

**JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON HEALTH AND HUMAN SERVICES**



DHHS Budget

**Secretary Mandy Cohen, M.D.
Department of Health and Human Services
March 10, 2020**

Budget Pressures

- Most significant impact of operating under continuation budget is on NC FAST due to the way IT projects are funded
 - Funding to develop new IT functions is nonrecurring because it is not expected to be needed after the fiscal year in which it is funded
 - Once new functions become operational, they move to ongoing maintenance funded with recurring dollars, covering costs such as system updates, defect resolutions, enhancements, training, and user support
 - The State receives an enhanced federal match for an IT project under development, and lower federal match once it becomes operational

NC FAST Budget

- NC FAST budget includes costs associated with the full system functionalities, which deliver state benefits and services to beneficiaries through local DSS's in all 100 counties including:
 - Food and Nutrition Services
 - Disaster Food Assistance (DSNAP)
 - Medicaid Eligibility
 - Work First
 - Special Assistance
 - Refugee Assistance
 - Child Care Subsidy
 - Crisis Intervention
 - Low Income Energy Assistance
 - Child Welfare (limited rollout)

Impact on NC FAST Budget for current FY

- No nonrecurring funds to move forward with planned new development, such as new functionality for child welfare system
- No new recurring funds to support functions completed in last fiscal year (funded with nonrecurring dollars) that are now in operation and maintenance
- Reduced federal match funding for functions in operation and maintenance
- As a result, NC FAST has insufficient funding under continuation budget

Impact on NC FAST Budget for current FY

- Funding decisions have prioritized mitigating impact to people and county operations
 - No state employees are impacted
 - 163 fewer contractors as of February 1; freeze on vacant state positions
- All ongoing programs/functions continue to be supported
 - Response times from the help desk and development teams slower
 - Fewer system releases with improvements and defect resolutions
 - Implementing improvements and defects impacting beneficiaries is the top priority
- Programs/Functions still in development slowed or paused

Impact on NC FAST Programs in Development

- **Child Welfare (P4)**
 - Functionalities currently in use by pilot and intake & assessment counties will continue to be supported
 - Fewer system releases with improvements and defect resolutions
 - Response times from the helpdesk, training team, readiness team, and development teams will be slower
 - No after hours help desk support
 - Deployment of the following delayed indefinitely
 - Extended Access During Release Weekends
 - Family Search and Match changes/enhancements
 - Adoption changes/enhancements
- **Other Programs in Development**
 - Improved Beneficiary Experience: Slowed implementation schedule
 - Cloud Migration and 24/7 Support: On Hold

Medicaid Budget

- **Rebase.** The Medicaid budget fluctuates annually due to inflationary factors such as changes in pricing, utilization, enrollment and federal match rate.
 - The base budget does not address these factors.
- **Managed Care.** Medicaid funds spent on preparation to shift to managed care must be covered by existing Medicaid budget.
- 1% swing in the Medicaid budget is about \$40M.

Group Homes - Nonrecurring

- Since 2013, Group Homes have received a per-person supplement for each resident who meets specific criteria.
- In FY 18-19, appropriation was for \$5 million. 567 people in 322 group homes were served for \$2.6 million.
- OSBM approved carry-forward of \$2.4 million. Therefore, no impact due to continuing budget.

DHHS Relocation

- No funding for final phase of planning, construction, and relocation for DHHS
- 90% of advance planning complete for Blue Ridge site on land owned by the state and located near key partners:
 - DHHS Public Health Laboratory and the Office of the Chief Medical Examiner
 - Department of Public Safety Emergency Management and National Guard
- In addition, the Blue Ridge site allows
 - A presence close to the State Capital
 - Potential future movement of nearly 2,700 staff who are currently in leased and state-owned space throughout Wake County
- In jeopardy of not meeting contractual obligation to be off Dix Campus by 2025

The Right Budget

To provide ongoing accountability and oversight of managed care and protect the health and safety of North Carolinians, NC DHHS needs the right budget.

When it comes to health and wellbeing, the state is better off the continuing budget than with the Conference budget, which:

- Included a \$42M cut to recurring administrative funding = PEOPLE
 - This cut is unprecedented and there is NO scenario where it will not greatly impact service delivery
- Moved DHHS away from state capital where it most effectively and efficiently serves the state