

**THE JOINT CONFERENCE COMMITTEE REPORT
ON THE
CONTINUATION, EXPANSION
AND CAPITAL BUDGETS**

(Revised Pursuant to S.L. 2012-142, Section 27.3)

S. L. 2012-142 (House Bill 950)

**North Carolina General Assembly
2012 Session**

July 24, 2012

**As amended by S.L. 2012-145 (Senate Bill 187); S. L. 2012-74 (House Bill 1015);
S.L. 2012-36 (House Bill 1025); and S.L. 2012-194 (Senate Bill 847).**

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**HEALTH
&
HUMAN SERVICES
Section G**

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Health and Human Services

GENERAL FUND

FY 12-13

Total Budget Approved 2011 Session

\$4,455,162,933

Budget Changes

(1.0) Division of Medical Assistance

1 Medicaid Rebase

\$212,476,461 R

Provides additional funds for the Medicaid program based upon projected growth in number of people eligible for Medicaid and growth in consumption.

2 Federal Repayment of 2009 Federal Overdraw of Funds

\$31,300,776 NR

Provides funding to repay the federal government due to an erroneous federal draw down for the Medicaid program. FY 2012-13 will be the final year in which quarterly payments are due and satisfies this obligation to the federal government.

3 Federal Drug Rebate Payment

\$24,606,148 NR

Provides funding to pay the amount owed to the federal government as a result of a 2010 federal policy change related to drug rebates.

4 DHHS Savings Through CCNC

(\$59,000,000) R

Reduces funds based upon projected savings to be achieved by Community Care North Carolina (CCNC) and its networks in the management of health care for Medicaid recipients.

5 Managed Care Organizations Schedule Delays

\$1,700,000 NR

Provides necessary funds due to the delayed state-wide expansion of the Medicaid behavioral health 1915 b/c waiver sites (S.L. 2011-264). The loss is based upon changes to the implementation schedule as reported by the Division of Medical Assistance. In FY12-13, Local Management Entities (LMEs) will convert to Managed Care Organizations (MCOs) and will receive capitated Medicaid funding to purchase mental health, developmental disabilities, and substance abuse services for eligible persons living within the LME coverage areas.

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6 Fraud, Waste, and Abuse Detection and Prevention

(\$3,807,519) R

Reduces funding available in the Medicaid program in anticipation of savings through the efforts of detecting fraud and waste among Medicaid providers and recipients. There are two information technology efforts underway to combat fraud, waste, and abuse through the Division's Fraud and Abuse Management System.

7 Restructure Fee for Service Payments

(\$1,976,636) R

Revises payment structures for various services provided within the Medicaid program. These changes will result in bundling of payments for services based upon a period of time or a diagnosis instead of fee-for-service.

8 Pharmacy Improvements

(\$6,671,507) R

Creates savings through increased usage by facilities who utilize the 340B pricing program for the purchase of hemophilia drugs. In addition, the Department shall increase the use of prior authorization and lower dispensing fees to achieve savings within the Medicaid program.

9 CHIPRA Bonus

(\$14,000,000) NR

Reduces Medicaid funds in anticipation of receiving the FY 2012-13 federal Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus for Health Choice enrollment growth.

10 CCNC Home Health Initiatives

(\$4,455,457) R

Budgets savings anticipated from the implementation of a CCNC initiative that will manage home health care to ensure the provision of medically appropriate services.

11 Medicaid Contracts

\$5,000,000 R

Provides funding for Medicaid contracts, including claims processing, prior authorization, and various studies.

12 Medicaid Settlements

\$15,000,000 R

Provides funding for Medicaid cost settlements with various providers and fraud, waste, and abuse prevention initiatives.

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13 Personal Care Services (PCS)

(\$6,000,000) R

Budgets reduced Medicaid cost as a result of changing the eligibility criteria for personal care services (PCS) to needing assistance with two or more activities of daily living (ADL).

(2.0) Division of Child Development and Early Education**14 Block Grant Funding**

(\$7,000,000) NR

Provides federal block grant funds for the Smart Start Program. This continues similar actions taken by the Office of State Budget and Management during FY 2011-12 in which \$4 million of Smart Start funds were replaced by \$4 million of Block Grant funds.

15 Literacy Pilot, Development Consultants, and Rural Partnership Assistance

\$3,500,000 NR

Provides funding for early literacy initiatives to be administered by North Carolina Partnership for Children. These initiatives include: the Reach Out and Read program, Raising a Reader, parenting programs and lending libraries. Funds shall be used to enhance technical assistance to local partnerships in the areas of grant writing and fund-raising activities. Funding shall also be used to enhance local rural partnerships' funds. These funds shall not be expended prior to January 1, 2013 and only after OSBM certification that the funding is not needed for the Medicaid Program.

(3.0) NC Health Choice**16 Health Choice Costs**

(\$1,919,704) R

Adjusts Health Choice budget to expected expenditure level for FY 2012-13. This adjustment is based upon the projected rate of consumption and mix of services. This adjustment should not impact the open-enrollment policy for the program. There are approximately 148,000 children enrolled in Health Choice and the forecast projects 153,000 for FY 2012-13.

17 Fee for Service Payments

(\$21,959) R

Reduces Health Choice budget to reflect expected savings that will result from fee for service payments which will be converted to all-inclusive or fixed rates for selected services.

18 Pharmacy Improvements

(\$17,936) R

Reduces the Health Choice budget to reflect savings that will be achieved through the implementation of a specialty pharmacy for hemophilia drugs.

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19 CCNC Home Health Services Initiative

(\$47,831) R

Budgets savings anticipated from the implementation of a CCNC initiative that will manage home health care to ensure the provision of medically appropriate services.

(4.0) Division of Health Service Regulation**20 Nursing Home Licensure and Certification**

\$1,792,559 NR

Provides funds to replace lost receipts from civil fines and penalties assessed against nursing homes. Funds will be used for DHSR Nursing Home licensure staff positions.

(5.0) Division of Central Management and Support**21 Administrative Efficiencies**

(\$2,700,000) R

Reduces DHHS budget due to elimination of seat management funds, the elimination of positions vacant two years or more, reorganizations, and expired contracts.

22 Budget DOA Cost Allocation Receipts

(\$544,000) R

Replaces state funds due to the implication of a cost allocation plan for the Office of Property Construction and the Office of Public Affairs.

23 DIRM Contracts

\$5,599,390 R

Restores recurring State General Fund Appropriations for the Division of Information Resources Management (DIRM) for various contracts for Department-wide IT services. S.L. 2011-145 eliminated the recurring funds for this purpose pending the findings and recommendations from a continuation review.

24 ITS Refunds

(\$1,047,749) R

Reduces State General Fund Appropriation in anticipation of a reduction in costs for Information Technology Services (ITS). This reduction is based upon current year's charges to DHHS by ITS.

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25 Non-State Entity Pass-Through Funds

(\$9,159,699) R

Replaces \$9,159,699 in recurring special appropriation (pass-through) funds for the following non-state entities with non-recurring funds:

\$9,159,699 NR

North Carolina Senior Games, Inc. - \$121,481
 ARC of North Carolina - \$305,598
 ARC of North Carolina – Wilmington - \$51,048
 Autism Society of North Carolina - \$2,941,818
 The Mariposa School for Children with Autism - \$339,879
 Easter Seals UCP of North Carolina - \$76,792
 Easter Seals UCP of North Carolina and Virginia - \$1,542,647
 ABC of North Carolina Child Development Center - \$366,703
 Residential Services, Inc. - \$ 246,424
 Oxford House, Inc. - \$200,000
 Brain Injury Association of North Carolina - \$225,223
 Food Bank of Central and Eastern North Carolina, Inc. - \$333,334
 Food Bank of the Albemarle - \$333,334
 Manna Food Bank - \$333,334
 Second Harvest Food Bank of Metrolina, Inc - \$333,334
 Second Harvest Food Bank of Northwest North Carolina, Inc. - \$333,332
 Prevent Blindness NC - \$308,163
 Second Harvest Food Bank of Southeast NC \$333,332

(6.0) Division of Social Services**26 Adoption Vendor Payments**

(\$2,025,649) R

Reduces funds for adoption vendor services through efficiencies gained by better program oversight by the Division of Social Services.

27 FMAP IV-E Child Welfare Services

(\$379,116) R

Increases State General Funds due to changes in the Federal Medical Assistance Percentage (FMAP). The change from 65.28% to 65.51% goes into effect in October of 2012.

28 Foster Care Efficiencies

(\$6,674,351) R

Reduces funds for the Foster Care Program due to a change in the case mix of foster care children in the care of the Division of Social Services.

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(7.0) Division of Aging and Adult Services**29 Transition to Community Living**

\$10,300,000 R

Establishes a fund, Transitions to Community Living Fund, to facilitate implementation of the plan to transition individuals with severe mental illness to community living arrangements, including establishing a rental assistance program.

30 Temporary Short-term Assistance

\$39,700,000 NR

Establishes a fund for the implementation of the State's plan to provide temporary, short-term assistance to adult care and group homes as they transition to the State's Transitions to Community Living Plan. These funds will be used to pay monthly stipends to adult care and group homes for residents who are no longer eligible to receive Medicaid-reimbursable personal care services but for whom a community placement has not yet been arranged.

(8.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing**31 Budget Increased Telecommunications Receipts**

(\$168,336) R

Replaces state funds for the administration of the Division of Services for the Deaf and Hard of Hearing with receipts from the Telecommunications Relay Fund.

(10.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**32 Community Services Funding**

(\$20,000,000) NR

Continues non-recurring reduction to local management entities' (LME) community services funding for FY 2012-13. Approximately \$345 million in State general funds remain in the budget for LMEs to purchase community-based services.

33 Federal Block Grant Funding

(\$227,000) NR

Provides federal Substance Abuse Prevention and Treatment Block Grant funds for Division of Mental Health's administrative costs.

34 Three-way Contracts

\$9,000,000 R

Provides funding to increase the number of community hospital beds available to LMEs under the State-administered three-way contract from 141 to 186. Funds may not be expended prior to January 1, 2013 and only after OSBM certification that the funding is not needed for the Medicaid Program.

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35 Local Management Entities (LME)

(\$8,497,935) R

Reduces the administrative budget for LMEs in anticipation of the savings to be achieved from the transition to managed care organizations (MCO). LME administrative funds will be provided as part of the capitation contract rather than on a per capita basis.

36 Cherry Hospital

\$3,472,954 R

Provides funding to support the expanded bed capacity at the new Cherry Hospital, which is scheduled to begin operating in April 2013. The new hospital will have 314 beds, an increase of 124 beds.

373.10

37 Broughton Hospital

\$3,513,000 R

Provides funding for 19 additional psychiatric care beds at Broughton Hospital. Funds may not be expended prior to January 1, 2013 and only after OSBM certification that the funding is not needed for the Medicaid Program.

58.00

38 Drug Treatment Courts

(\$2,258,000) R

Eliminates pass-through funding provided for drug treatment court services. S.L. 2011-145 eliminated funds budgeted to the Judicial Department for these courts.

39 Mental Health Association, Inc.

(\$200,000) R

Eliminates pass-through funding provided in 2008 for the Mental Health Association, Inc. This organization lost its accreditation in 2010 and no longer operates.

(11.0) Division of Public Health**40 CheckMeds**

Provides funds to continue support for the CheckMeds Program which provides counseling on the correct use of prescription drugs.

\$1,695,379 NR

41 Medication Assistance Program

Provides funds to continue support of the Medication Assistance Program which provides free prescription drugs to low-income, uninsured persons.

\$1,704,033 NR

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42 Roanoke-Chowan Telehealth Network

Provides funds to continue support for the Roanoke Chowan Telehealth Network. The Network delivers remote monitoring and chronic disease care management services to persons living in a medically underserved region of the State.

\$300,000 NR

43 County Health Departments

Provides funding to county health departments to start or continue community health and wellness initiatives that promote healthy behaviors, e.g. smoking cessation, nutrition, physical activities, disease prevention, school nurse positions, etc. This funding cannot be used to supplant existing funds being used for this purpose. Funds shall not be expended prior to January 1, 2013 and only after OSBM certification that the funding is not needed for the Medicaid Program.

