Joint Legislative Committee on Health and Human Services
DHHS' Response to Budget Questions From Fiscal Research Division

November 8, 2011

Subject: Budget Reductions

Legislative Question: Schedule for distribution of the $7.6M (position eliminations and operating reduction).

DHHS POSITION ELIMINATIONS
SECTION 10.16. *The Secretary of the Department of Health and Human Services is directed to eliminate up to 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, in order to accomplish a total savings of seven million six hundred six thousand dollars ($7,606,000) in State funds. To the extent possible, the Secretary shall not eliminate positions assigned to the Division of State Operated Healthcare Facilities or the Division of Medical Assistance. In the event that eliminating up to 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, does not achieve the savings specified in this section, the Secretary may eliminate other positions within the Department or achieve the designated savings through other administrative and operational reductions or efficiencies. By September 30, 2011, the Secretary shall submit a report to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the positions eliminated and any other reductions or efficiencies implemented in order to achieve the savings required by this section. The report shall include the total number of positions eliminated, savings generated by each eliminated position, the impact on any federal funds previously received for the eliminated positions, and any other reductions or efficiencies implemented to achieve the savings required by this section.*

DHHS PRESENTER: JIM SLATE
DHHS RESPONSE:

With the exemption of DMH/DD/SAS and DMA, the reductions for the other Divisions were increased proportionately. The details of these reductions are as follows:

- **Central Administration** eliminated $274,016 in salary and fringes including 3 FTE and $110,518 in general operating.
- **Division of Aging and Adult Services** eliminated $24,524 in general operating.
- **Division of Child Development** eliminated $68,924 in general operating.
- **Division of Public Health** eliminated $1,653,347 in salary and fringes including 31 FTE, and $1,058,374 in University Contract reductions.
- **Division of Social Services** eliminated $169,474 in salary and fringes including 5 FTE, and $663,283 in general operating.
- **Division of Medical Assistance** eliminated $1,651,205 in Health Choice due to savings from moving the administration of the program from the State Health Plan to the Department.

- **Division of Services for the Blind, Deaf and Hard of Hearing** eliminated $82,755 in salary and fringes including 3.5 FTE, and $27,812 in general operating.
- **Division of MH\DD\SAS** eliminated $845,516 in general operating.
- **Division of Health Services Regulation** eliminated $483,130 in salary and fringes including 7 FTE.
- **Division Vocational Rehabilitation** eliminated $424,426 in salary and fringes including 3 FTE and $68,696 in general operating.
  Note: An additional 25 positions were taken across the Department as part of the Administrative Efficiency reduction item (#21).

Legislative Question: Nonprofit Reductions $5M (chart with information on how which nonprofits were reduced).

REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS

SECTION 10.18. *For fiscal years 2011-2012 and 2012-2013, the Department of Health and Human Services shall reduce the amount of funds allocated to nonprofit organizations by five million dollars ($5,000,000) on a recurring basis. In achieving the reductions required by this section, the Department (i) shall minimize reductions to funds allocated to nonprofit organizations for the provision of direct services, (ii) shall not reduce funds allocated to nonprofit organizations to pay for direct services to individuals with developmental disabilities, and (iii) shall not reduce funds allocated to the North Carolina High School Athletic Association by more than ten percent (10%).*

Subject: Medicaid

DHHS PRESENTER: SECRETARYCANSLER

Legislative Question 1: Identify each item in the HB 200 Conference Report that requires federal approval prior to implementation.

a. For each item, indicate if a SPA has been prepared and the date submitted to CMS.
b. If a SPA has not yet been submitted, provide the anticipated submission date.
c. What is the impact of the delay on the budgeted reduction target?

DHHS RESPONSE: A total of 44 state plan amendments (SPAs) are required to accomplish the budget reductions set forth in HB 200. Of the 44 required amendments a total of 41 have been submitted. A list of Medicaid changes and required SPAs is attached reflecting dates of submission and CMS approvals to date. See Attachment SPA. To date, we have received approval from CMS on 21 of the SPAs, all but one being approved on either October 20th or 21st. We anticipate a minimum $26.7 million dollar impact from the delay in achieving CMS' approval.

Legislative Question 2: What are the other Medicaid liabilities, including paybacks, contracts, etc., that were not included in the FY 2011-12 certified budget? ***Please include in a chart format. (new)

a. Describe each liability and the estimated 2011-12 fiscal impact.

