



North Carolina Department of Health and Human Services

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Adam Sholar
Legislative Counsel
Director of Government Affairs

October 10, 2014

SENT VIA ELECTRONIC MAIL

The Honorable Ralph Hise, Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 1028, Legislative Building
Raleigh, NC 27601-2808

The Honorable Mark Hollo, Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 639, Legislative Office Building
Raleigh, NC 27603-5925

The Honorable Justin Burr, Chair
Joint Legislative Oversight Committee on
Health and Human Services
Room 307A, Legislative Office Building
Raleigh, NC 27603-5925

Dear Chairmen,

I write to provide additional information requested of the Department of Health and Human Services ("DHHS" or "Department") recently by the Joint Legislative Oversight Committee on Health and Human Services ("Committee" or "LOC").

I will begin by clarifying several points DHHS made in the most recent meeting of the Committee. First, during the NC FAST presentation, I believe the ending enrollment date for the upcoming enrollment period on the federal HealthCare.gov website was inadvertently misstated. The HealthCare.gov open enrollment period will begin November 15, 2014 and end February 15, 2015. Also related to NC FAST, the last NC FAST Project 2&6 Hard Launch will be November 3, 2014, and by December 31, 2014 NC FAST's goal is to have all counties converted out of EIS into NC FAST for all Medicaid, Work First (TANF), Refugee Assistance, and Special Assistance programs.

Additionally, we wanted to clarify one item that may have been confusing during the Medicaid budget presentation. Slide 6 of that presentation illustrated historical spending growth in the LME/MCO budget. While the information presented is accurate, it is also important to point out that the LME/MCOs are helping us to avoid costs. Attachment 1 provides the necessary clarification, illustrating that the statewide LME/MCO capitation rate is less than the projected per-member, per-month cost would have been if we were still in a fee-for-service behavioral health system.

We were also asked to provide additional information on a number of topics, which I will do below.

First, we were asked to show the amounts of Medicaid administrative funding flowing to other divisions and offices in DHHS other than the Division of Medical Assistance. For State Fiscal Year 13-14, that amount was

www.ncdhhs.gov

Tel 919-855-4800 • Fax 919-715-4645

Location: Adams Building/Dix Campus • 101 Blair Drive • Raleigh, NC 27603

Mailing Address: 2001 Mail Service Center • Raleigh, NC 27699-2001

An Equal Opportunity / Affirmative Action Employer



\$159,141,405.86. A more detailed breakdown can be found as Attachment 2. If additional or more detailed information is needed, that will take more time to compile, so please let me know.

Second, we were asked to provide the individuals who report directly to Secretary Wos on the new DHHS organizational chart. Those individuals, excluding an administrative assistant, are: (1) the Chief of Staff; (2) the Chief Policy Officer; (3) the Director of Government Affairs; (4) the Chief Legal Officer; (5) the Director of Communications; (6) the Chief Financial Officer; (7) the Chief Information Officer; (8) the Director of Human Resources; (9) the Chief Compliance Officer; (10) the Deputy Secretary for Human Services; (11) the Deputy Secretary for Behavioral Health and Developmental Disabilities Services; and (12) the Deputy Secretary for Health Services (Director, Division of Medical Assistance). The organizational chart illustrating this structure was presented at the meeting and is attached as Attachment 3.

Third, we were asked to provide several additional pieces of information on our contract with Alvarez and Marsal (A&M). We were asked how much we have spent on that contract. Through August, the invoices from A&M total \$3,749,318, of which \$3,407,612 is fees and \$341,706 is expenses. We were also asked for specific rates for the individuals from A&M working on the contract. The rates are as follows: Principals = \$473/hour; Directors = \$394/hour; and Analysts = \$242/hour. This is a blended rate of \$314/hour.

Fourth, a question was raised regarding whether DHHS has undergone a financial audit. In short we undergo such an audit annually, in addition to the numerous other audits routinely happening in our vast portfolio.

To illustrate this annual audit, the financial statements for the Department of Health and Human Services (DHHS) for the fiscal years ending June 30, 2013 and 2014 have been provided to the staff of General Assembly in case you would like to view them. The statements are submitted to the Office of the State Controller for inclusion in the State's Consolidated Annual Financial Report (CAFR) each year. These statements are also audited by the Office of the State Auditor. The DHHS statements are submitted in late August each year, and the audit is usually not completed until late fall. The SFY 2013 statements have been audited and the SFY 2014 statements are in the process of being audited. I have attached the call letter from the State Auditor for the SFY 2014 audit as Attachment 4.

Fifth, we were asked to provide one additional year of data on a pharmacy spending slide from the Medicaid budget presentation. That additional information can be found on the updated slide attached as Attachment 5.

Finally, we were asked to provide information on personal service contracts entered into by the Department in the recent past. Attached as Attachment 6 is an excel file containing personal service contracts for DHHS for the last five state fiscal years, SFY2009-2014. Very similar information has been provided by DHHS to the Program Evaluation Division of the General Assembly.¹

¹ The following differences can be found between this Attachment 6 and the data sets previously provided to the Program Evaluation Division:

SFY 2008-2009

- Contract #15182 is included on this list but was erroneously deleted from the previous run.
- Contract #13945 was included on the previous run but should not have been based on the contract start and end dates.

SFY 2011-2012

- Contract #25912 is not included in the list. The contract draft was not further developed or implemented; therefore it was voided since that data run.

SFY 2012-2013

- Contracts #26436 and 26577 are added to this list as the previous list focused on personal service, waiver contracts. Both of these contracts were procured through a RFA or RFQ process.
- Contract #26104 was also not in the original run but is included here; its status for the original run was draft. It was then executed and subsequently closed in the system.

SFY 2013-2014

- The data for the previous submissions to the Program Evaluation Division in March of 2014 and to the State Auditor in June 2014 was run before the end of the State Fiscal Year 2013-2014. Contracts have been added, amended, and/or eliminated from the system between the date of previous run and the date of the current data run to fulfill this request. The total number of contracts and individual contract details may have changed.

As always, please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam Sholar', with a long horizontal flourish extending to the right.

Adam Sholar

Attachments

CC: Members of the Joint Legislative Oversight Committee on Health and Human Services
 Sarah Riser Theresa Matula
 Larry Yates Joyce Jones
 Brandon Greife Susan Jacobs
 Patricia Porter Karlynn O'Shaughnessy