\$4,894,727 NR

44 Environmental Health Section

Provides for a technical correction reflecting the Type I transfer of the Division of Environmental Health from the Department of Natural and Economic Resources to the Department of Health and Human Services, Division of Public Health. This transfer was enacted during the 2011 Legislative Session via SL 2011-145.

\$3,700,675 R

35.05

S.L. 2011-145, Sec. 13.3

45 Maternity Homes

Increases State General Fund Appropriations to replace the loss of federal funds formerly provided for maternity homes.

\$375,000 NR

46 Early Intervention

Adjusts the budget for early intervention services based upon actual expenditures.

(\$2,500,000) R

47 Services for Rape Victims

Replaces lost federal block grant funding with State General Fund Appropriations for services to rape victims.

\$197,112 NR

48 High Risk Maternity Clinic

Provides funds for the East Carolina University High Risk Maternity Clinic.

\$375,000 NR

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49 Health Department Accreditation

(\$300,000) R

Eliminates funding for the UNC Institute for Public Health contract to provide state-based accreditation. This contract duplicates a national program available to county health departments for this purpose.

50 State Public Health Lab and Office of Chief Medical Examiner

\$1,155,666 R

Provides funds for new positions and operating costs for the new State Public Health Laboratory and the Chief Medical Examiner's Office which will begin operating in FY 2012-13.

12.00

51 Environmental Health Regional Office Positions

\$282,412 R

Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health & Human Services (DHHS), the restored salaries and benefits of positions formerly located in DENR regional offices are transferred from DENR to DHHS as follows:

3.00

60034273	Env Health Reg Spec	\$69,922
60034303	Env Health Reg Spec	\$67,812
60034278	Soil Scientist	\$83,375

This item was amended by Sec. 4.1, S.L. 2012-145, Modifications/2012 Appropriations Act, to correct the transfer amount from \$221,109 to \$282,412.

52 Healthy Start Foundation

(\$433,923) R

Eliminates pass-through funding provided to the Healthy Start Foundation. These funds are not used to provide direct services.

Budget Changes	\$148,693,251	R
	\$80,073,433	NR
Total Position Changes	481.15	
Revised Total Budget	\$4,683,929,617	

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SECTION 9.14.(b) The Board of Governors shall not reduce State funds to these three campuses for the 2012-2013 fiscal year as a result of the allocations directed in subsection (a) of this section.

LIABILITY INSURANCE

SECTION 9.15. G.S. 116-11 is amended by adding a new subdivision to read:

"(13a) The Board of Governors may authorize the President to purchase commercial insurance of any kind to cover all risks or potential liability of the University, the Board of Governors, boards of trustees, other administrative or oversight boards, the President, the University benefit plan administrators, and employees of the University relating to the management, direction, and administration of University employee benefit plans, including the risks and potential liability related to benefit plan investments managed by the University.

Members of the Board of Governors, boards of trustees, other administrative and oversight boards, and employees of the University shall be considered State employees for purposes of Articles 31 and 31A of Chapter 143 of the General Statutes. To the extent that the President purchases commercial liability insurance coverage in excess of one hundred fifty thousand dollars (\$150,000) per claim for liability arising under Article 31 or 31A of Chapter 143 of the General Statutes, the provisions of G.S. 143-299.4 shall not apply. To the extent that the President purchases commercial insurance coverage for liability arising under Article 31 or 31A of Chapter 143 of the General Statutes, the provisions of G.S. 143-300.6(a) shall not apply.

The purchase of insurance by the President under this section shall not be construed to waive sovereign immunity or any other defense available to the University, the Board of Governors, boards of trustees, other administrative and oversight boards, the President, University benefit plan administrators, and employees of the University in an action or contested matter in any court, agency, or tribunal. The purchase of insurance by the President shall not be construed to alter or expand the limitations on claims or payments established in G.S. 143-299.2 or limit the right of the University, the Board of Governors, boards of trustees, other administrative or oversight boards, the President, University benefit plan administrators, and employees of the University to defense by the State as provided by G.S. 143-300.3."

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC PRE-K

SECTION 10.1.(a) The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiple-year contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 10.1.(b) The Division of Child Development and Early Education (Division) shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations/Base Budget Committee on Health and Human Services, and the Fiscal Research Division on the pilot program no later than January 31, 2013. The report shall include the following:

- (1) The number of students served.
- (2) The amount of funds paid for each classroom.
- (3) The amount of funds paid per student.
- (4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
- (5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system.

- (6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

SECTION 10.1.(c) The Division of Child Development and Early Education shall continue the implementation of the NC Pre-K program. The NC Pre-K program shall serve children who reach the age of four on or before August 31 of that school year and who meet eligibility criteria.

SECTION 10.1.(c1) G.S. 110-91(2) reads as rewritten:

"(2) ~~Health-Related Activities. – The Commission shall adopt rules for child care facilities to ensure that all children receive nutritious food and beverages according to their developmental needs. The Commission shall consult with the Division of Child Development of the Department of Health and Human Services to develop nutrition standards to provide for requirements appropriate for children of different ages. In developing nutrition standards, the Commission shall consider the following recommendations:~~

- ~~a. Limiting or prohibiting the serving of sweetened beverages, other than 100% fruit juice, to children of any age.~~
- ~~b. Limiting or prohibiting the serving of whole milk to children two years of age or older or flavored milk to children of any age.~~
- ~~c. Limiting or prohibiting the serving of more than six ounces of juice per day to children of any age.~~
- ~~d. Limiting or prohibiting the serving of juice from a bottle.~~
- ~~e. Creating an exception from the rules for parents of children who have medical needs, special diets, or food allergies.~~
- ~~f. Creating an exception from the rules to allow a parent or guardian, or to allow the center upon the request of a parent or guardian, to provide to a child food and beverages that may not meet the nutrition standards.~~

g. Nutrition standards. – The Commission shall adopt rules for child care facilities to ensure that food and beverages provided by a child care facility are nutritious and align with children's developmental needs. The Commission shall consult with the Division of Child Development and Early Education of the Department of Health and Human Services to develop nutrition standards to provide for requirements appropriate for children of different ages. In developing nutrition standards, the Commission shall consider the following recommendations:

- 1. Limiting or prohibiting the serving of sweetened beverages, other than one hundred percent (100%) fruit juice to children of any age.
- 2. Limiting or prohibiting the serving of whole milk to children two years of age or older or flavored milk to children of any age.
- 3. Limiting or prohibiting the serving of more than six ounces of juice per day to children of any age.
- 4. Limiting or prohibiting the serving of juice from a bottle.

h. Parental exceptions. –

- 1. Parents or guardians of a child enrolled in a child care facility may (i) provide food and beverages to their child that may not meet the nutrition standards adopted by the Commission and (ii) opt out of any supplemental food program provided by the child care facility. The child care facility shall not provide food or beverages to a child whose parent or guardian has opted out of any supplemental food program provided by the child care facility and whose parent or guardian is providing food and beverages for the child.
- 2. The Commission, the Division of Child Development and Early Education of the Department of Health and Human Services, or any State agency or contracting entity with a State agency shall not evaluate the nutritional value or

adequacy of the components of food and beverages provided by a parent or guardian to his or her child enrolled in a child care facility as an indicator of environmental quality ratings.

- i. Rest time. – Each child care facility shall have a rest period for each child in care after lunch or at some other appropriate time and arrange for each child in care to be out-of-doors each day if weather conditions permit."

SECTION 10.1.(d) Other than developmental disabilities or other chronic health issues, the Division of Child Development and Early Education shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 10.1.(e) All entities operating NC Pre-K classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 10.1.(f) The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding NC Pre-K classroom slots and student selection.

SECTION 10.1.(g) The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

- (1) The number of children participating in the NC Pre-K program.
- (2) The number of children participating in the NC Pre-K program who have never been served in other early education programs, such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.
- (3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.
- (4) The results of an annual evaluation of the NC Pre-K program.

REVISE CHILD CARE SUBSIDY RATES PROVISION

SECTION 10.2. Section 10.1 of S.L. 2011-145 is amended by adding the following new subsection to read:

"SECTION 10.1.(g1) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K program or Head Start."

CHILD CARE ALLOCATION FORMULA/DIRECTION

SECTION 10.2A. Section 10.2(a) of S.L. 2011-145 is amended by adding the following new subdivisions to read:

"SECTION 10.2.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) Smart Start subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

- (1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.
- (2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.
- (3) For fiscal year 2012-2013, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2011-2012 fiscal year.

- (4) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2012-2013 fiscal year."

**EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES
ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT
ADJUSTMENTS**

SECTION 10.3.(a) Section 10.5(c) of S.L. 2011-145 is repealed.

SECTION 10.3.(b) Section 10.5 of S.L. 2011-145 is amended by adding the following new subsection to read:

"SECTION 10.5.(c1) The North Carolina Partnership for Children, Inc., shall develop and implement a salary schedule for the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of local partnerships. The salary schedule shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. In establishing a salary schedule, the North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

- (1) The population of the area serviced by a local partnership.
- (2) The amount of State funds administered.
- (3) The amount of total funds administered.
- (4) The professional experience of the individual to be compensated.
- (5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection."

SECTION 10.3.(c) Section 10.5(e) of S.L. 2011-145, as amended by Section 21A of S.L. 2011-391, reads as rewritten:

"SECTION 10.5.(e) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall equal to at least ~~seven percent (7%)~~ ten percent (10%) and in-kind donated resources equal to no more than three percent (3%) for a total match requirement of ~~ten percent (10%)~~ thirteen percent (13%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

- (1) Be verifiable from the contractor's records.
- (2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
- (3) Not include expenses funded by State funds.
- (4) Be supplemental to and not supplant preexisting resources for related program activities.
- (5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
- (6) Be otherwise allowable under federal or State law.

- (7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
- (8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a ~~ten percent (10%)~~ thirteen percent (13%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly."

SECTION 10.3.(d) To the extent possible, the North Carolina Partnership for Children, Inc., shall not reduce subsidy expenditures for the 2012-2013 fiscal year.

**"READ NC" EARLY LITERACY INITIATIVE/DEVELOPMENT
OFFICERS/ASSISTANCE TO RURAL PARTNERSHIPS**

SECTION 10.4.(a) Of the funds appropriated to the Department of Health and Human Services, Division of Child Development and Early Education, for the North Carolina Partnership for Children, Inc., the sum of three million five hundred thousand dollars (\$3,500,000) for the 2012-2013 fiscal year shall be used by the North Carolina Partnership for Children, Inc., to develop and administer an early literacy initiative pilot program, to be known as "Read NC," hire four North Carolina Partnership for Children, Inc., development officers, and provide additional funds for rural partnerships; provided, however, the Department shall not expend the funds appropriated in this section for the 2012-2013 fiscal year until January 1, 2013, pending a determination by the Office of State Budget and Management that there is adequate funding for the Medicaid budget for the 2012-2013 fiscal year, as provided in Section 10.9G of this act. "Read NC" will focus on increasing the early literacy skills of children who are most at risk for reading below grade level. The pilot program shall be distributed geographically to ensure adequate representation of the diverse areas of the State.

SECTION 10.4.(b) The focus of the pilot program will be to actively engage parents, child care teachers, and communities to help young children build a firm foundation for language acquisition and literacy skills. To that end, the pilot program shall do the following:

- (1) Educate parents in essential early literacy practices.
- (2) Increase the quality of early literacy programming in child care.
- (3) Increase early literacy opportunities for young children and families in community settings by incorporating the following programs:
 - a. "Reach Out and Read," a program that supports doctors in their efforts to "prescribe" reading to young children and families during well-child visits through early literacy guidance and book sharing, free books for children to keep, and literacy-rich waiting rooms.
 - b. "Raising a Reader" (RAR), a program that rotates bright red bags filled with award-winning books into children's homes on a weekly basis, exposing children on average to over 100 books per rotation cycle, and pairs this book rotation with parent training and information on how to effectively share books to promote family literacy habits, language and literacy skills, and a love of learning.
 - c. "Motherread/Fatheread," a program that combines the teaching of literacy skills with child development and family empowerment issues.
 - d. "Dolly Parton Imagination Library," a program that provides a free, age-appropriate book each month to children ages birth to five years.