DHHS RESPONSE: The following items totaling over $126 million are current year liabilities or costs faced by the Medicaid program that were not included in the budget but will require state dollars for payment.

DIVISION OF MEDICAL ASSISTANCE UNBUDGET LIABILITIES VERSUS UNBUDGETED RECEIPTS Based Upon Information Through October 2011	
UNBUDGETED LIABILITIES	
Quarterly Repayment of 2008-09 Overdraw of Federal Receipts	40,923,072
Repayment of In-Home PCS Funds from OIG Audit of 2005-07 Claims	41,734,368
Impact of Federal Changes in Allocation of Pharmacy Rebates (August 2011)	28,074,087
Other Repayments / Shortfalls / Unbudgeted Costs	9,734,432
TOTAL UNBUDGETED LIABILITIES	**120,465,959**
UNBUDGETED RECEIPTS	
Recovery of State Advance of 2011 Qualified Public Hospital Claims	(61,750,000)
Recovery of Retroactive Hospital Assessment Plan Funding	(21,500,000)
TOTAL UNBUDGETED RECEIPTS	**(83,250,000)**
PROJECTED SHORTFALL (Unbudgeted Liabilities Minus Unbudgeted Receipts)	**37,215,959**

Legislative Question 3: Has the Department prepared the waiver required by Sec. 55.1 of Session Law 2011-398 (SB 781)?

a. Has the waiver been submitted to CMS?
b. If not, what is the reason for the delay?
c. If yes, is CMS approval anticipated in time for OAH to have final decision making authority on or before January 1, 2012?

DHHS RESPONSE: The waiver was submitted to CMS on August 11th at the end of the 60 day notice period required by CMS. Questions were subsequently received and additional information was provided to CMS on October 12th. It is not known at this time whether or not CMS approval will be granted in time for a January 1st implementation.

Legislative Question 4: Item 50 on Page G7 of the Conference Report budgets $90 million in savings to be realized by increasing CCNC enrollment. If the $90 million target cannot be achieved, Sec. 10.47 directs the Secretary to undertake whatever actions are necessary to affect the savings, including provider rate reductions and elimination/reduction of optional services.

a. How much of the $90 million savings was realized in the first quarter of FY 2011-12?
b. What is the Department's projection of the total savings to be realized by December 30, 2012?

c. Has the Department determined which provider rates shall be reduced and which optional services shall be reduced or eliminated effective January 1, 2012?

DHHS RESPONSE: While it is believed that CCNC has the capacity to accomplish the required savings for the biennium, the timing of enrollment of a greater number of aged and disabled population into the CCNC program will likely result in an inability to achieve the $90 million savings target for the current fiscal year. DHHS believes that CCNC will achieve a minimum savings in the current fiscal year of $51 million, but project a total savings of at least $204 million over the biennium which will meet aggregate budget targets for the biennium. Section 10.47(d) of HB 200 would require that the Secretary adjust rates by up to two percent (2%) in an equal percentage for all Medicaid providers.

Legislative Question 5: S.L. 2011-145 directs the Department to adjust the Medicaid pharmacy dispensing fees so as to achieve $15 million in general fund savings from the increased use of generic prescriptions. If the $15 million target cannot be achieved, Section 10.48 requires the Department to reduce prescription drug rates.

a. Has the Department revised the dispensing rates?
b. Does the Department expect to realize at least $15 million savings from the dispensing rate revisions?
c. If not, has the Department calculated the amount of the pharmacy rate reduction needed to achieve $15 million target?

DHHS RESPONSE: Negotiations with the pharmacy industry were completed on October 14th to achieve this reduction as well as the reduction related to inflationary increases. New dispensing rates have been communicated and will be effective November 1st. Additionally, a reduction in brand pricing from wholesale acquisition cost plus 7% to plus 6% will be implemented 1/1/12. All targeted reductions are expected to be achieved.

Legislative Question 6: Did the Department eliminate the inflationary increases as mandated by S.L. 2011-145?

a. Other than the exceptions allowed by Sec.10.43, were inflationary increases eliminated for all providers? If not, which providers were excluded and why?
b. Will the $62.8 million inflation savings target be realized for FY11-12?

