems with purchase orders, improper documentation, or because goods or services were not received. In the case of the ITS bills, these invoices are not available to view until a couple of weeks after the service period ends. During 2012-13 twelve months of ITS invoices were paid.

House Bill 980, S.L. 2013-56, as amended by House Bill 336, S.L. 2013-184
An Act to Provide Additional Funding in the State Medicaid Program
for the 2012-2013 Fiscal Year

House Bill 980, Implementation Tasks

HB 980, Section 2			Received from		Received into DMA				
Item #	Description	Type of Action	Agency/Program	BR #	Amount	Date Completed	BR #	Amount	Date Completed
(1)	\$74,000,000 from drug rebate refunds within DMA. CMS returned this amount to DMA because DMA had previously over-credited CMS with the federal share of drug rebates.	Receipt	CMS			12/27/2012			12/27/2012
			Public Health	11 0062	\$ 74,000,000			\$ 74,000,000	
			Child Development, Early Literacy Pilot	11 0025	\$ 4,894,727	4/23/2013			
			Mental Health, Broughton Hospital	11 0018	\$ 3,500,000	4/23/2013	11 0020	\$ 20,907,727	4/23/2013
(2)	\$20,900,000 Medicaid contingency appropriation from Child Development and Mental Health. This appropriation could be used by CD & MH only if not needed for Medicaid. In April OSBM determined funds were needed to support Medicaid expenditures.	Budget revisions							