SECTION 10.4.(c) The Division of Child Development and Early Education and the North Carolina Partnership for Children, Inc., shall report by April 1, 2013, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Committee on Health and Human Services, the Senate Appropriations/Base Budget Committee on Health and Human Services, and the House of Representatives Appropriations Subcommittee on Health and Human Services on the progress in complying with this section.

SECTION 10.4.(d) The North Carolina Partnership for Children, Inc., shall include in its assistance to local partnerships training and assistance with fund-raising activities. Of the funds designated under subsection (a) of this section, the North Carolina Partnership for Children, Inc., shall hire a staff of four individuals who are qualified in the areas of grant writing and fund-raising to assist local partnerships in raising the amount of non-State funds required by law. The staff hired pursuant to this subsection shall be located regionally and be accessible to participate in the various local partnerships' activities.

SECTION 10.4.(e) Of the funds designated under subsection (a) of this section, the North Carolina Partnership for Children, Inc., shall provide assistance to local partnerships located in rural areas of the State. The North Carolina Partnership for Children, Inc., shall establish eligibility criteria for the use of funds pursuant to this subsection based on child poverty, child population, and counties that are identified as being the most economically distressed.

MEDICAID THERAPIES LIMIT REVISED

SECTION 10.5. Section 10.37(a)(2) of S.L. 2011-145 is repealed.

MEDICAID ELIGIBILITY/COLA DISREGARD

SECTION 10.6.(a) Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-54.4. Income disregard for federal cost-of-living adjustments.

An increase in a Medical Assistance Program recipient's income due solely to a cost-of-living adjustment to federal Social Security and Railroad Retirement payments shall be disregarded when determining income eligibility for the Medical Assistance Program. This section shall not be deemed to render a recipient eligible for the Medical Assistance Program if all other eligibility requirements are not met."

SECTION 10.6.(b) The Department of Health and Human Services shall apply to the Centers for Medicare and Medicaid Services for any necessary approvals to implement the income disregard required in subsection (a) of this section.

SECTION 10.6.(c) Subsection (a) of this section becomes effective January 1, 2013. The remainder of this section is effective when it becomes law. G.S. 108A-54.4, as enacted by subsection (a) of this section, expires on December 31, 2017.

MEDICAID NONEMERGENCY MEDICAL TRANSPORTATION SERVICES

SECTION 10.7.(a) The Department of Health and Human Services, Division of Medical Assistance, in consultation with the Department of Transportation, Public Transportation Division, shall develop and issue a Request for Proposal (RFP) for the management of nonemergency medical transportation (NEMT) services for Medicaid recipients.

SECTION 10.7.(b) The Department of Health and Human Services and the Department of Transportation shall consider at least all of the following information in developing the RFP required by this section:

- (1) An analysis of nonemergency transportation brokerage services implemented in other states that examines:
 - a. State-level governance and program performance evaluation.
 - b. Assignment of geographic regions for operating and monitoring purposes.
 - c. Quality of transportation service delivery and recipient access.
 - d. Accuracy of eligibility determinations.
 - e. Pricing models.
 - f. Contract structure, including terms and conditions.
 - g. Cost of service.
- (2) Assessment of the current coordination of human services transportation within North Carolina and the potential impact of brokerage services on transit system funding and operations.
- (3) A cost-benefit analysis of implementing a statewide NEMT brokerage model for Medicaid recipients.

SECTION 10.7.(c) The Division of Medical Assistance shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services and the

Joint Legislative Oversight Committee on Transportation by September 15, 2012, on the analysis required by subdivisions (1), (2), and (3) of subsection (b) of this section.

SECTION 10.7.(d) The Division shall not enter into a contract with a vendor to provide NEMT services until (i) the Division meets the reporting requirements of subsection (c) of this section and (ii) the Department of Health and Human Services (DHHS) determines that it would be cost-effective to contract for NEMT services. The Secretary of DHHS shall only proceed with a vendor contract if the Secretary determines that DHHS can justify savings through the contract and ensure appropriate safety and quality of services for Medicaid recipients.

MODIFY AND IMPROVE PHARMACY SERVICES

SECTION 10.8. Section 10.48 of S.L. 2011-145 reads as rewritten:

"SECTION 10.48.(a) The Department of Health and Human Services shall revise its pharmacy dispensing fees under the Medicaid Program in order to encourage a greater proportion of prescriptions dispensed to be generic prescriptions and thereby achieve savings of fifteen million dollars (\$15,000,000) in the 2011-2012 fiscal year and twenty-four million dollars (\$24,000,000) in the 2012-2013 fiscal year.

"SECTION 10.48.(a1) In addition to the savings required by subsection (a) of this section, for the 2012-2013 fiscal year, the Department shall lower the fees paid to pharmacies for dispensing prescription drugs and expand prior authorization requirements to achieve a savings of at least five million two hundred seventy-nine thousand six hundred one dollars (\$5,279,601). Any expansion of prior authorization requirements shall be consistent with the limitations set forth in Section 10.31(d)(2)r.5A. of S.L. 2011-145.

"SECTION 10.48.(a2) For the 2012-2013 fiscal year, the Department shall achieve a savings of at least one million three hundred ninety-one thousand nine hundred six dollars (\$1,391,906) through the implementation of a special pharmacy program for hemophilia drugs. The savings shall be achieved primarily through the use of the federal 340B Drug Pricing Program for the dispensing of hemophilia drugs under the Medicaid Program.

"SECTION 10.48.(b) The Department shall report its progress in achieving the savings required by subsection (a) of this section for the 2012-2013 fiscal year on November 1, 2011, January 1, 2012, November 1, 2012, and quarterly thereafter to the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Senate Appropriations Subcommittee on Health and Human Services and to the Fiscal Research Division. If any report required by this subsection reveals that those savings required by subsections (a) and (a1) of this section are not being achieved, the Department shall reduce prescription drug rates by an amount sufficient to achieve the savings.

"SECTION 10.48.(c) The Department shall apply to the Centers for Medicare and Medicaid Services by July 15, 2012, for any necessary approvals to implement the changes required by this section."

STUDY ELECTRONIC PRIOR AUTHORIZATION FOR MEDICAID PRESCRIPTIONS

SECTION 10.8A. The Department of Health and Human Services shall study the implementation of a system for the Medicaid program that would exchange standard electronic prior authorization requests with health care providers for drugs and devices using electronic data interchange standards consistent with those adopted by the National Council of Prescription Drug Programs for pharmacy benefits managers to exchange standard electronic prior authorization requests with health care providers. As part of its study, the Department shall review the experience of other states, including start-up costs and annual savings, to provide an estimate of the potential costs and savings for the State. No later than March 1, 2013, the Department shall report its findings to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SMART CARD PILOT PROGRAM

SECTION 10.9.(a) S.L. 2011-117 is repealed.

SECTION 10.9.(b) The Department of Health and Human Services shall implement a smart card pilot program that involves enrollment, distribution, and use of smart cards by designated vendors and recipients as replacements for currently used Medicaid assistance cards. The Provider and Recipient Services Unit of the Division of Medical

Assistance (DMA) shall administer the pilot program. The Department may contract with a third-party vendor or vendors to develop and execute the pilot program. If the Department elects to use a third-party vendor or vendors to develop and execute the pilot program, the Department shall select the vendor or vendors through a Request for Proposal process conducted prior to implementation of the pilot program. In developing and implementing the pilot program, the Department shall comply with all applicable information technology procurement requirements. The smart card pilot program shall not expand beyond the areas described in subsection (c) of this section unless the expansion is approved by an act of the General Assembly.

SECTION 10.9.(c) The purpose of the pilot program is to evaluate the feasibility of the smart card program in different geographical regions of the State. DMA shall select a region of the State to participate in the pilot program that is served by Community Care of North Carolina and meets all other requirements set forth in this section. The pilot program shall be conducted in two urban areas and two rural areas with a representative group of Medicaid recipients from each area.

SECTION 10.9.(d) The pilot program shall include and evaluate the use of at least two different types of available technology that are designed to do all of the following:

- (1) Authenticate recipients at the onset and completion of each point of transaction in order to prevent card sharing and other forms of fraud.
- (2) Deny ineligible persons at the point of transaction.
- (3) Authenticate providers at the point of transaction to prevent phantom billing and other forms of provider fraud.
- (4) Secure and protect the personal identity and information of recipients.
- (5) Reduce the total amount of medical assistance expenditures by reducing the average cost per recipient.

SECTION 10.9.(e) The pilot program may include all of the following:

- (1) A secure Web-based information system for recording and reporting authenticated transactions.
- (2) A secure Web-based information system that interfaces with the appropriate State databases to determine eligibility of recipients.
- (3) A system that gathers analytical information to be provided to business intelligence companies in order to assist in business intelligence processes.
- (4) A smart card with the ability to store multiple recipients' information on one card.
- (5) An image of the recipient stored on both the smart card and database.

SECTION 10.9.(f) The pilot program shall not include a requirement for preenrollment of recipients.

SECTION 10.9.(g) In conducting the pilot program, the Department may do any of the following:

- (1) Incorporate additional or alternative methods of authentication of recipients.
- (2) Enter and store billing codes, deductible amounts, and bill confirmations.
- (3) Allow electronic prescribing services and prescription database integration and tracking in order to prevent medical error through information sharing and to reduce pharmaceutical abuse and lower health care costs.
- (4) Implement quick-pay incentives for providers who use electronic prescribing services, electronic health records, electronic patient records, or computerized patient records that automatically synchronize with recipients' smart cards and electronically submit a claim.
- (5) Adapt smart cards, fingerprint scanners, and card readers for use by other State programs administered by the Department in order to reduce costs associated with the necessity of multiple cards per recipient.

SECTION 10.9.(h) During the pilot program, the Department shall evaluate the feasibility of expanding the pilot program, including the need to develop rules and policies related to all of the following:

- (1) Lost, forgotten, or stolen cards.
- (2) Enrollment of all recipients, regardless of age, for participation in the program.
- (3) Distribution and activation of smart cards for designated recipients.

SECTION 10.9.(i) The Department shall work with the Division of Motor Vehicles to ensure that State data, such as drivers license photos and other identification data, is leveraged to reduce program cost.

SECTION 10.9.(j) By no later than March 1, 2013, the Department shall submit a detailed written report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Senate Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The report shall include (i) detailed results of the pilot in the four different geographic regions of the State, including cost savings achieved in each region; (ii) costs associated with implementation of the pilot program, including payments to vendors; and (iii) an evaluation of the feasibility of, and issues associated with, implementing the smart card program statewide.

SECTION 10.9.(k) Of the funds appropriated from the General Fund to the Department of Health and Human Services for the 2012-2013 fiscal year, the sum of up to one million dollars (\$1,000,000) may be used to implement the smart card pilot program authorized by this section.

STATE AUDITOR AUDIT DIVISION OF MEDICAL ASSISTANCE

SECTION 10.9A.(a) The State Auditor shall conduct a performance audit of the North Carolina Medicaid Program and the Division of Medical Assistance operated within the Department of Health and Human Services. The audit shall examine the program's effectiveness; results of the program; the utilization of outside vendor contracts, including the number, cost, and duration of such contracts; fiscal controls and Medicaid forecasting; and compliance with requirements of the Centers for Medicare and Medicaid Services and the requirements of State law.

SECTION 10.9A.(b) The State Auditor shall give a preliminary report on the performance audit required by this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by November 1, 2012, and shall complete the performance audit by February 1, 2013.

SECTION 10.9A.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, from the General Fund for the 2012-2013 fiscal year to fund contracts, the Department shall transfer to the North Carolina Office of the State Auditor the amount of funds necessary to complete the performance audit required by this section.