DHHS RESPONSE: The inflation amount reflected in HB 200 was based upon inflation included in the proposed Medicaid rebase amount. Unfortunately, a portion of the inflation included in the rebase and in HB 200 represents increases in cost that are mandated by CMS and is outside of DHHS control. Approximately $9 million of the inflation amount is mandated under federal requirements and cannot be eliminated.

Three other inflationary adjustments have not been made that represents a net $13.7 million less than the targeted adjustment.

First, the elimination of the cost increases associated with pharmacy was not made as the actual cost of the drugs are not controlled by the State but determined under federal rules. Accordingly, to avoid pharmacists selling some drugs below their cost, an arrangement was negotiated with

pharmacists to achieve the same savings through other initiatives in pharmacy. Accordingly, the required savings will be achieved from pharmacy.

The cost included in the inflation amount related to skilled nursing facilities was not based upon increases in rates due to inflationary costs, but rather the increased acuity of patients served in the nursing facilities. The Legislature adopted an approach called "case mix" for reimbursing nursing facilities several years ago. Under this approach, nursing facilities are reimbursed based upon the medical complexity or acuity of the patients in the facility. The elimination of the projected change in costs for increased acuity of the patients would effectively eliminate case mix reimbursement, as a result, DHHS was informed that the elimination of the case mix was not anticipated or desired by the Legislature. This impacts the targeted budget amount by approximately $12 million.

The inflationary costs related to state operated healthcare facilities were not implemented. Since Medicaid pays a substantial part of the operating costs of the State's facilities, and those facilities currently have unbudgeted costs, the result of eliminating this Medicaid inflation amount would mean that the State would lose the associated federal dollars and the costs would have to be paid with totally state dollars, thus costing the State more, rather than less. This amount represents approximately $1.7 million of the inflation amount.
Based upon the above adjustments and the timing for CMS approval of SPAs related to inflation or cost increases (CMS approval timing reduces impact by approximately $13 million), DHHS anticipates achieving approximately $27 million of the inflation adjustment in the current fiscal year.

Legislative Question 7: S.L. 2011-145 budgets $60,183,120 in FY11-12 savings to be realized by levying a 5.5 percent assessment on hospitals, CABHAs, and CAP/MR providers and by increasing the nursing facility assessment from 5.5 percent to 6.0 percent.

a. Were assessments levied on all providers as set forth in the bill? If not, which providers were excluded and why?
b. Does the Department to achieve the $60 million reduction target for the current fiscal year?

DHHS RESPONSE: To date, CMS has not approved any of the assessment related SPAs, but approval of the hospital assessment is anticipated and should be retroactive to January 1, 2010. We will not receive approval for an assessment related to CABHAs, because there is no category approved by CMS for just these providers. It is hoped that CMS approval of an assessment related to CAP/MR will be approved later in the fiscal year. Section 10.31(g) of HB 200 states that DHHS may implement an assessment program for "any willing provider category". Providers are generally not willing unless the assessment provides for an overall net benefit or break-even financial situation. To achieve a net benefit, the provider category must have a high Medicaid consumer base so that a broad base assessment can be recouped through increased Medicaid rates. To date, DHHS has not identified another "willing provider category". DHHS anticipates achieving approximately $47.3 million of the budgeted proceeds from assessments.

Legislative Question 8: The Department's plan for expanding the behavioral health 1915 b/c waiver is budgeted to achieve savings of $10.5 million in the current year and $52.5 million in FY12-13.

a. Is the waiver expansion plan presented to the Joint House and Senate HHS Appropriations Subcommittee in April 2011 on schedule?
b. If not, what is the impact on the $10.5 million savings target budgeted for the current fiscal year?

DHHS RESPONSE: The expansion of the 1915(b)/(c) waiver program is running approximately three (3) months behind schedule. This delay is to help ensure that the conversion of the LME's to at-risk managed care organizations is accomplished with a limited risk of failure. As the LME's prepare to convert, DHHS must also file a SPA to gain approval of the rates to be paid to each LME. The delay in transition will likely result in achieving a net savings of only $1.6 million in the current fiscal year, but a projected savings of approximately $52 million in the second year of the biennium.

Legislative Question 9: Has the Department reduced the Medicaid provider reimbursement rates as required in the budget?
a. Were any providers, except as provided in Sec. 10.31, excluded from the 2% rate reduction? If so, why?
b. Will the $46 million savings target be achieved?