PED/FRD JOINT STUDY MEDICAID ORGANIZATION

SECTION 10.9B.(a) The Program Evaluation Division and the Fiscal Research Division of the General Assembly shall jointly study the feasibility of creating a separate Department of Medicaid and make a joint recommendation on this issue to the 2013 Regular Session of the General Assembly no later than February 15, 2013.

SECTION 10.9B.(b) The joint study directed by subsection (a) of this section shall include all of the following:

- (1) A review of how other states administer Medicaid programs, including the following aspects:
 - a. State Plan development and policy management.
 - b. Payment of claims.
 - c. Budget forecasting.
 - d. Rate-setting.
 - e. Appeals.
 - f. Involvement in management of care.
- (2) An analysis of benefits and disadvantages of Medicaid becoming a stand-alone State department, including the following considerations:
 - a. Overhead costs to be saved or increased as a result of any proposed changes.
 - b. Identification of any efficiencies to be gained from such reorganization.
 - c. Identification of any costs that would be incurred as a result of this reorganization.

- d. Whether it is feasible to also move any other divisions or programs within the Department of Health and Human Services (DHHS) into a new Department of Medicaid.
- (3) Whether moving Medicaid into its own department would have any adverse impact on funding streams to and administration of other agencies within DHHS.
- (4) Identification of various Medicaid organizational structures and their costs and savings.

REMOVE AUTHORITY FOR MEDICAID PROVIDER RATE AND SERVICE REDUCTION

SECTION 10.9C.(a) Except as otherwise provided in this act to achieve Medicaid pharmacy program savings or in Section 10.48 of S.L. 2011-145, notwithstanding any other provision of law, for the 2012-2013 fiscal year, the Department of Health and Human Services shall not reduce Medicaid provider payment rates or Medicaid optional services.

SECTION 10.9C.(b) The requirements of subsection (a) of this section shall not affect (i) a Medicaid provider payment rate reduction or Medicaid optional service reduction made prior to the effective date of this act; (ii) any applications for Medicaid program modifications authorized by S.L. 2011-145 that are in the process of being approved by the Centers for Medicare and Medicaid Services as of the effective date of this act; or (iii) a reduction in Medicaid provider payment rates or optional services required by a change in federal law or regulation.

OUTPATIENT IMAGING SERVICES

SECTION 10.9D.(a) The Department of Health and Human Services shall not enter into a new contract with a vendor to provide outpatient imaging services for the Medicaid Program prior to March 31, 2013.

SECTION 10.9D.(b) Prior to entering into any new contract with a vendor to provide outpatient imaging services, if the Department of Health and Human Services determines that the new contract shall utilize a radiology decision support program rather than a capitated model, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division to demonstrate that the transition to a radiology decision support system shall result in spending by the State on imaging services for Medicaid patients at an amount that is less than or equal to the actual amount spent on outpatient imaging services under the most recent radiology management services vendor contract.

MEDICAID OPTION/SPECIAL CARE AND MEMORY CARE UNITS

SECTION 10.9E.(a) The Department of Health and Human Services, Division of Medical Assistance, shall develop and submit to the Centers for Medicare and Medicaid Services an application for a home- and community-based services program under Medicaid State Plan 1915(i) authority for elderly individuals who (i) are typically served in special care and memory care units that meet the criteria of the State-County Special Assistance Program and (ii) have been diagnosed with a progressive, degenerative, irreversible disease that attacks the brain and results in impaired memory, thinking, and behavior. The home- and community-based services program developed by the Department pursuant to this section shall focus on providing these elderly individuals with personal care services necessary to ameliorate the effects of gradual memory loss, impaired judgment, disorientation, personality change, difficulty in learning, and loss of language skills.

SECTION 10.9E.(b) The Division shall implement the program upon approval of the application by the Centers for Medicare and Medicaid Services.

SECTION 10.9E.(c) On or before April 1, 2013, the Division shall provide a report on the status of approval and implementation of the program to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

PERSONAL CARE SERVICES/ADL ELIGIBILITY

SECTION 10.9F.(a) Section 10.38 of S.L. 2011-145 is repealed.

SECTION 10.9F.(b) Section 10.37(a)(1) of S.L. 2011-145, as amended by Section 25 of S.L. 2011-391, reads as rewritten:

"AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM

"SECTION 10.37.(a) The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

- (1) ~~In-Home Personal Care Services for Children~~ provision. – ~~In order to enhance in-home aide services to Medicaid recipients, the~~ The Department of Health and Human Services, Division of Medical Assistance, Assistance (DMA), shall:
 - a. ~~No longer provide~~ Provide services under PCS and PCS Plus whenever CMS approves the elimination of the PCS and PCS Plus programs and the implementation of the following two new services:
 1. ~~In-Home Care for Children (IHCC).~~ Services to assist families to meet the ~~in-home~~ personal care needs of children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.
 2. ~~In-Home Care for Adults (IHCA).~~ Services to meet the eating, dressing, bathing, toileting, and mobility needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. ~~IHCA shall serve individuals at the highest level of need for in-home care who are able to remain safely in the home.~~
 - b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage Policy for each of these programs, to ~~include~~ include up
 1. ~~For IHCC, up to 60 hours per month in accordance with an~~ independent assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee. Additional hours may be authorized when the services are required to correct or ameliorate defects and physical and mental illnesses and conditions in this age group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance with a plan of care approved by DMA or its designee.
 2. ~~For IHCA, up to 80 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee.~~
 - c. Implement the following ~~program~~ limitations and restrictions to apply to ~~both IHCC and IHCA~~ the provision of personal care services to children:
 1. Additional services to children required under federal EPSDT requirements shall be provided to qualified recipients ~~in the IHCC Program.~~ recipients.
 2. Services shall be provided in a manner that supplements, rather than supplants, family roles and responsibilities.
 3. Services shall be authorized in amounts based on assessed need of each recipient, taking into account care and services

- provided by the family, other public and private agencies, and other informal caregivers who may be available to assist the family. All available resources shall be utilized fully, and services provided by such agencies and individuals shall be disclosed to the DMA assessor.
4. ~~Services shall be directly related to the hands-on assistance and related tasks to complete each qualifying ADL in accordance with the IHCC or IHCA the personal care service assessment and plan of care, as applicable.~~
 5. ~~Services provided under IHCC and IHCA shall not include household chores not directly related to the qualifying ADLs, nonmedical transportation, financial management, and non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting.~~
 6. ~~Essential errands that are critical to maintaining the health and welfare of the recipient may be approved on a case-by-case basis by the DMA assessor when there is no family member, other individual, program, or service available to meet this need. Approval, including the amount of time required to perform this task, shall be documented on the recipient's assessment form and plan of care.~~
- d. Utilize the following process for admission evaluation or reevaluation to the IHCC and IHCA programs: provide personal care services to children:
1. The recipient shall be seen by his or her primary or attending physician, who shall provide written authorization for referral for the service and written attestation to the medical necessity for the service.
 2. All assessments for ~~admission to IHCC and IHCA, the~~ provision of services, continuation of these services, and change of status reviews for these services shall be performed by DMA or its designee. The DMA designee may not be an owner of a provider business or provider of ~~in-home or~~ personal care services of any type.
 3. DMA or its designee shall determine and authorize the amount of service to be provided on a "needs basis," as determined by its review and findings of each recipient's degree of functional disability and level of unmet ~~needs for hands-on personal assistance in the five qualifying ADLs needs.~~
- e. Take all appropriate actions to manage the cost, quality, program compliance, and utilization of ~~personal care services provided under the IHCC and IHCA programs, services,~~ services, including, but not limited to:
1. Priority independent reassessment of recipients before the anniversary date of their initial ~~admission or reassessment for those recipients likely to qualify for the restructured IHCC and IHCA programs assessment.~~
 2. Priority independent reassessment of recipients requesting a change of service provider.
 3. Targeted independent reassessments of recipients prior to their anniversary dates when the current provider assessment indicates they may not qualify for ~~the program~~ personal care services or for the amount of services they are currently receiving.
 4. Targeted independent reassessment of recipients receiving services from providers with a history of ~~program noncompliance, noncompliance in providing personal care services to children.~~

- ~~5. Provider desk and on-site reviews and recoupment of all identified overpayments or improper payments.~~
- ~~6. Recipient reviews, interviews, and surveys.~~
- ~~7. The use of mandated electronic transmission of referral forms, plans of care, and reporting forms.~~
- ~~8. The use of mandated electronic transmission of uniform reporting forms for recipient complaints and critical incidents.~~
- ~~9. The use of automated systems to monitor, evaluate, and profile provider performance against established performance indicators.~~
- ~~10. Establishment of rules that implement the requirements of 42 C.F.R. § 441.16.~~
- f. ~~Time line for implementation of new IHCC and IHCA programs.~~
 - ~~1. Subject to approvals from CMS, DMA shall make every effort to implement the new IHCC and IHCA programs by January 1, 2013.~~
 - ~~2. DMA shall ensure that individuals who qualify for the IHCC and IHCA programs shall not experience a lapse in service and, if necessary, shall be admitted on the basis of their current provider assessment when an independent reassessment has not yet been performed and the current assessment documents that the medical necessity requirements for the IHCC or IHCA program, as applicable, have been met.~~
 - ~~3. Prior to the implementation date of the new IHCC and IHCA programs, all recipients in the PCS and PCS Plus programs shall be notified pursuant to 42 C.F.R. § 431.220(b) and discharged, and the Department shall no longer provide services under the PCS and PCS Plus programs, which shall terminate. Recipients who qualify for the new IHCC and IHCA programs shall be admitted and shall be eligible to receive services immediately."~~

SECTION 10.9F.(c) A Medicaid recipient who meets each of the following criteria is eligible for personal care services:

- (1) The recipient has a medical condition, disability, or cognitive impairment and demonstrates unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level.
- (2) The recipient resides either in a private living arrangement, a residential facility licensed by the State of North Carolina as an adult care home, or a combination home as defined in G.S. 131E-101(1a).

The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. Personal care services shall be available for up to 80 hours per month in accordance with an assessment conducted under subsection (d) of this section and a plan of care developed by the service provider and approved by the Department of Health and Human Services, Division of Medical Assistance, or its designee. Personal care services shall not include nonmedical transportation; financial management; non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting; and household chores not directly related to the qualifying ADLs.

SECTION 10.9F.(d) All assessments for personal care services, continuation of service, and change of status reviews shall be performed by an independent assessment entity (IAE). The IAE shall not be an owner of a provider business or provider of personal care services of any type.

A recipient shall be assessed by the IAE after the recipient's primary or attending physician provides written authorization for referral for the service and written attestation to the medical necessity for the service. The IAE shall determine and authorize the amount of service to be provided as determined by its review and findings of each recipient's degree of functional disability and level of unmet needs for personal care services in the five qualifying ADLs.

SECTION 10.9F.(e) The Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services by September 1, 2012, on the implementation of this section and on its progress in making independent assessments of recipients.

SECTION 10.9F.(f) The Department of Health and Human Services shall apply to the Centers for Medicare and Medicaid Services by July 15, 2012, for a Medicaid State Plan Amendment to implement this section.

SECTION 10.9F.(g) Subsections (c) and (d) of this section become effective January 1, 2013.

APPROPRIATIONS CONTINGENT UPON ADEQUACY OF FUNDING FOR MEDICAID BUDGET

SECTION 10.9G. Notwithstanding any other provision of this act or any other provision of law, the Department of Health and Human Services shall not, under any circumstances, expend any of the funds appropriated in this act for the 2012-2013 fiscal year for the following purposes until January 1, 2013, pending a determination by the Office of State Budget and Management that there is adequate funding for the Medicaid budget for the 2012-2013 fiscal year:

- (1) Funds appropriated to the Division of Child Development and Early Education pursuant to Section 10.4 of this act for "Read NC" Early Literacy Initiative, Development Officers, and assistance to rural partnerships.
- (2) Funds appropriated to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for the following:
 - a. Additional psychiatric care beds at Broughton Hospital.
 - b. Additional local inpatient psychiatric beds or bed days available to local management entities or managed care organizations under the State-administered three-way contract pursuant to Section 10.10 of this act.
- (3) Funds appropriated to the Division of Public Health pursuant to Section 10.14(a)(5) of this act for local community health and wellness initiatives.

FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 10.10. Section 10.8(b) of S.L. 2011-145 reads as rewritten:

"SECTION 10.8.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty-nine million one hundred twenty-one thousand six hundred forty-four dollars (\$29,121,644) for the 2011-2012 fiscal year and the sum of ~~twenty-nine million one hundred twenty-one thousand six hundred forty-four dollars (\$29,121,644)~~ thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars (\$38,121,644) for the 2012-2013 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed ~~days-days~~; provided, however, the Department shall not expend nine million dollars (\$9,000,000) of the funds appropriated in this section for the 2012-2013 fiscal year until January 1, 2013, pending a determination by the Office of State Budget and Management that there is adequate funding for the Medicaid budget for the 2012-2013 fiscal year, as provided in Section 10.9G of House Bill 950, 2012 Regular Session. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LMEs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in LME catchment ~~areas~~areas, including any catchment areas served by managed care organizations, and according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division

within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2012, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection."

EXAMINATION OF THE STATE'S DELIVERY OF MENTAL HEALTH SERVICES

SECTION 10.11.(a) The Joint Legislative Oversight Committee on Health and Human Services shall appoint a subcommittee to examine the State's delivery of mental health services. As part of its examination, the subcommittee shall review all of the following:

- (1) The State's progress in reforming the mental health system to deliver mental health services to individuals in the most integrated setting appropriate, without unnecessary institutionalization.
- (2) The State's capacity to meet its growing mental health needs with community-based supports.
- (3) The process for determining the catchment areas served by the State's psychiatric hospitals, with consideration of both of the following:
 - a. Factors used in assigning the geographic groupings of local management areas and managed care organizations into catchment areas.
 - b. Alternatives to the current process for determining the catchment areas served by the State's psychiatric hospitals, including a determination of whether there is a more efficient and equitable manner of assigning hospital catchment areas.

SECTION 10.11.(b) The subcommittee shall report its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services on or before January 15, 2013, at which time it shall terminate.

FUNDS FOR FAMILY PLANNING SERVICES BY LOCAL HEALTH DEPARTMENTS

SECTION 10.12. Of the funds appropriated in this act to the Department of Health and Human Services for the 2012-2013 fiscal year, none shall be allocated to renewing, extending, or entering into new contracts for the provision of family planning services and pregnancy prevention activities with providers other than local health departments. Upon the expiration of any contracts in effect during the 2011-2012 fiscal year between the Division of Public Health and private providers of family planning services and pregnancy prevention activities, the Department shall reallocate three hundred forty-three thousand dollars (\$343,000) of these contract funds to local health departments. Local health departments receiving funds under this section shall not contract with private providers for the provision of family planning services or pregnancy prevention activities. These services and activities shall be provided directly by local health department recipients or by other governmental entities contracted by local health department recipients. This section does not apply to contracts administered by the Department pursuant to G.S. 130A-131.15A.

COMMUNITY HEALTH GRANT FUNDING

SECTION 10.13.(a) By no later than January 1, 2013, the Department of Health and Human Services shall enter into contracts obligating the entire amount of funds appropriated in this act for community health centers for the 2012-2013 fiscal year. These funds shall be used only for community health grants to nonprofit or public health care safety nets that provide primary and preventive medical services to uninsured or medically indigent patients, including free clinics, community health care centers, rural health centers, school-based health centers, and local health departments. The Department shall not use these funds to supplant any reduction in funding prescribed by the General Assembly for the 2012-2013 fiscal year.

SECTION 10.13.(b) By no later than March 1, 2013, the Department of Health and Human Services shall submit a written report on community health grants awarded during the 2012-2013 fiscal year to the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The report shall include at least all of the following:

- (1) The identity and a brief description of the community health activities performed by each grantee.
- (2) The amount of funding awarded to each grantee.
- (3) The number of persons served by each grantee.

FUNDS FOR COMMUNITY-BASED HEALTH AND WELLNESS INITIATIVES

SECTION 10.14.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the 2012-2013 fiscal year for community-based health and wellness programs and initiatives shall be used only for the following:

- (1) Programs to prevent and reduce tobacco use by students in grades kindergarten through 12. The Department shall not spend any funds allocated to these programs for statewide marketing and media campaigns for tobacco cessation and prevention. This subdivision shall not be construed to prohibit the use of these funds for (i) local or community-based tobacco cessation and prevention campaigns, (ii) tobacco cessation and prevention campaigns conducted on the premises of North Carolina elementary schools, middle schools, and high schools, or (iii) the North Carolina Tobacco Use Quitline known as QuitlineNC.
- (2) ChecKmeds.
- (3) Medication Assistance Program.
- (4) Roanoke Chowan Telehealth Network.
- (5) Local health department initiatives, provided, however, the Department shall not use these funds for local health department initiatives until January 1, 2013, pending a determination by the Office of State Budget and Management (OSBM) that there is adequate funding for the Medicaid budget for the 2012-2013 fiscal year, as provided in Section 10.9G of this act. Upon a determination by OSBM that there is adequate funding for the Medicaid budget for the 2012-2013 fiscal year, local health departments shall use these funds only for local community health and wellness initiatives to promote healthy behaviors, including, but not limited to, tobacco cessation, improved nutrition, increased physical activity, disease prevention, and school nurse positions. Funds received by local health departments pursuant to this section shall not supplant existing funds for local health and wellness programs or initiatives.

SECTION 10.14.(b) By December 1, 2013, the Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the use of these funds. The report shall include at least all of the following:

- (1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.

- (2) The amount of funding awarded to each grantee.
- (3) The number of persons served by each grantee, broken down by program or initiative.

DELAY LOCAL RECEIPT OF LARGER PORTION OF FOOD & LODGING FEES

SECTION 10.15. Section 31.11A(c) of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391, reads as rewritten:

"SECTION 31.11A.(c) Subsection (a) of this section becomes effective ~~July 1, 2012.~~July 1, 2013."

AIDS DRUG ASSISTANCE PROGRAM PILOT

SECTION 10.16.(a) The Department of Health and Human Services, Division of Public Health, shall develop a pilot program to enroll individuals receiving services under the Aids Drug Assistance Program (ADAP) in Inclusive Health North Carolina. The Department shall not implement the pilot program until it obtains actuarial services to ensure the cost neutrality or cost savings of enrolling ADAP recipients in Inclusive Health North Carolina. If an actuary determines that implementation will be cost neutral or achieve savings, the Department shall implement the pilot program for the period commencing January 1, 2013, and terminating December 31, 2013. The purposes of the pilot are (i) to determine cost savings to ADAP through enrollment of ADAP recipients in a preexisting conditions insurance program (PCIP) and (ii) to inform the Department of best practices in transitioning ADAP recipients to Medicaid as they become eligible. The Department shall select up to three HIV/AIDS care provider agencies with the highest number of ADAP recipients to participate in the pilot. The Department shall ensure that the total number of ADAP recipients participating in the pilot meets all of the following requirements:

- (1) Participation does not exceed ten percent (10%) of the total number of ADAP recipients.
- (2) ADAP recipients shall be enrolled in Inclusive Health North Carolina only up to the point that enrollment remains cost neutral or achieves cost savings to ADAP, as determined by an actuary.

SECTION 10.16.(b) The Department may contract with a vendor to evaluate the results of the pilot program. By no later than April 1, 2014, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the House Appropriations Subcommittee on Health and Human Services on the results of the pilot program. The report shall include all of the following:

- (1) The number of pilot program participants.
- (2) A cost analysis for the pilot program, including a cost comparison between ADAP recipients who received services through Inclusive Health North Carolina and ADAP recipients who received services only through ADAP.
- (3) Feedback from pilot program participants.
- (4) Best practices identified by the Department for transitioning ADAP recipients to Medicaid as they become eligible.
- (5) Improved health outcomes.

SECTION 10.16.(c) The Department shall use funds appropriated to it to develop and implement the pilot program authorized by this section. The Division of Public Health shall manage the number of ADAP recipients enrolled in Inclusive Health North Carolina as part of the pilot program and the number of ADAP recipients receiving services only through ADAP in order to ensure that pilot program expenditures do not exceed available funds.

REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS

SECTION 10.18.(a) Section 10.18 of S.L. 2011-145 is repealed.

SECTION 10.18.(b) For fiscal year 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. The Department shall not, under any circumstances, use any funds, including State funds, federal funds, special revenue funds, or departmental receipts, to supplement the reduced amount of funding to be allocated to nonprofit organizations pursuant to this subsection. In achieving the reductions required by this subsection, the Department (i) shall minimize reductions to funds allocated to nonprofit

organizations for the provision of direct services and (ii) shall not reduce funds allocated to nonprofit organizations to pay for direct services to individuals with developmental disabilities.

REPORTS BY NON-STATE ENTITIES RECEIVING DIRECT STATE APPROPRIATIONS

SECTION 10.19.(a) The Department of Health and Human Services shall require the following non-State entities to match ten percent (10%) of the total amount of State appropriations received each fiscal year. In addition, the Department shall direct these entities to submit a written report annually, beginning December 1, 2012, of all activities funded by State appropriations to the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division:

- (1) North Carolina Senior Games, Inc.
- (2) ARC of North Carolina.
- (3) ARC of North Carolina – Wilmington.
- (4) Autism Society of North Carolina.
- (5) The Mariposa School for Children with Autism.
- (6) Easter Seals UCP of North Carolina.
- (7) Easter Seals UCP of North Carolina and Virginia.
- (8) ABC of North Carolina Child Development Center.
- (9) Residential Services, Inc.
- (10) Oxford House, Inc.
- (11) Brain Injury Association of North Carolina.
- (12) Food Bank of Central and Eastern North Carolina, Inc.
- (13) Food Bank of the Albemarle.
- (14) Manna Food Bank.
- (15) Second Harvest Food Bank of Metrolina, Inc.
- (16) Second Harvest Food Bank of Northwest North Carolina, Inc.
- (17) Second Harvest Food Bank of Southeast North Carolina
- (18) Prevent Blindness NC.

SECTION 10.19.(b) The report required by subsection (a) of this section shall include the following information about the fiscal year preceding the year in which the report is due:

- (1) The entity's mission, purpose, and governance structure.
- (2) A description of the types of programs, services, and activities funded by State appropriations.
- (3) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.
- (4) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.
- (5) A detailed program budget and list of expenditures, including all positions funded and funding sources.
- (6) The source and amount of any matching funds received by the entity.

REPORT ON LAPSED SALARY FUNDS

SECTION 10.20. Beginning no later than November 1, 2012, the Department of Health and Human Services shall submit quarterly reports to the Joint Legislative Oversight Committee on Health and Human Services, 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 use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding calendar quarter:

- (1) The total amount of lapsed salary funds.
- (2) The number of full-time equivalent positions comprising the lapsed salary funds.
- (3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.

- (4) The purposes for which the Department expended lapsed salary funds.

REVISE DATES/TANF BENEFIT IMPLEMENTATION

SECTION 10.22. Section 10.55 of S.L. 2011-145 reads as rewritten:

"SECTION 10.55.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan ~~FY 2010-2012,~~"2012-2015," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, ~~2010,2012,~~ through September 30, ~~2012,2015.~~ The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2011 General Assembly.

"SECTION 10.55.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan ~~FY 2010-2012,2012-2015,~~ as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

"SECTION 10.55.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for ~~fiscal year 2011-years~~ 2012 through 2012,2015, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, ~~2009,2012.~~ For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, ~~2012,2015.~~

"SECTION 10.55.(d) For the ~~2011-2012~~2012-2013 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the ~~2010-2011~~2011-2012 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

"SECTION 10.55.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the ~~2011-2012~~2012-2013 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division."

EQUALIZE SPECIAL ASSISTANCE PAYMENTS UNDER IN-HOME, ADULT CARE HOME, AND RENTAL ASSISTANCE PROGRAMS

SECTION 10.23.(a) G.S. 108A-47.1 reads as rewritten:

"§ 108A-47.1. Special Assistance in-home payments.

(a) The Department of Health and Human Services may use funds from the existing State-County Special Assistance budget to provide Special Assistance payments to eligible individuals 18 years of age or older in in-home living arrangements. These payments may be made for up to fifteen percent (15%) of the caseload for all State-County Special Assistance. The standard monthly payment to individuals enrolled in the Special Assistance in-home program shall be ~~seventy five percent (75%)~~one hundred percent (100%) of the monthly payment the individual would receive if the individual resided in an adult care home and qualified for Special Assistance, except if a lesser payment amount is appropriate for the individual as determined by the local case manager. The Department shall implement Special Assistance in-home eligibility policies and procedures to assure that in-home program participants are those individuals who need and, but for the in-home program, would seek placement in an adult care home facility. The Department's policies and procedures shall include the use of a functional assessment. ~~The Department shall make this in-home option available to all counties on a voluntary basis. To the maximum extent possible, the Department shall consider geographic balance in the dispersion of payments to individuals across the State.~~

(b) All county departments of social services shall participate in the State-County Special Assistance in-home program by making Special Assistance in-home slots available to individuals who meet the eligibility requirements established by the Department pursuant to subsection (a) of this section. By February 15, 2013, the Department shall establish a formula to determine the need for additional State-County Special Assistance in-home slots for each county. Beginning July 1, 2014, and each July 1 thereafter, the Department shall review and revise the formula as necessary.

SECTION 10.23.(b) County departments of social services with established State-County Special Assistance in-home slots that have filled some but not all slots as of February 15, 2013, shall maintain at least the same number of slots during the 2012-2013 fiscal year as the average number of slots filled during the 2011-2012 fiscal year.

SECTION 10.23.(c) County departments of social services with established State-County Special Assistance in-home slots that have not filled any of these slots as of February 15, 2013, shall begin participating in the Special Assistance in-home program effective February 15, 2013, by filling all their established slots.

SECTION 10.23.(d) County departments of social services with no established State-County Special Assistance in-home slots shall begin participating in the Special Assistance in-home program effective February 15, 2013. The Department shall determine the designated number of slots to be established and filled in these counties by assessing the need for these slots based upon a percentage of the caseload for all State-County Special Assistance within that county.

SECTION 10.23.(e) Effective February 15, 2013, notwithstanding G.S. 108A-47.1(a) and within existing appropriations for State-County Special Assistance, the Secretary of the Department of Health and Human Services may waive the fifteen percent (15%) cap on Special Assistance in-home payments, as the Secretary deems necessary.

SECTION 10.23.(f) G.S. 143B-139.5 reads as rewritten:

"§ 143B-139.5. Department of Health and Human Services; adult care State/county share of ~~costs~~; maintenance of State/county budget allocations for State-County Special Assistance programs.

State funds available to the Department of Health and Human Services shall pay fifty percent (50%), and the counties shall pay fifty percent (50%) of the authorized rates for care in adult care homes including area mental health agency-operated or contracted-group homes. The Department shall maintain the State's appropriation to the State-County Special Assistance program at one hundred percent (100%) of the State certified budget enacted by the General Assembly for the 2012-2013 fiscal year. The Department shall use these appropriated funds for the State-County Special Assistance program, the State-County Special Assistance in-home program, and rental assistance. Each county department of social services shall maintain its allocation to the State-County Special Assistance program at one hundred percent (100%) of the county funds budgeted for this program for the 2011-2012 fiscal year. Each county shall use these funds for the State-County Special Assistance program, the State-County Special Assistance in-home program, and rental assistance.

SECTION 10.23.(g) Section 10.59 of S.L. 2011-145 reads as rewritten:

"STATE-COUNTY SPECIAL ASSISTANCE

"SECTION 10.59.(a) The maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars (\$1,182) per month per ~~resident unless adjusted by the Department in accordance with subsection (d) of this section.~~ resident. The eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from the adoption of this maximum monthly rate, provided these recipients are otherwise eligible.

"SECTION 10.59.(b) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars (\$1,515) per month per ~~resident unless adjusted by the Department in accordance with subsection (d) of this section.~~ resident.

"SECTION 10.59.(c) ~~Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH PCS) under federal law. As determined, and with any necessary approval from~~

~~the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH PCS), thus maximizing available federal funds. The established rate for State County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State County Special Assistance to the Medicaid personal care services for adult care homes (ACH PCS). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.~~

~~"SECTION 10.59.(d) The Department of Health and Human Services shall recommend rates for State County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State County Special Assistance funds and shall ensure that cost reporting is done for State County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers."~~

SECTION 10.23.(h) This section becomes effective February 15, 2013.

TRANSITIONS TO COMMUNITY LIVING INITIATIVE

SECTION 10.23A.(a) The General Assembly finds that the State's long-term care industry plays a vital role in ensuring that citizens are afforded opportunities for safe housing and adequate client-centered supports in order to live as independently as possible in their homes and communities across the State. This role is consistent with citizens of the State having the opportunity to live in the most appropriate, integrated settings of their choice. The General Assembly also is committed to the development of a plan that continues to advance the State's current system into a statewide system of person-centered, affordable services and supports that emphasize an individual's dignity, choice, and independence and provides new opportunities and increased capacity for community housing and community supports.

SECTION 10.23A.(b) Blue Ribbon Commission on Transitions to Community Living. – There is established the Blue Ribbon Commission on Transitions to Community Living (Commission). The Commission shall (i) examine the State's system of community housing and community supports for people with severe mental illness, severe and persistent mental illness, and intellectual and developmental disabilities and (ii) develop a plan that continues to advance the State's current system into a statewide system of person-centered, affordable services and supports that emphasize an individual's dignity, choice, and independence. In the execution of its duties, the Commission shall consider the following:

- (1) Policies that alter the State's current practices with respect to institutionally based services to community-based services delivered as close to an individual's home and family as possible.
- (2) Best practices in both the public and private sectors in managing and administering long-term care to individuals with disabilities.
- (3) An array of services and supports for people with severe mental illness and severe and persistent mental illness, such as respite, community-based supported housing and community-based mental health services, to include evidence-based, person-centered recovery supports and crisis services and supported employment.

- (4) For adults with intellectual and other developmental disabilities, expansion of community-based services and supports, housing options, and supported work. Maximize the use of habilitation services that may be available via the Medicaid "I" option for individuals who do not meet the ICF-MR level of need.
- (5) Methods to responsibly manage the growth in long-term care spending, including use of Medicaid waivers.
- (6) Options for repurposing existing resources while considering the diverse economic challenges in communities across the State.
- (7) Opportunities for systemic change and maximization of housing, and service and supports funding streams, including State-County Special Assistance and the State's Medicaid program.
- (8) The appropriate role of adult care homes and other residential settings in the State.
- (9) Other resources that might be leveraged to enhance reform efforts.

SECTION 10.23A.(c) The Commission shall be composed of 32 members as follows:

- (1) Six members of the House of Representatives appointed by the Speaker of the House of Representatives.
- (2) Six members of the Senate appointed by the President Pro Tempore of the Senate.
- (3) Secretary of the Department of Health and Human Services (DHHS) or the Secretary's designee.
- (4) Director of the Housing Finance Agency or the Director's designee.
- (5) Director of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of DHHS or the Director's designee.
- (6) Director of the Division of Medical Assistance of DHHS or the Director's designee.
- (7) Two mental health consumers or their family representatives.
- (8) Two developmental disabilities consumers or their family representatives.
- (9) Two persons in the field of banking or representing a financial institution with housing finance expertise.
- (10) Two representatives of local management entities/managed care organizations.
- (11) A county government representative.
- (12) A North Carolina Association, Long Term Care Facilities representative.
- (13) A North Carolina Assisted Living Association representative.
- (14) A family care home representative.
- (15) A representative of group homes for adults with developmental disabilities.
- (16) A representative of group homes for individuals with mental illness.
- (17) Two representatives of service providers with proven experience in innovated housing and support services in the State.

The Secretary of the Department of Health and Human Services shall ensure adequate staff representation and support from the following: Division of Mental Health, Developmental Disabilities and Substance Abuse Services, Division of Aging and Adult Services, Division of Health Services Regulations, Division of Social Services, and other areas as needed.

The Commission shall appoint a Subcommittee on Housing composed of 15 members and a Subcommittee on Adult Care Homes.

The chairs shall jointly appoint members described in subdivisions (7) through (17) of this subsection and shall fill vacancies in those positions. The Commission shall meet at the call of the chairs. Members of the Commission shall receive per diem, subsistence, and travel expenses as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Commission may contract for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Commission in its work. Clerical staff shall be furnished to the Commission through the offices of the House of Representatives and Senate Directors of Legislative Assistants. The Commission may meet in the Legislative Building or the Legislative Office Building. The Commission may exercise all of the powers provided under G.S. 120-19 through

G.S. 120-19.4 while in the discharge of its official duties. The funds needed to support the cost of the Commission's work shall be transferred from the Department of Health and Human Services upon request of the Legislative Services Director.

SECTION 10.23A.(d) Transitions to Community Living Fund. – There is established the Transitions to Community Living Fund (Fund) to facilitate implementation of the plans required in subsections (e) and (f) of this section.

SECTION 10.23A.(e) Of the amount appropriated to the Fund established in subsection (d) of this section, the sum of ten million three hundred thousand dollars (\$10,300,000) is appropriated to support the Department of Health and Human Services in its plan for transitioning individuals with severe mental illness and severe and persistent mental illness into community living arrangements, including establishing a rental assistance program. If the State executes an agreement with the U.S. Department of Justice (USDOJ) in response to the USDOJ findings dated July 28, 2011, or implements a plan in response to the USDOJ findings, these funds shall be used to implement the requirements of the first year of the agreement or the plan. In the event such an agreement is reached, a recurring appropriation will be necessary to fully implement it. The Department may issue temporary rules to implement this subsection.

SECTION 10.23A.(f) Of the amount appropriated to the Fund established in subsection (d) of this section, the sum of thirty-nine million seven hundred thousand dollars (\$39,700,000) is designated for implementation of the State's plan to provide temporary, short-term assistance to adult care homes as they transition into the State's Transitions to Community Living Initiative. The General Assembly recognizes that while transformation of the system is being undertaken, adult care homes provide stable and safe housing and care to many of North Carolina's frail and elderly population, and it is necessary during this time of transition and transformation of the statewide system that the industry remain able to provide such care.

Upon certification by the Department of Health and Human Services, in consultation with a local adult care home resident discharge team, as defined in G.S. 131D-2.1(3a), that a resident who is no longer eligible to receive Medicaid reimbursable assistance and for whom a community placement has not yet been arranged cannot be safely and timely discharged into the community, the Department may make a monthly payment to the adult care home to support the facility's continuing provision of services to the resident. The monthly payment provided by the Department to an adult care home pursuant to this subsection shall not exceed six hundred ninety-four dollars (\$694) per month per resident for a period not to exceed three months for each resident. At the expiration of this three-month period, the monthly payment shall be reduced by twenty-five percent (25%) and shall not exceed five hundred twenty dollars and fifty cents (\$520.50) per month per resident. Upon implementation of the home-and community-based services program for elderly individuals typically served in special care or memory care units, to be developed by the Department under Medicaid State Plan 1915(i) authority pursuant to Section 10.9E of this act, the Department shall terminate all monthly payments pursuant to this subsection for continuing services provided to residents of special care or memory care units. The Department shall terminate all monthly payments pursuant to this subsection on June 30, 2013. Notwithstanding any other provision of this subsection, the Department is prohibited from making any monthly payments under this subsection to an adult care home for services provided to any resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

The Department of Health and Human Services shall administer these funds but may, as needed, contract with a vendor for administration.

SECTION 10.23A.(g) The Department shall report its progress in complying with subsection (e) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 2, 2013, and submit a final report no later than April 1, 2013.