DHHS RESPONSE: SPAs have been submitted to implement the two percent (2%) provider rate adjustments as set forth in HB 200. No providers were excluded other than those set forth in legislation. Because of the delay in approval, the rate adjustments will likely be implemented effective November 1st with an adjustment of 2.6% for the remainder of the current year to achieve a full-year 2% reduction for the year. The rate adjustment should be within $2 million of the budget target.

Legislative Question 10: Has the Department adjusted the Medicaid optional and mandatory services as set in S.L. 2011-145?
a. Will the $16.5 million savings target be achieved?

DHHS RESPONSE: All adjustments to Medicaid optional and mandatory services are going through the Physician Advisory Group and CMS approvals for implementation. Because of delays in CMS approval and duplication of amounts in the budget legislation between rates and service adjustments ($2.5 million duplication), DHHS expects to achieve approximately $9.6 million of the budget savings in the current fiscal year.

Legislative Question 11: What is the projected Medicaid shortfall for the current fiscal year?

DHHS RESPONSE: Based upon the experience of the first three months of the fiscal year, and the pace of SPA approvals, DHHS projects a potential Medicaid cash shortfall of $139 million. As the year progresses and enrollment and utilization experiences are tracked, and all other adjustments begin to have the anticipated impact, the number will likely change.

Legislative Question 12: Sec.10.40 directed DHHS to transfer $1,000,000 in each year of the biennium to the Office of Administrative Hearings (OAH) to offset the cost of mediation services provided to Medicaid applicants and recipients and to contract for services necessary to conduct the appeals process.

a. Has DHHS transferred the $1 million to OAH?
b. If not, explain the reason for the delay

DHHS RESPONSE:

DMA Budget Management met with OAH, Fiscal Research, DHHS, and OSBM on three separate occasions between February and April 2011 and it was determined that:

DMA would transfer monies to OAH on a monthly basis (as expenditures were incurred) versus giving them a lump sum. OAH, FRD, DHHS and OSBM all agreed that this was the best plan of action.

Since that time DMA has reimbursed OAH for July and August expenditures. OAH forwards DMA (Budget Management) invoices detailing expenditures and within a few days DMA transfers OAH the federal/state share of those expenditures.

DMA created an MOA with OAH based on the agreement above and **as of November 7, 2011, OAH has not signed the agreement with DMA.** DMA just received the invoice for September activity. **It appears that OAH wants to change the MOA; therefore, DMA is not making any additional payments until a signed MOA is in place.** The original MOA was not signed, but DMA in good faith still reimbursed OAH for their cost for July and August 2011. For SFY2011-2012 DMA has sent OAH a total of $382,302 (50% state/50% federal).

Subject: Health Choice
Legislative Question:

- Provide an update on the number of enrollees and the projected amount of funds to be spent in the current year.
- Brief committee on targeted rate adjustments, who received them and at what level?

DHHS PRESENTER: SECRETARY CANSLER:
DHHS RESPONSE:

HEALTH CHOICE

Projected Funds for SFY 11/12 for NCHC	
Estimated Expenditures	**$323,919,412**
Less Budget Reductions	**8,563,910**
Final Estimated Expenditures	**315,355,502**
Receipts	**238,408,759**
Appropriations	**76,946,742**

- Current NCHC Enrollment for September 2011- 148,699
- Projected number of enrollees for SFY 11/12 on June 30, 2012, is estimated at 153,508
- The targeted rate adjustments in the budget were a carryover from the Governors budget. What was not in the budget was the impact of the 2% reduction. Therefore since the overall reduction in rates exceeded the targeted rate reduction, Health Choice rates followed Medicaid. There were no additional rate reductions other than the 2%.

Subject: Mental Health/DD/SAS

DHHS PRESENTER: STEVE JORDAN

Legislative Question: What is the status of payments to the LMEs?

DHHS RESPONSE: DMH/DD/SAS has carried a liability over for the past 3 years. To date:

- LME System Administration payment – current through September 2011. October payment is not due for release until 11/15/11.
- LME – Single Stream Funding - Seventeen LMEs remaining to be paid for October . These LMEs will be paid as monthly receipts are received by the Division.

Legislative Question: Are all payments on schedule?

DHHS RESPONSE: DMH/DD/SAS is behind one payment to LMEs for system administration and single stream funding.

It should be noted that the Division has established a payment priority schedule to address all of the Divisions' outstanding obligations as follows:

1. Facilities (All posted facility payments, including pharmacy, medical, utilities, food, etc.)
2. LME Community Services
   a. Single Stream Community Services payment
   b. System Administration (LME management)
3. Central Administration and Contracts (includes travel, supplies and community services direct contracts)

Legislative Question: When does the Division anticipates becoming current on LME payments?

DHHS RESPONSE: Until DMH\DD\SAS receives a one-time increase in cash, the Division will continue to be behind in paying current invoices.

Legislative Question: Provide an update to the committee on the implementation of the community services fund swap (Page G-3, Item 14/Sec. 10.11(d), including a handout showing the impact on the undesignated/unreserved fund balances for each LME.

DHHS RESPONSE:

The two attachments reflect the following information:

- The prorated share for each LME of the fund balance reduction of $25 million and the LME's share of the $20 million reduction. See Attachment A
- Division's monitoring form received from the LME reporting the use fund balance monthly. See Attachment B

Subject: Forensic Health Care

Legislative Question: Brief the committee on update on 10.12 *Consolidation of Forensic Health Care At Dorothea Dix Complex.*

DHHS PRESENTER: LUCKEY WELSH

DHHS RESPONSE:

- S.L. 2011-145, Section 10.12 directed DHHS/DSOHF to:
  Issue a Request for Proposal for the consolidation of forensic hospital care. The operation shall initially be located at the Dorothea Dix complex. The Secretary of Health and Human Services is authorized to proceed with contracting with a private entity if the Secretary can justify savings through the contract. The Secretary shall compare the Department's total cost to provide forensic care to proposals received and determine whether it is cost-effective to contract for this service. The Secretary may only proceed if the Secretary determines the Department will save money and ensure appropriate safety and quality of care for patients.
- July 20, 2011: RFP issued by DSOHF to provide 90 forensic treatment beds (30 each of Maximum, Medium, and Minimum beds) to be located at McBryde Building or other location procured by the vendor.
  - RFP detailed all clinical, programmatic, and operational requirements
- August 19, 2011: Mandatory site visit was held to provide an overview of the RFP and a tour of the McBryde Building, attended by 3 vendors. Provided estimated costs of renovations of McBryde Building to upgrade security and meet State licensure requirements.
- August 22, 2011: Vendor questions received.
- September 16, 2011: 2nd site visit provided at vendor request, attended by 2 vendors.
- September 9, 2011: Written responses posted.
- October 12, 2011: Proposal submission deadline. Only one proposal was received by the deadline.
- An eight-member proposal Evaluation Committee was appointed by the DSOHF director to review the proposal following the procedures established in the RFP.

- October 20, October 24, and November 4, 2011: Evaluation Committee met to evaluate and score the proposal following established DHHS policy and the evaluation procedures detailed in the RFP.
- November 4, 2011: Vendor presented proposal to the Evaluation Committee.
- Proposal currently under evaluation.

Subject: Health and Wellness Trust Fund

DHHS PRESENTERS: JEFF ENGEL & JOHN PRICE

Legislative Question: Activities/grants funded in FY2011-12.

DHHS RESPONSE: SL 2011-145, Section 6.11.(b) and SL 2011-391, Section7, provided for a $22 million transfer from the Health and Wellness Trust Fund to the Division of Public Health (DPH) to continue support for the following initiatives: Teen Tobacco Prevention, Medication Assistance Programs (MAP), ChecKmeds NC, Obesity Prevention, and Roanoke Chowan CHC Telehealth Network. DPH transferred the funds to the Office of Rural Health and Community Care (ORHCC) to manage the programs**.** Attachment C contains a list DPH-HWTF activities.

1. MAP – In the past, ORHCC provided technical assistance to MAP grantees while the Health and Wellness Trust Fund provided the financial support. Effective SFY 2012, both funding and technical assistance are managed by ORHCC through a transfer of $1,704,033 from DPH.
2. ChecKmeds NC – ORHCC is able to continue this medication therapy management program for seniors enrolled in Medicare Part D through a transfer of $1,695,379 from DPH.
3. Roanoke-Chowan CHC Telehealth Network - $300,000 was transferred from DPH to ORHCC to fund the telehealth network as directed by law. The grant has been awarded and payments are made upon receipt of approved invoices.
4. See Attachment C for a list of DPH-HWTF activities.