SECTION 10.23A.(h) The Commission shall issue an interim report by October 1, 2012, and a final plan to the 2013 General Assembly no later than February 1, 2013, at which time the Commission shall expire.

SECTION 10.23A.(i) Subsection (f) of this section expires on June 30, 2013, and any unobligated funds designated for the purposes of that subsection shall revert to the Transitions to Community Living Fund established in subsection (d) of this section.

SECTION 10.23A.(j) Nothing in subsection (d), (e), or (f) of this section is intended to create or shall be construed to create a right or entitlement for any individual, facility, or provider of services.

TELECOMMUNICATIONS RELAY SERVICE

SECTION 10.24.(a) G.S. 62-157(d1) reads as rewritten:

"(d1) The Department of Health and Human Services shall utilize revenues from the wireless surcharge collected under subsection (i) of this section to ~~fund the Regional Resource Centers within support~~ the Division of Services for the Deaf and the Hard of Hearing, in accordance with G.S. 143B-216.33, G.S. 143B-216.34, and Chapter 8B of the General Statutes."

SECTION 10.24.(b) G.S. 62-157(e) reads as rewritten:

"(e) Administration of Service. – The Department of Health and Human Services shall administer the statewide telecommunications relay service program, including its establishment, operation, and promotion. The Department may contract out the provision of this service for four-year periods to one or more service providers, using the provisions of G.S. 143-129. The Department shall administer all programs and services, including the Regional Resource Centers within the Division of Services for the Deaf and the Hard of Hearing in accordance with G.S. 143B-216.33, G.S. 143B-216.34, and Chapter 8B of the General Statutes."

DHHS BLOCK GRANTS

SECTION 10.25.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	\$ 60,285,413
02.	Work First County Block Grants	83,386,330
03.	Work First Electing Counties	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
06.	Child Welfare Collaborative	754,115

Division of Child Development

07.	Subsidized Child Care Program	59,645,662
08.	Swap Child Care Subsidy	6,352,644

Division of Public Health

09.	Teen Pregnancy Initiatives	2,500,000
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DHHS Administration

10.	Division of Social Services	2,482,260
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11.	Office of the Secretary	34,042
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Transfers to Other Block Grants

Division of Child Development

12.	Transfer to the Child Care and Development Fund	71,773,001
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		\$ 316,558,949
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**TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)
EMERGENCY CONTINGENCY FUNDS**

Local Program Expenditures

Division of Social Services

01.	Work First County Block Grants	\$ 11,066,985
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TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		\$ 11,066,985
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SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services (Transfer from TANF \$4,148,001)	\$ 32,249,206
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	State In-Home Services Fund	2,101,113
04.	Adult Protective Services	1,346,047
05.	State Adult Day Care Fund	2,155,301
06.	Child Protective Services/CPS Investigative Services- Child Medical Evaluation Program (Carousel Center for Abused Children \$134,592)	744,047
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000

09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Maternity Homes	925,085
11.	Child Advocacy Centers	375,000
12.	Work First – Boys and Girls Clubs	2,452,500
13.	Food Banks	1,000,000
14.	Child Care Subsidy	2,598,319
15.	Guardianship	4,356,604
16.	UNC Cares Contract	247,920
16A.	Foster Care Services	1,497,138
Division of Public Health		
16B.	Tobacco Cessation	2,728,000
18.	Prevent Blindness	150,000
Division of Vocational Rehabilitation		
19.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
Division of Central Management and Support		
19A.	ALS Association Jim "Catfish" Hunter Chapter	400,000
DHHS Program Expenditures		
Division of Services for the Blind		
20.	Independent Living Program	3,633,077
21.	Accessible Electronic Information for Blind and Disabled Persons	75,000
Division of Health Service Regulation		
22.	Adult Care Licensure Program	411,897
23.	Mental Health Licensure and Certification Program	205,668
DHHS Administration		
24.	Division of Aging and Adult Services	624,454
25.	Division of Social Services	604,311
26.	Office of the Secretary/Controller's Office	138,058
27.	Division of Child Development	15,000
28.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665

29.	Division of Health Service Regulation	128,562
TOTAL SOCIAL SERVICES BLOCK GRANT		\$ 68,257,174

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low-Income Energy Assistance Program (LIEAP)	\$ 14,688,575
02.	Crisis Intervention Program (CIP)	33,255,130

Local Administration

Division of Social Services

03.	County DSS Administration	4,444,717
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DHHS Administration

04.	Office of the Secretary/DIRM	219,490
05.	Office of the Secretary/Controller's Office	9,779

Transfers to Other State Agencies

Department of Commerce

06.	Weatherization Program	8,464,517
07.	Heating Air Repair and Replacement Program (HARRP)	4,073,690
08.	Local Residential Energy Efficiency Service Providers – Weatherization	19,825
09.	Local Residential Energy Efficiency Service Providers – HARRP	180,041
10.	Department of Commerce Administration – Weatherization	19,825
11.	Department of Commerce Administration – HARRP	180,041

Department of Administration

12.	N.C. Commission on Indian Affairs	87,736
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TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		\$ 65,643,366
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CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development

01.	Child Care Services (Smart Start \$7,000,000)	\$ 154,695,081
02.	Electronic Tracking System	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001
04.	Quality and Availability Initiatives (TEACH Program \$3,800,000)	26,484,816

DHHS Administration

Division of Child Development

05.	DCDEE Administrative Expenses	6,000,000
06.	Local Subsidized Child Care Services Support (4% Administrative Allowance)	15,898,602

Division of Central Administration

07.	DHHS Central Administration – DIRM Technical Services	775,000
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**TOTAL CHILD CARE AND DEVELOPMENT FUND
BLOCK GRANT**

\$ 278,626,500

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Mental Health Services – Adult	\$ 8,870,595
02.	Mental Health Services – Child	5,121,991
03.	Administration	100,000

TOTAL MENTAL HEALTH SERVICES BLOCK GRANT

\$ 14,092,586

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

01.	Substance Abuse Services – Adult	\$ 15,328,802
02.	Substance Abuse Treatment Alternative for Women	6,050,300
03.	Substance Abuse – HIV and IV Drug	3,919,723
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,940,500
06.	Administration	454,000

Division of Public Health

07.	Risk Reduction Projects	575,654
08.	Aid-to-Counties	190,295

TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	\$ 38,646,131
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MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	Children's Health Services	\$ 8,487,547
02.	Women's Health (March of Dimes \$350,000; Teen Pregnancy Prevention Initiatives \$650,000; Perinatal Quality Collaborative \$250,000; 17P Project \$47,000)	8,404,244
03.	Oral Health	42,268

DHHS Program Expenditures

Division of Public Health

04.	Children's Health Services	1,250,000
05.	Women's Health	136,628
06.	State Center for Health Statistics	164,318
07.	Quality Improvement in Public Health	2,774
08.	Health Promotion	89,374

DHHS Administration

Division of Public Health

09.	Division of Public Health Administration	600,000
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TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$ 19,259,071
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PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	180,470
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DHHS Program Expenditures

Division of Public Health

02.	State Center for Health Statistics	160,000
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$ 340,470

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	\$ 18,075,488
02.	Limited Purpose Agencies	1,004,194

DHHS Administration

03.	Office of Economic Opportunity	1,004,194
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TOTAL COMMUNITY SERVICES BLOCK GRANT		\$ 20,083,876
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GENERAL PROVISIONS

SECTION 10.25.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 10.25.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for the 2012-2013 fiscal year, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old children.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of

Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.25.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2013, according to the schedule enacted for State fiscal year 2012-2013 or until a new schedule is enacted by the General Assembly.

SECTION 10.25.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 10.25.(f) If the Preventive Health Services Block Grant is funded at the federal level and the State receives a block grant for Preventive Health Services, the 2011-2012 allocation plan shall remain in effect for the 2012-2013 fiscal year.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 10.25.(g) The sum of eighty-three million three hundred eighty-six thousand three hundred thirty dollars (\$83,386,330) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.25.(h) The sum of two million four hundred eighty-two thousand two hundred sixty dollars (\$2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.25.(i) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2012-2013 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services' workers. Of the block grant funds appropriated for Child Protective Services' workers, the total expenditures from State and local funds for the 2012-2013 fiscal year shall not be less than the total expended from State and local funds for the 2011-2012 fiscal year.

SECTION 10.25.(j) The sum of two million twenty-six thousand eight hundred seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2012-2013 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section 10.48 of S.L. 2009-451. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 10.25.(k) The sum of seven hundred fifty-four thousand one hundred fifteen dollars (\$754,115) appropriated in this section to the Department of Health and Human

Services in TANF funds for the 2012-2013 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.25.(l) The sum of thirty-two million two hundred forty-nine thousand two hundred six dollars (\$32,249,206) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.25.(m) The sum of one million three hundred thousand dollars (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used to support various child welfare training projects as follows:

- (1) Provide a regional training center in southeastern North Carolina.
- (2) Provide training for residential child caring facilities.
- (3) Provide for various other child welfare training initiatives.

SECTION 10.25.(n) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.25.(o) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.25.(p) The sum of five million forty thousand dollars (\$5,040,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 10.25.(q) The sum of two million four hundred fifty-two thousand five hundred dollars (\$2,452,500) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the Social Services Block Grant for Boys and Girls Clubs for the 2012-2013 fiscal year shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of Social Services Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. The Department shall facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs and encourage them to submit joint applications for the funds if appropriate. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(r) The sum of nine hundred twenty-five thousand eighty-five dollars (\$925,085) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for maternity homes. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(s) The sum of one hundred fifty thousand dollars (\$150,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be allocated to Prevent Blindness North Carolina to be used for direct service programs. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(s1) The sum of four hundred thousand dollars (\$400,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to

the Department of Health and Human Services, Division of Central Management and Support, shall be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(t) The sum of seventy-five thousand dollars (\$75,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Services for the Blind, shall be used to provide accessible electronic information for blind and disabled persons. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(u) The sum of three hundred seventy-five thousand dollars (\$375,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(v) Social Services Block Grant funds allocated for the 2012-2013 fiscal year for child medical evaluations and the Carousel Center for Abused Children are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(w) The sum of one million dollars (\$1,000,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be allocated to North Carolina Food Bank agencies to be used to purchase and distribute food staples for emergency food assistance. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(w1) The sum of four million three hundred fifty-six thousand six hundred four dollars (\$4,356,604) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2012-2013 fiscal year and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2012-2013 fiscal year.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.25.(x) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 10.25.(y) The sum of fourteen million six hundred eighty-eight thousand five hundred seventy-five dollars (\$14,688,575) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.25.(z) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.25.(aa) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may

move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.25.(bb) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2012-2013 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.25.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

B.R.I.D.G.E. YOUTHFUL OFFENDERS/PRIORITY AND REPORTING

SECTION 11.1.(a) The Division of Adult Correction of the Department of Public Safety shall give priority to the B.R.I.D.G.E. Youthful Offenders Program operated in cooperation with the North Carolina Forest Service when assigning youthful offenders from the Western Youth Institution to work programs.

SECTION 11.1.(b) The North Carolina Forest Service shall submit an annual report on the B.R.I.D.G.E. Youthful Offenders Program no later than October 1 of each year beginning October 1, 2012, to the Fiscal Research Division, the Chairs of the House Appropriations Subcommittee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources, the Chairs of the House Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include the following information for the prior fiscal year:

- (1) The number of youthful offenders within the custody of the Division of Adult Correction eligible for B.R.I.D.G.E.
- (2) The number of youthful offenders participating in B.R.I.D.G.E.
- (3) The average daily participation in B.R.I.D.G.E.
- (4) The average duration of participation in B.R.I.D.G.E.
- (5) Summary of activities of B.R.I.D.G.E. participants.

FOREST FIRES/ANNUAL REPORT

SECTION 11.2. Article 75 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"§ 106-911. Annual report on wildfires.