Legislative Question: Identify any grantees that received funds in 2010-11 and did not receive funds in the current year.

DHHS RESPONSE:

1. MAP – Through an RFA process, ORHCC offered funding to all previous Health and Wellness Trust Fund MAP grantees. Only one grantee, Bladen Health Watch, did not respond to the RFA; however, another grantee within that community, Zora Betterment Corporation (Bladen Free Clinic), requested and received funds to support uninsured patients' medication needs.
2. Chowan and Craven counties received funds in 2010-11 and dropped out.
3. No Technical Assistance grants were dropped or reduced.
4. The Sustainability Grant funded 22 grantees (out of 22 who applied) for a total of $881,201. The total number eligible to apply was 57.
5. The amount of the Capstrat contract (for media services) was reduced from $4.5M in 2010-11 to $3.5M in 2011-12.

Legislative Question: Highlight of grantees.

DHHS RESPONSE:

1. MAP – As noted above, the only new grantee for MAP support is Zora Betterment Corporation (Bladen Free Clinic), which took the place of Bladen Health Watch funded in SFY 2011.
2. ChecKmeds NC – SL 2011-145, Section 10.42.(a) directed the Department to develop a two-year pilot medication therapy management program to be administered through Community Care of NC. ORHCC is in the process of contracting with NC Community Care Networks, Inc. to develop such a pilot program. Funding of $350,000 in DPH transfer funds will be matched with $350,000 in federal Medicaid funds.
3. Roanoke-Chowan CHC Telehealth Network – This grantee received funding in SFY 2011 through the Health and Wellness Trust Fund. The grant with ORHCC continues the telehealth initiative.

Legislative Question: In general, is there any plan to try and continue any of these activities through other funding sources.

DHHS RESPONSE:

1. MAP – ORHCC applied for and received $550,000 from the Kate B. Reynolds Charitable Trust to further support the MAP initiative, as funds received through the DPH transfer are not sufficient to cover the need. Nearly $200,000 of these funds have been awarded to Tier One counties across the State. The Trust has indicated it would allow any unused funds as of June 30, 2012 to be carried over into the next fiscal year. However, this funding will be insufficient to continue grants with all current recipients.
2. ChecKmeds NC – no other funding sources have been identified to support this initiative.
3. Roanoke-Chowan CHC Telehealth Network - no other funding sources have been identified to support this initiative.
4. Funds are being sought for evidence-based tobacco prevention and control programs from all federal sources available to the Division; however there is only a small proportion available (<10%) compared to current funding.

Subject: Environmental Health (EH)

Legislative Question: Provide update on the transfer of the Environmental Health into the Division of Public Health.

DHHS PRESENTER: DR. JEFF ENGEL

DHHS RESPONSE:

- Budget processes are being integrated.
- Conversion of EH contracts and mini-grants to DHHS formats is in process. The EH Childhood Lead program is being more closely aligned with the DPH Health Hazards unit to increase response capability for locals and for case investigation.
- Human resource paperwork is in process to integrate EH employees to DHHS.

- Quick fixes to EH websites have been completed to update contact information; website is still being developed in DHHS format.

Subject: Healthy Carolinians
Legislative Question: Brief committee on the consolidation of Healthy Carolinians and Health Education.

DHHS PRESENTER: DR. JEFF ENGEL
DHHS RESPONSE:

- The work of the Office of Healthy Carolinians and Health Education has been absorbed into the Chronic Disease and Injury (CDI) Section. The technical assistance needs of communities for health-related needs and objectives are being provided in an integrated fashion with all branches of the CDI Section. CDI Section staff were already engaged with communities statewide, and are meeting this integrated responsibility that was previously performed by the positions that were eliminated as of July 1, 2011.
- Certification and recertification of local Healthy Carolinians partnerships will end in 2011. Partnerships will be encouraged to work with DPH for technical assistance, health data needs, quality improvement, and sustainability.

Subject: Block Grants

Legislative Question: Please update the committee on any changes to the federal block grant funds that impact the appropriations of the state block grants.

DHHS PRESENTER: JIM SLATE

DHHS RESPONSE:

- **The Preventive Health and Health Services Block Grant (PHHSBG) Block Grant** has been eliminated. The purpose of the PHHSBG historically was to provide states with the resources to improve the health status of the population. Changes at the federal level reflect a move to competitive, outcome-focused, consolidated efforts.