No later than October 1 of each year, beginning October 1, 2012, the Commissioner shall submit a written report on wildfires in the State to the chairs of the House Appropriations Subcommittee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division of the General Assembly. The report shall include the following information for all major or project wildfires during the prior fiscal year:

- (1) The date, location, and impacts (property damage and any casualties) from the wildfire.
- (2) The following data for firefighters and related support personnel involved in fighting the wildfire:
 - a. Total overtime hours worked.
 - b. Total compensation paid for overtime.
 - c. The portion of compensation paid that was reimbursed to the State.
- (3) The fiscal impact of the wildfire, including total costs, reimbursable costs, and costs incurred by the State."

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"SECTION 7A.11.(e) Notwithstanding the calendar requirements of G.S. 115C-84.2, a local board of education may adopt a calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months for certain schools within the local school administrative unit that meet all of the following requirements:

- (1) Are located in a local school administrative unit that borders another state and serves a minimum of 135,000 students.
- (2) Participate in a public-private partnership with private monetary investment in the school and local school administrative unit for the purpose of eliminating the educational gap and ensuring that all students graduate from high school prepared to succeed in college and life through a program that requires excellent principals and effective teachers, extended learning time opportunities, access to and effective use of technology, and community support through engaged parents, motivated mentors, and community connections.
- (3) Belong to a feeder pattern that also participate in the same public-private partnership and includes not more than nine schools.

State funding shall not be used by the local board of education to fund any instructional days in excess of 185 included in a school calendar adopted as provided in this section. Local and private funds may be used to fund additional instructional days in the school calendar. The requirements of G.S. 115C-84.2 shall not apply to a school calendar approved as provided in this section.

"SECTION 7A.11.(f) This section is effective when it becomes law and applies beginning with the 2013-2014 school year."

PART III. HEALTH AND HUMAN SERVICES

SECTION 3.1.(a) The portion of Section 10.25(a) of S.L. 2012-142 setting forth the allocation for County Departments of Social Services for Local Program Expenditures, Divisions of Social Services and Aging and Adult Services, under the Social Services Block Grant reads as rewritten:

"SECTION 10.25.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

... SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

- | | | |
|-------|---|--|
| 01. | County Departments of Social Services
(Transfer from TANF \$4,148,001) | \$ 32,249,206 <u>\$30,452,068</u> |
|" | | |

SECTION 3.1.(b) The portion of Section 10.25(a) of S.L. 2012-142 setting forth the allocation for Children's Health Services for Local Program Expenditures, Division of Public Health, under the Maternal and Child Health Block Grant reads as rewritten:

"SECTION 10.25.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

... MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

- | | | |
|-------|----------------------------|---|
| 01. | Children's Health Services | \$ 8,487,547 <u>\$ 8,569,465</u> |
|" | | |

SECTION 3.1.(c) The portion of Section 10.25(a) of S.L. 2012-142 setting forth the allocation for HIV/STD Prevention and Community Planning for Local Program Expenditures, Division of Public Health, under the Preventive Health Services Block Grant reads as rewritten:

"SECTION 10.25.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

...
PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

01. HIV/STD Prevention and Community Planning
(~~Transfer from Social Services Block Grant~~) 180,470
...."

SECTION 3.1.(d) Section 10.25(l) of S.L. 2012-142 reads as rewritten:

"SECTION 10.25.(l) The sum of ~~thirty-two million two hundred forty-nine thousand two hundred six dollars (\$32,249,206)~~ thirty million four hundred fifty-two thousand sixty-eight dollars (\$30,452,068) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures."

SECTION 3.1.(e) Section 10.25 of S.L. 2012-142 is amended by adding a new subsection to read:

"SECTION 10.25.(r1) The sum of two million seven hundred twenty-eight thousand dollars (\$2,728,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be used for tobacco cessation and prevention. These funds are exempt from the provisions of 10A NCAC 71R .0201(3)."

SECTION 3.3. Section 10.9A of S.L. 2012-142 reads as rewritten:

"SECTION 10.9A.(a) ~~The State Auditor shall conduct a performance audit of the North Carolina Medicaid Program and the Division of Medical Assistance operated within the Department of Health and Human Services. The audit shall examine the program's effectiveness; results of the program; the utilization of outside vendor contracts, including the number, cost, and duration of such contracts; fiscal controls and Medicaid forecasting; and compliance with requirements of the Centers for Medicare and Medicaid Services and the requirements of State law.~~ audit the Department of Health and Human Services, Division of Medical Assistance, and the State Medicaid Program operated within the Department. The audit shall include the State Auditor's examination of at least all of the following:

- (1) The administrative functions and responsibilities of permanent Division staff.
- (2) The administrative functions that are performed either partially or entirely through contracts, cooperative agreements, Memorandums of Understanding (MOUs) with external entities, such as independent contractors, private vendors, universities, county governments, and other State or federal agencies. To identify these administrative functions, the State Auditor shall develop an inventory of all administrative contracts for purchased services, including a brief description of the scope of work, cost, and the period of performance for each contract.
- (3) The amount of funds, staff, and other resources dedicated to the performance of each administrative function of the Division.
- (4) The timeliness and compliance with State and federal mandates when carrying out the functions of the Division, including all of the following:
 - a. The production of accurate, multiyear projections of Medicaid recipient participation, consumption of services, and costs.
 - b. The oversight of the Medicaid program to ensure that program participation by Medicaid eligible recipients, consumption of services, and expenditures are within the budget authorized by the General Assembly for each fiscal year, including early detection of expenditure trends that indicate potential budget shortfalls.

- c. The timeliness of preparing and submitting Medicaid State Plan amendments to obtain approval from the Centers for Medicare and Medicaid Services to comply with State and federal laws and regulations.
- d. The collection, distribution, and maintenance of statistical data and other information on the Medicaid eligible population, eligible recipient participation, consumption of services, Medicaid patient health outcomes, provider participation and related issues, and costs.
- e. The timeliness of distribution and the presentation of complete and accurate information with supportive documentation to the Secretary of the Department of Health and Human Services, the Governor's Office, and the General Assembly regarding funding needs and policy issues.

"SECTION 10.9A.(b) The State Auditor shall give a preliminary report on the ~~performance~~ audit required by this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by November 1, 2012, and shall complete the ~~performance~~ audit by February 1, 2013.

"SECTION 10.9A.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, from the General Fund for the 2012-2013 fiscal year to fund contracts, the Department shall transfer to the North Carolina Office of the State Auditor the amount of funds necessary to complete the ~~performance~~ audit required by this section."

SECTION 3.4. Section 10.11(a) of S.L. 2012-142 is amended by adding a new subdivision to read:

- "(4) The impact of implementing the 1915(b)/(c) Medicaid waiver and other mental health system reforms on public guardianship services, including at least all of the following:
- a. Guardianship roles, responsibilities, and procedures.
 - b. The effect on existing relationships between guardians and wards.
 - c. Recommended legislation to support the transition of public guardianship services from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services within the Department of Health and Human Services to county departments of social services."

SECTION 3.5. Section 10.9E(a) of S.L. 2012-142 reads as rewritten:

"SECTION 10.9E.(a) ~~The~~ By September 15, 2012, the Department of Health and Human Services, Division of Medical Assistance, shall develop and submit to the Centers for Medicare and Medicaid Services an application for a home- and community-based services program under Medicaid State Plan 1915(i) authority for ~~elderly~~ individuals who (i) are typically served in special care and memory care units that meet the criteria of the State-County Special Assistance Program and (ii) have been diagnosed with a ~~progressive~~, degenerative, irreversible disease that attacks the brain and results in impaired memory, thinking, and behavior. The home- and community-based services program developed by the Department pursuant to this section shall focus on providing these ~~elderly~~ individuals with personal care services necessary to ameliorate the effects of gradual memory loss, impaired judgment, disorientation, personality change, difficulty in learning, and loss of language skills."

SECTION 3.6. Section 10.23A.(f) of S.L. 2012-142 reads as rewritten:

"SECTION 10.23A.(f) Of the amount appropriated to the Fund established in subsection (d) of this section, the sum of thirty-nine million seven hundred thousand dollars (\$39,700,000) is designated for implementation of the State's plan to provide temporary, short-term assistance only to adult care homes as they transition into the State's Transitions to Community Living Initiative. These funds shall be used only for this purpose. The General Assembly recognizes that while transformation of the system is being undertaken, adult care homes provide stable and safe housing and care to many of North Carolina's frail and elderly population, and it is necessary during this time of transition and transformation of the statewide system that the industry remain able to provide such care.

Upon Following completion of an independent assessment process, as outlined in Section 10.9F(d) of this act, by December 31, 2012, and upon certification by the Department of Health and Human Services, in consultation with a local adult care home resident discharge team, as

defined in G.S. 131D-2.1(3a), that a resident (i) who is no longer eligible to receive Medicaid reimbursable assistance ~~and assistance~~, (ii) for whom a community placement has not yet been ~~arranged~~ ~~arranged~~, and (iii) who cannot be safely and timely discharged into the community, the Department may make a monthly payment to the adult care home to support the facility's continuing provision of services to the resident. The Department may make the monthly payment from the thirty-nine million seven hundred thousand dollars (\$39,700,000) designated for implementation of the State's plan under this subsection. The monthly payment provided by the Department to an adult care home pursuant to this subsection shall not exceed six hundred ninety-four dollars (\$694) per month per resident for a period not to exceed three months for each resident. At the expiration of this three-month period, the monthly payment shall be reduced by twenty-five percent (25%) and shall not exceed five hundred twenty dollars and fifty cents (\$520.50) per month per resident. Upon implementation of the home-and community-based services program for ~~elderly~~ individuals typically served in special care or memory care units, to be developed by the Department under Medicaid State Plan 1915(i) authority pursuant to Section 10.9E of this act, the Department shall terminate all monthly payments pursuant to this subsection for continuing services provided to residents of special care or memory care units. The Department shall terminate all monthly payments pursuant to this subsection on June 30, 2013. Notwithstanding any other provision of this subsection, the Department is prohibited from making any monthly payments under this subsection to an adult care home for services provided to any resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

The Department of Health and Human Services shall administer these funds but may, as needed, contract with a vendor for administration."

SECTION 3.7. Section 10.9F(g) of S.L. 2012-142 reads as rewritten:

"**SECTION 10.9F.(g)** ~~Subsections (e) and (d)~~Subsection (c) of this section ~~become~~ becomes effective January 1, 2013."

PART IV. NATURAL AND ECONOMIC RESOURCES

SECTION 4.1. Notwithstanding any provision of S.L. 2012-142 to the contrary, the sum of two hundred eighty-two thousand four hundred twelve dollars (\$282,412) in recurring funds shall be transferred from the Department of Environment and Natural Resources to the Department of Health and Human Services to support Division of Environmental Health operations associated with the Department of Environment and Natural Resources' Regional Offices.

SECTION 4.2. Notwithstanding any provision of S.L. 2012-142 to the contrary, 8.75 full-time equivalents shall be transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services for the restoration of Division of Soil and Water Conservation employees associated with Department of Environment and Natural Resources' Regional Offices.

SECTION 4.3. S.L. 2012-142 reads is amended by adding a new section to read:

"SOIL AND WATER CONSERVATION CLARIFICATIONS

"**SECTION 11.6.(a)** Of the funds appropriated in this act to the Soil and Water Conservation Division of the Department of Agriculture and Community Services for the Conservation Reserve Enhancement Program, the recurring sum of two hundred seventy-five thousand dollars (\$275,000) designated for the Roanoke and Pasquotank River basins and for the implementation of amended Conservation Reserve Enhancement Program agreements in the Neuse, Tar-Pamlico, Chowan, and Jordan Lake basins may be used for operation and implementation of the Conservation Reserve Enhancement Program in any of the State's river basins eligible for the Conservation Reserve Enhancement Program.

"**SECTION 11.6.(b)** G.S. 139-4 reads as rewritten:

"§ 139-4. Powers and duties of Soil and Water Conservation Commission generally.

...
(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

- ...
(12) To develop and approve best management practices for the Agriculture Cost Share Program for Nonpoint Source Pollution Control and for use in ~~the~~ water quality protection and water use efficiency, availability, and storage programs of the Department of Environment and Natural Resources and to

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