  The Division of Public Health (DPH) was awarded $7.4 million/year for the next five years to help communities make the healthy choice the easy choice in North Carolina as a part of the federal Community Transformation Grant (CTG) to support public health efforts in health care spending. The Division of Public Health will work with 10-20 local health departments and their community partners, Area Health Education Centers (AHECs) and Community Care of NC (CCNC) to implement strategies. However, there will be disparities across North Carolina in those areas where they have not already engaged or have not been able to build the necessary capacity.

- **The Temporary Assistance for Needy Families (TANF) Block Grant** was extended in September 2011. However, this extension did not include funding for TANF Supplemental grants. The impact of the loss of these funds translates to an annual reduction of $36.4M to

North Carolina. However, funds appropriated by the General Assembly for SFY 11-12 already included a 1 quarter reduction to this funding based upon temporary actions by Congress last federal fiscal year. Therefore, funding from the current year TANF appropriation needs to be reduced by an additional $27.3M.
The Department is developing a plan to address this shortfall in funding.

- **All Other Block Grants**.
  The Congressional Supercommittee must cut $1.2T over 10 years from major discretionary funding. Recommendations are due to Congress by late November with a vote by late December. If the discretionary spending cuts are applied across the board to all programs, then states would receive about $1 billion less in FY 2012 than received in FY 2011. This could have a significant impact on other block grants.

Subject: LIEAP/CIP Programs

Legislative Question: Brief committee on changes to LIEAP/CIP program.

DHHS PRESENTER: SHERRY BRADSHER
DHHS RESPONSE:
The Low Income Energy Assistance Program (LIEAP) is a federally funded program that provides for a one-time vendor payment to help eligible households pay their heating bills. SL 2011-145, Section 10.56, changed the focus of the annual energy assistance payments on the elderly population age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and disabled persons receiving services through the Division of Aging and Adult Services. The energy assistance payment shall be paid directly to the service provider by the county department of social services instead of automatic payments sent directly to the recipient.

The Crisis Intervention Program (CIP) is a federally funded program that provides assistance for vulnerable populations who meet income eligibility criteria established by the Department. The CIP payment will be paid directly to the service provider by the county department of social services and shall not exceed six hundred dollars ($600.00) per household in a fiscal year.

Legislative Question: Discuss how county departments of social services are conducting outreach plans to target households with 60-year-old household members.

DHHS RESPONSE:
The State Division of Aging and Adult Services provided the Adult Services Section of local departments of social services with lists of two target groups for outreach. The lists consist of:
1. adult(s) in household who are 60 years or older
2. disabled member in household and receiving DAAS services

The lists are being shared with key community stakeholders such as senior community centers and AAA. Flyers are being posted at local DSS offices as well as other community agencies.

A compilation of outreach activities from large, medium, and small counties include:

- The local DSS provided materials regarding the Energy Programs to community-based organizations and other government entities. These materials are to be distributed throughout the community by these agencies.
- The local DSS are coordinating meetings with community-based agencies to make presentations and discuss the programs.
- The local DSS are communicating with the news media outlets and providing them with information regarding the programs.

Additional State outreach activities include:

- Dear County DSS Director letter explaining the changes to the Programs and county DSS responsibilities;
- Media release - November 2, 2011; and
- DHHS web pages on LIHEAP and CIP updated to reflect changes.

Subject: NCFAST

Legislative Question: Provide a brief update of project progress, amount of funds used, and the sources of the funds.

DHHS PRESENTER: SECRETARY CANSLER

DHHS RESPONSE: Projects within NCFAST Scope:

Project 1: Global Case Management and Food Nutrition Services

Status: On track to begin pilot in February 2012, steps include:

- Continue system testing
- Continue to ensure counties are ready to implement NCFAST
- Complete the training materials for end user training
- Conduct the end user training classes for the counties/staff that will conduct user acceptance testing
- Conduct end user training per the implementation schedule for all remaining users

Project 2: Eligibility Information System (EIS)

Part 1: Screening and Intake for Work First (TANF), Medicaid, Health Choice, Special Assistance, and Refugee Assistance

Part 2: Eligibility for Work First (TANF), Medicaid, Health Choice, Special Assistance and Refugee Assistance

Status: On track to begin pilot in February 2013, steps include:

- Completed the detailed GAP analysis of the requirements to the base product
- Functional design documents on schedule
- Issued a request to the counties seeking their intent to be a pilot county:
  - 31 counties volunteered to be a pilot for this project
  - NCFAST intent is to have 10 or more pilot counties
  - Executive Advisory Committee will approve the final number of pilot counties and select the counties

Planned Future Projects

Project 3: Low Income Energy Assistance Program (LIEAP), Child Care, and Crisis Intervention Program (CIP)

Project 4: Child Services

Project 5: Aging and Adult Services

NCFAST Expenditures for SFY 03-04 through September 2011	
Expenditures	**$70,457,219**
Federal Funds	**$27,441,167**
Medicaid Admin & Training	9,603,196
Health Choice	1,174,965
Child Support Enforcement	447,118
Foster Care Admin	767,620
Adoption Assistance	251,330
Low Income Energy	959,463
Food Nutrition Services	8,901,316
Temporary Assistance for Needy Families	5,336,159
Non-Federal Match	**$26,351,638**
Appropriations	**$16,664,414**
Note: DHHS will be submitting an Advance Planning Document Update to the federal partners requesting 90% Federal participation for NC FAST implementation effective September 1, 2011.	

Subject: Continuation Review--DIRM

Legislative Question: Continuation Review: Provide an update on the status? Section 6.7 and G-3, # 16 Division of Information Resource Management Contracts.

DHHS PRESENTER: KAREN TOMCZAK

DHHS RESPONSE:

In accordance with Section 6.7.(b)(4) of SL 2011-145, we are working to finalize our continuation review report of the Division of Information Resource Management's (DIRM) administered contracts to the Fiscal Research Division of the North Carolina General Assembly by December 1, 2011.

Currently, DIRM manages five contracts that provide operation and maintenance support and/or software maintenance for the following applications/systems.

1. **Healthcare Enterprise Accounts Receivable Tracking System (HEARTS):** This contract ensures ongoing support and maintenance for the patient management and accounting software that provides medical records and billing services (e.g., Medicare, Medicaid, and commercial payers) for the fourteen facilities administered by the Division of State Operated Healthcare Facilities. HEARTS enables these facilities to generate approximately $500

million in payer reimbursement. The system also provides for the collection of data for required federal and state reporting.

2. **DHHS Client Services Data Warehouse (CSDW) and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) Consumer Data Warehouse (CDW) Operation and Maintenance:** DHHS receives operation and maintenance support for two data warehouses through this contract:
   - The DHHS CSDW enables the Department to comply with federal and state reporting requirements that impact over $400 million in federal funds awarded annually, and supports more than 30 business areas across several DHHS divisions. The DHHS CSDW has also been chosen as the reporting solution that will address NC FAST reporting that is not part of the standard reporting available.
   - Data stored in the DMH/DD/SAS CDW serves as the primary source of information for the annual reports and client level data files that are a requirement for the continued receipt of approximately $98 million annually in Mental Health and Substance Abuse Block Grants awarded to DMH/DD/SAS and used in the state operated facilities that support these clients.

3. **North Carolina Immunization Registry (NCIR) Operation and Support:** NCIR allows parents, health care providers, schools and child care facilities to have immediate access to an immunization history and the recommended vaccines based on an approved schedule. This system is used by health care providers throughout the State and is the official source for NC's immunization information.

4. **Health Information System (HIS) Operation and Maintenance:** HIS provides an automated means of capturing, monitoring, reporting and billing services provided in local health departments, the Children's Developmental Service Agencies (CDSAs), the State Laboratory for Public Health and Environmental Lead Investigations. This application also provides a "Master Person Index" of clients served that can be accessed by local and statewide agencies.

5. **North Carolina Information and Referral Statewide Repository:** This contract supports the technical operation of the DHHS NCcareLink, an information and referral database for NC residents and customers of DHHS. It also provides the legacy Customer Relationship Management System, or client tracking, for the DHHS Customer Service Call Center. The contract is being reviewed for revision prior to renewal.

In addition, DIRM is currently utilizing the services of thirteen supplemental information technology contractors for operational support . Seven are providing operation and maintenance support and enhancements for DHHS applications/systems such as the Food Stamp Information System (FSIS) and the Automated Collections and Tracking System (ACTS) for Child Support Enforcement. Six contractors are providing infrastructure support including desktop and local area network support for DHHS divisions and offices.